PROFIT *hunters*

# ARTEMIS Monthly Distribution *Fund*

## Manager's Report and Financial Statements

for the year ended 31 December 2019

ARTEMIS
The PROFIT Hunter

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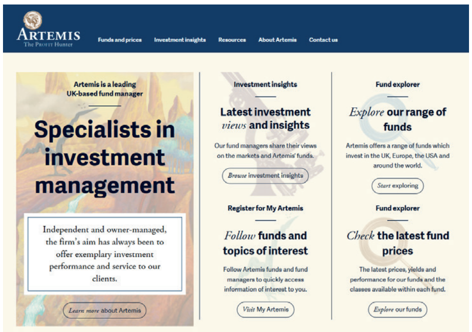


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**artemisfunds.com**

# General information

## Company profile

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

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

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

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

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

* Source: Artemis as at 31 January 2020.

## Fund status

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

## Investment objective

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

## Investment policy

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

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

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

## Fund benchmark

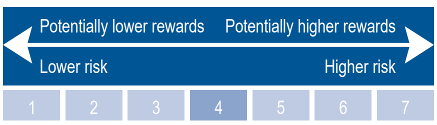
**IA Mixed Investment 20-60% Shares NR**

A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.

## Buying and selling

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

## Risk and reward profile




- The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund may have risen and fallen in the past due to movements in markets, currencies and interest rates). It may not be a reliable indication of the future risk profile of the fund.
- The risk category has been calculated using historic data and may not be a reliable indicator of the fund's future risk profile.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks and the following may affect fund performance:

- Market volatility risk: The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- Currency risk: The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value. Income risk: Although the fund aims to pay a regular income, the payment of income and its level is not guaranteed.
- Emerging markets risk: Compared to more established economies, investments in emerging markets may be subject to greater volatility due to differences in generally accepted accounting principles, less governed standards or from economic or political instability. Under certain market conditions assets may be difficult to sell.
- Credit risk: Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
- Higher-yielding bonds risk: The fund may invest in higher- yielding bonds, which may increase the risk to capital. Investing in these types of assets (which are also known as sub-investment grade bonds) can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.

# General information (continued)

- Charges from capital risk: Because one of the key objectives of the fund is to provide income, the fund charges are taken from capital. This may constrain capital growth or erode capital.

There was no change to the indicator in the period.

## Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 3 or via the website artemisfunds.com.

## Changes to Artemis' funds

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

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

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

On 13 March 2020, Artemis will be launching new class C units. On the same day, certain class R units will be converted to class C units. From then on, the annual management charge will be 1.20%. There are no other differences between the two classes of units, and there will be no change to the administration fee.

On 30 April 2020, the layout of the investment objective and policy of the fund will be changing. While there will be some changes to wording as a result, there will be no changes to the way in which the fund is managed. The new investment objective and policy format can be seen on page 35 and on the website at artemisfunds.com/fund-changes.

## Value assessment

Artemis Fund Managers Limited (AFML) is in the process of conducting a detailed assessment on whether its funds are providing value to unitholders in response to newly introduced regulations. AFML must then publish publicly on an annual basis, a statement setting out a summary of the outcome of the process and whether or not AFML believes the payments out of the scheme property are justified in the context of the overall value delivered to unitholders. Composite reports on Assessment of Value will be published in 2020 via the website artemisfunds.com. The assessment will be subject to internal scrutiny by the AFML board (which includes independent directors), before signoff by the chair of the AFML board. In carrying out the assessment, AFML must, separately for each class of units in a fund, consider as a minimum, the seven criteria stipulated by the FCA. AFML may consider other issues where appropriate. The seven criteria are: range and quality of service, performance, comparable services, comparable market rates, economies of scale, AFM costs, and classes of units.

## Remuneration

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

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

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

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 197 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund within the fund for the year ended 31 December 2018 is £1,109,357 of which £289,903 is fixed remuneration and £819,454 is variable remuneration. No amount of remuneration, including any performance fees was paid directly by the fund.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2018 is £271,698. AFML Remuneration Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of UCITS Remuneration Code the AFML Code staff are the members of Artemis Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

## Tax information reporting

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

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

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

## Manager

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

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

## Investment adviser

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

## Trustee and Depositary

J.P. Morgan Europe Limited †
25 Bank Street
Canary Wharf
London E14 5JP

## Registrar

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

## Auditor

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

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

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

## Statement of the trustee's responsibilities in respect of the scheme and report of the trustee to the unitholders of Artemis Monthly Distribution Fund ('the Trust') for the year ended 31 December 2019

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

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

The trustee must ensure that:

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

# General information (continued)

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

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

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

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

J.P. Morgan Europe Limited
London
25 February 2020

## Statement of the manager's responsibilities

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

In preparing the financial statements the manager is required to:

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

(ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 and as amended in June 2017 ('SORP');

(iii) follow applicable accounting standards;

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

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

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

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

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

## Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Monthly Distribution Fund for the year ended 31 December 2019 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
J L Berens — Director
Artemis Fund Managers Limited
London
25 February 2020

# Independent auditor's report to the unitholders of the Artemis Monthly Distribution Fund for the year ended 31 December 2019

### Opinion

We have audited the financial statements of the Artemis Monthly Distribution Fund ('the Fund') for the year ended 31 December 2019 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2019 and of the net revenue and the net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

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

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

In our opinion:

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

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

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

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

### Responsibilities of the manager

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

# General information (continued)

In preparing the financial statements, the manager is responsible for assessing the Fund's ability to continue as a going concern,

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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

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

### Use of our report

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
25 February 2020

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

- The fund returns 12.7%*.
- Central banks ease recession fear and boost financial markets.
- Wary of inflation, we favour shorter-dated bonds.

## Performance – A healthy return…

In 2019, the fund generated a healthy total return of 12.7%*. This put it ahead of the average return of 12.2%* from its peer group, the IA's Mixed Investment 20-60% Shares sector.

Its performance over the longer term is significantly better. Since we launched in May 2012, the fund has returned 107.8%*. The average return from its peer group is 58.2%*.

The past year was dominated by political risks and by a wave of monetary stimulus. Three cuts to US interest rates and more quantitative easing in Europe possibly prevented a recession. But they also highlighted how reliant markets have become on central bankers to keep the global economy ticking over.

## Review – Helped by central bankers…

At the beginning of 2019, we were worrying about economic growth and speculating about the prospect of interest-rate cuts. These cuts were duly forthcoming, which may have averted a recession.

Reflecting worries about the slowing economy and falling interest rates, government bond yields fell for much of the year. Yields on 10-year US Treasuries, the benchmark lending rate for the global financial system, started the year at 2.7%, fell to 1.45% in August before rallying slightly to 1.9% by the end of the year.

We increased the fund's weightings to government bonds over the year – but only marginally. And while this benefited overall returns, Treasuries aren't good at generating income. So we consider holding them to be a temporary measure: somewhere safer to wait for opportunities elsewhere to emerge.

In Europe, bonds stubbornly hung on to their negative yields. This is not helpful for a fund aiming to generate a good income. There is no doubt that European economies remain in the doldrums. Growth is anaemic, though inflation is low too. In our view, the real issue is that banks aren't lending. Negative interest rates have been a disaster for banks' profitability and so for their lending. That acts as a deadweight on the entire economy.

Furthermore, the European Central Bank (ECB) relaunched its quantitative easing programme. That has lowered yields overall. We enjoyed the benefit of this – especially among our holdings in euro-denominated investment-grade bonds. These holdings yield so little, however, that they are few and far between.

Fortunately, bonds issued by banks and financial organisations (which are not eligible for European Central Bank's bond buying) have also benefited. We have healthy weightings to this sector, partly because they are less distorted by the ECB, but also because banks and insurance companies meet our fundamental criteria for being good investments. First, they have a strong 'franchise': everyone claims to hate their bank, but they rarely move to a competitor. Second, their bonds have been comparatively cheap ever since the financial crisis. Third, because regulators are still breathing down their necks, these companies are still looking to strengthen their balance sheets.

The UK has been on a political rollercoaster throughout the year, a ride which culminated in the general election. Because the market had feared what Mr Corbyn might do if elected, it welcomed the Conservative Party's clear victory. The consequence was a sharp outperformance of sterling assets, including utilities, going into the end of the year. The fund was a beneficiary.

Less helpfully, political certainty also prompted sterling to rise. Most of our equity holdings are in overseas companies. We deliberately do not hedge away the resulting exposure to foreign currencies – so a rise in sterling hinders the fund's performance. We have no desire, however, to change our hedging strategy, we view it as a valuable form of diversification.

Our high-yield bonds are a core component of the fund. In general, these have done well and happily contributed to the income generated for you throughout the year. Within that, however, there was one high-profile negative: Thomas Cook. We felt the company had sufficient assets (in the form of its ongoing airline business) to survive. In hindsight, however, we overvalued this asset. Thomas Cook filed for bankruptcy in September. The experience cost your fund 0.12% – so while this was annoying, it was not a disaster. Deliberately, we have a well-diversified portfolio, so when we do make mistakes they tend not to be too costly.

Over a year in which cuts to interest rates, quantitative easing and fading fears of recession fuelled demand for riskier assets, the biggest contribution to returns came from our equities. Two of the year's standout performers were Italian towers companies: Infrastrutture Wireless Italiane (INWIT) and Rai Way. The advent of 5G is hastening the drive towards the consolidation of TV and telecoms companies' towers networks. INWIT is, in effect, Telecom Italia's infrastructure arm, owning the backbone of its network, base stations on rooftops and masts on hilltops in rural Italy. During the year, it agreed

Past performance is not a guide to the future.
* Source: Lipper Limited, class I accumulation units, in sterling to 31 December 2019. All figures show total returns with dividends/income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the IA sector benchmark.

## Investment review (continued)

a network-sharing partnership with Vodafone's towers division. This then developed into an outright merger. INWIT's shareholders, meanwhile, will receive a 10% special dividend on completion of the deal. In tandem, public speculation has once again picked up over a tie up between EI Towers and Rai Way, which would be positive for both companies.

## Outlook – Wary of longer-dated bonds…

Interest rates seem likely to remain low. Despite some inflationary pressures building, the US Federal Reserve had its fingers burned the last time it raised rates. It is likely to be more cautious before raising them again. This may be storing up problems for the future, particularly if it is too slow in reacting to inflationary pressures. Wage inflation is becoming more evident – but that does not seem to be today's concern.

In Europe, meanwhile, the European Central Bank finds itself constrained. What should it do? Cutting interest rates any further would be even more damaging to banks, and they may respond by cutting lending. Banks are trying to pass along negative rates to their customers – but there is evidence this scares investors and encourages them to save even more. We believe the experiment with negative rates has been an act of folly. We await to see how the ECB will extract itself from it.

The Bank of England has been a little more sensible than its counterpart in Frankfurt, avoiding the experiment with negative rates. But the UK economy is still very weak and while political certainty boosts confidence, negotiating post-Brexit trade deals with the EU and other countries will probably dominate the news this year. In practice, we do expect interest rates in the UK to fall a little, partly because the retail environment is proving to be so tough.

In general, this all represents a positive environment for bonds but this support – and the distortions of quantitative easing – have already been discounted by the market. They are 'in the price'. We suspect government bonds are vulnerable to a change in sentiment. Our main concern lies not so much with shorter-dated bonds – these will benefit if interest rates remain low. But creeping inflationary issues could start to undermine sentiment towards longer-dated bonds.

Moreover, governments the world over are eager to spend. Taxes aren't going up, so this spending will be financed by bond markets. For instance, the UK election campaign was festooned with expensive promises, financeable because 'interest costs are so low'. Only time will tell how long that lasts. Even Germany is starting to question its commitment to 'black zero' balanced-budget policies to finance spending on environmental projects.

Investment-grade corporate bonds (higher-quality bonds as determined by a credit ratings agency) tend to follow the lead of government bond markets. So here too we are avoiding bonds with a long time to maturity. There is little room for credit spreads (the margin between government bonds and corporate bonds is called a spread) to tighten much further – they are already (and justifiably) at record lows. Slow-but-steady growth is almost the perfect environment for credit, add in bond buying by central banks and spreads should be tight. The most likely scenario is that credit spreads stay at these levels. But there must be a risk that they don't. It won't need much to upset the apple cart: higher inflation, higher defaults by corporate borrowers or a few geopolitical surprises could soon undermine confidence.

We still like our positions in financial bonds issued by banks and insurance companies, despite their strong performance over the last year. If we are right about longer-term borrowing rising while short-term yields remain anchored by low interest rates, banks will become more profitable. And because regulators are preventing them from taking on extra leverage, their credit quality should improve.

High-yield bonds are also performing well. (High-yield bonds are corporate bonds with a credit rating below investment grade). But as ever, this is a mixed bag. Some sectors are performing exceptionally well while others are in the doldrums. The outlook for retailers remains poor as it does for some oil-related issuers. The market is discounting very few defaults. While this seems fair, default rates are rising, albeit slowly, and we expect this to continue.

Our concern is that the defensive areas have become expensive as everybody hides in them. There is plenty of room for disappointment as defaults creep higher. In particular, our concerns centre on the loan market. Fuelled by a liquidity bubble in the private equity world exuberance here appears unconstrained. If there is a correction in this market, there will inevitably be contagion to the high-yield bond market.

In equity markets, we look for a move away from a market driven by top-down factors and styles towards one in which individual stocks' fundamentals start to play a larger role once again.

## Conclusion – A word about liquidity…

As we highlighted in our interim report, concerns about liquidity in open-ended funds have been in the news recently. This remains an absolute focus for us.

We believe we have one major advantage in that we are a mixed-asset fund, so while liquidity may be poor in a given sector at any one time, there could well be liquidity in another asset class or sector. We have exposure to both corporate and government bonds, equities, listed real-estate assets, infrastructure companies – as well as to equities based on financial assets such as mortgage-backed bonds. We also currently have over 5% invested in government bonds, which are extremely liquid and easy to trade. This should enable us to offer liquidity to unitholders should it be needed. Rest assured that we remain keenly aware of liquidity risks and aim to keep the portfolio diversification broad to ameliorate this risk.

We run a balanced portfolio between bonds and equities which has generated a healthy return in the last 12 months (and, we believe, a great return since launch). It is, moreover, delivering a good level of income to holders of distribution units (a historic yield of 3.9%). We are still confident that there are plenty of opportunities ahead, perhaps more in the world of equities than bonds. Though, even within the bond universe we are finding opportunities to exploit. We look forward to continuing to generate strong returns into 2020.

**James Foster and**
**Jacob de Tusch-Lec**
**Fund managers**

# Investment information

## Ten largest purchases and sales for the year ended 31 December 2019

| Purchases | Cost £'000 | Sales | Proceeds £'000 |
|---|---|---|---|
| Sanofi | 27,711 | UK Treasury 0.75% 22/07/2023 | 30,651 |
| Microsoft | 25,227 | Play Communications | 18,504 |
| US Treasury 3.13% 15/11/2028 | 18,919 | US Treasury 2.63% 15/02/2029 | 14,824 |
| Iberdrola | 18,756 | Z Energy | 14,107 |
| Aviva | 15,944 | Microsoft | 13,689 |
| US Treasury 1.25% 31/08/2024 | 14,342 | Sanofi | 12,941 |
| General Motors | 13,278 | Bezeq The Israeli Telecommunication Company | 12,869 |
| Blackstone Group A shares | 13,226 | General Motors | 12,626 |
| US Treasury 2.63% 15/02/2029 | 13,117 | Arion Banki, SDR | 12,524 |
| Storebrand | 12,263 | Guangdong Investment | 11,624 |

## Portfolio statement as at 31 December 2019

| Investment | Holding | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Equities 45.39% (45.58%)** | | | |
| **Australia 0.88% (0.55%)** | | | |
| Aurizon Holdings | 2,464,570 | 6,844 | 0.73 |
| Coronado Global Resources, CDI | 1,155,484 | 1,356 | 0.15 |
| | | **8,200** | **0.88** |
| **Austria 0.69% (0.61%)** | | | |
| Verbund | 168,713 | 6,462 | 0.69 |
| | | **6,462** | **0.69** |
| **Brazil 0.00% (0.20%)** | | | |
| **Canada 0.78% (1.43%)** | | | |
| Franco-Nevada | 76,022 | 5,946 | 0.64 |
| Pembina Pipeline | 48,212 | 1,346 | 0.14 |
| | | **7,292** | **0.78** |
| **Chile 0.22% (0.00%)** | | | |
| Antofagasta | 223,093 | 2,054 | 0.22 |
| | | **2,054** | **0.22** |
| **China 1.95% (2.57%)** | | | |
| China Conch Venture Holdings | 1,364,000 | 4,502 | 0.48 |
| China Resources Cement Holdings | 4,222,000 | 4,068 | 0.44 |
| Guangdong Investment | 4,076,000 | 6,459 | 0.69 |
| Ping An Insurance Group Co. of China H shares | 359,300 | 3,217 | 0.34 |
| | | **18,246** | **1.95** |
| **Czech Republic 0.34% (0.78%)** | | | |
| Moneta Money Bank | 1,122,644 | 3,192 | 0.34 |
| | | **3,192** | **0.34** |
| **Denmark 0.00% (1.22%)** | | | |
| **Finland 0.41% (0.97%)** | | | |
| Fortum | 207,294 | 3,876 | 0.41 |
| | | **3,876** | **0.41** |
| **France 2.56% (0.00%)** | | | |
| Sanofi | 214,371 | 16,341 | 1.75 |
| Vinci | 90,141 | 7,576 | 0.81 |
| | | **23,917** | **2.56** |

| Investment | Holding | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Germany 2.62% (2.31%)** | | | |
| Deutsche Pfandbriefbank | 473,392 | 5,858 | 0.63 |
| Rheinmetall | 53,285 | 4,633 | 0.49 |
| Siemens | 47,314 | 4,696 | 0.50 |
| Volkswagen Preference | 62,219 | 9,329 | 1.00 |
| | | **24,516** | **2.62** |
| **Iceland 0.00% (1.23%)** | | | |
| **India 0.00% (0.12%)** | | | |
| **Israel 1.27% (2.73%)** | | | |
| Bank Hapoalim | 496,240 | 3,128 | 0.33 |
| Shikun & Binui | 2,513,322 | 8,798 | 0.94 |
| | | **11,926** | **1.27** |
| **Italy 4.10% (4.08%)** | | | |
| Atlantia | 194,501 | 3,435 | 0.37 |
| Enav | 2,510,650 | 11,353 | 1.21 |
| Infrastrutture Wireless Italiane | 1,118,082 | 8,297 | 0.89 |
| Rai Way | 2,952,293 | 15,307 | 1.63 |
| | | **38,392** | **4.10** |
| **Japan 0.00% (0.78%)** | | | |
| **Luxembourg 0.25% (0.66%)** | | | |
| Tenaris | 276,830 | 2,362 | 0.25 |
| | | **2,362** | **0.25** |
| **Mexico 0.00% (0.19%)** | | | |
| **Netherlands 1.20% (0.39%)** | | | |
| BE Semiconductor Industries | 127,335 | 3,743 | 0.40 |
| ING Groep | 820,341 | 7,462 | 0.80 |
| | | **11,205** | **1.20** |
| **New Zealand 1.92% (1.91%)** | | | |
| Spark New Zealand | 4,178,532 | 9,211 | 0.98 |
| Z Energy | 3,915,921 | 8,791 | 0.94 |
| | | **18,002** | **1.92** |
| **Norway 2.48% (1.85%)** | | | |
| Aker BP | 204,355 | 5,071 | 0.54 |
| Ocean Yield | 1,178,655 | 4,864 | 0.52 |
| Storebrand | 2,226,568 | 13,240 | 1.42 |
| | | **23,175** | **2.48** |
| **Poland 0.00% (1.38%)** | | | |
| **Portugal 0.00% (0.40%)** | | | |
| **Russia 0.31% (0.00%)** | | | |
| Novatek, GDR | 18,776 | 2,874 | 0.31 |
| | | **2,874** | **0.31** |
| **Singapore 0.21% (0.30%)** | | | |
| Far East Hospitality Trust, REIT | 4,609,800 | 1,919 | 0.21 |
| | | **1,919** | **0.21** |
| **South Africa 0.71% (0.25%)** | | | |
| Anglo American | 305,972 | 6,615 | 0.71 |
| | | **6,615** | **0.71** |

# Investment information (continued)

| Investment | Holding/Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Spain 3.27% (0.86%)** | | | |
| Euskaltel | 862,971 | 6,550 | 0.70 |
| Ferrovial | 416,858 | 9,464 | 1.01 |
| Iberdrola | 1,859,166 | 14,561 | 1.56 |
| | | **30,575** | **3.27** |
| **Sweden 1.41% (1.49%)** | | | |
| Nobina | 2,520,409 | 13,239 | 1.41 |
| | | **13,239** | **1.41** |
| **Switzerland 0.00% (3.39%)** | | | |
| **Taiwan 0.00% (0.41%)** | | | |
| **United Arab Emirates 0.33% (0.14%)** | | | |
| Abu Dhabi National Oil Co. for Distribution | 5,037,382 | 3,073 | 0.33 |
| | | **3,073** | **0.33** |
| **United Kingdom 2.36% (1.10%)** | | | |
| Aviva | 1,794,669 | 7,520 | 0.80 |
| HSBC Holdings | 565,600 | 3,343 | 0.36 |
| Mountview Estates | 63,415 | 7,420 | 0.79 |
| Zegona Communications | 3,617,999 | 3,835 | 0.41 |
| | | **22,118** | **2.36** |
| **United States of America 15.12% (11.28%)** | | | |
| AbbVie | 68,773 | 4,607 | 0.49 |
| Blackstone Group A shares | 437,494 | 18,543 | 1.98 |
| Bristol-Myers Squibb | 157,582 | 7,603 | 0.81 |
| Broadcom | 33,033 | 7,836 | 0.84 |
| Citigroup | 198,996 | 11,979 | 1.28 |
| CVS Health | 108,328 | 6,044 | 0.65 |
| Delta Air Lines | 59,564 | 2,645 | 0.28 |
| General Motors | 470,951 | 12,992 | 1.39 |
| GEO Group, REIT | 1,056,026 | 13,391 | 1.43 |
| Huntington Ingalls Industries | 19,353 | 3,689 | 0.39 |
| Las Vegas Sands | 39,280 | 2,061 | 0.22 |
| Microsoft | 108,318 | 12,926 | 1.38 |
| NextEra Energy Partners | 235,894 | 9,366 | 1.00 |
| Qualcomm | 73,768 | 4,938 | 0.53 |
| Targa Resources | 156,345 | 4,757 | 0.51 |
| Verizon Communications | 301,950 | 13,992 | 1.50 |
| Zions Bancorp | 105,807 | 4,147 | 0.44 |
| | | **141,516** | **15.12** |
| **Equities total** | | **424,746** | **45.39** |
| **Government bonds 5.49% (3.01%)** | | | |
| **United Kingdom 1.08% (3.01%)** | | | |
| UK Treasury 0.75% 22/07/2023 | £6,400,000 | 6,435 | 0.69 |
| UK Treasury 5.00% 07/03/2025 | £3,000,000 | 3,668 | 0.39 |
| | | **10,103** | **1.08** |

| Investment | Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| **United States of America 4.41% (0.00%)** | | | |
| US Treasury 1.25% 31/08/2024 | $18,000,000 | 13,370 | 1.43 |
| US Treasury 3.13% 15/11/2028 | $24,000,000 | 20,014 | 2.14 |
| US Treasury 2.38% 15/05/2029 | $10,000,000 | 7,885 | 0.84 |
| | | **41,269** | **4.41** |
| **Government bonds total** | | **51,372** | **5.49** |
| **Corporate bonds 48.90% (50.33%)** | | | |
| **Australia 1.11% (1.12%)** | | | |
| Australia & New Zealand Banking Group, FRN 2.09% Perpetual | $6,060,000 | 3,272 | 0.35 |
| BHP Billiton Finance, FRN 6.50% 22/10/2077 | £2,600,000 | 2,918 | 0.31 |
| Westpac Banking, FRN 2.24% Perpetual | $8,000,000 | 4,166 | 0.45 |
| | | **10,356** | **1.11** |
| **Belgium 0.08% (0.47%)** | | | |
| Ethias 5.00% 14/01/2026 | €800,000 | 796 | 0.08 |
| | | **796** | **0.08** |
| **Bermuda 0.51% (0.47%)** | | | |
| XLIT, FRN 3.25% 29/06/2047 | €5,000,000 | 4,799 | 0.51 |
| | | **4,799** | **0.51** |
| **Canada 0.00% (0.06%)** | | | |
| **Denmark 0.69% (0.74%)** | | | |
| DKT Finance 7.00% 17/06/2023 | €7,200,000 | 6,467 | 0.69 |
| | | **6,467** | **0.69** |
| **France 3.49% (2.71%)** | | | |
| Altice France 7.38% 01/05/2026 | $2,500,000 | 2,035 | 0.22 |
| Altice France 5.50% 15/01/2028 | $5,300,000 | 4,134 | 0.44 |
| Electricite de France, FRN 6.00% Perpetual | £5,500,000 | 6,095 | 0.65 |
| La Poste, FRN 3.12% Perpetual | €4,000,000 | 3,607 | 0.38 |
| Orange, FRN 5.88% Perpetual | £5,550,000 | 6,001 | 0.64 |
| Societe Generale, FRN 7.38% Perpetual | $4,500,000 | 3,612 | 0.39 |
| Total, FRN 2.71% Perpetual | €3,000,000 | 2,722 | 0.29 |
| Vallourec 6.63% 15/10/2022 | €6,000,000 | 4,473 | 0.48 |
| | | **32,679** | **3.49** |
| **Germany 1.36% (2.83%)** | | | |
| Bayer, FRN 2.38% 02/04/2075 | €5,500,000 | 4,787 | 0.51 |
| Deutsche Bahn Finance, FRN 1.60% Perpetual | €1,000,000 | 873 | 0.09 |
| EnBW Energie Baden-Wuerttemberg, FRN 5.13% 05/04/2077 | $3,000,000 | 2,378 | 0.26 |
| Raffinerie Heide 6.38% 01/12/2022 | €5,600,000 | 4,679 | 0.50 |
| | | **12,717** | **1.36** |
| **Ghana 0.70% (0.82%)** | | | |
| Tullow Oil 7.00% 01/03/2025 | $10,217,000 | 6,509 | 0.70 |
| | | **6,509** | **0.70** |
| **Greece 0.42% (0.00%)** | | | |
| Crystal Almond 4.25% 15/10/2024 | €4,500,000 | 3,925 | 0.42 |
| | | **3,925** | **0.42** |

## Investment information (continued)

| Investment | Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Ireland 0.83% (1.09%)** | | | |
| Allied Irish Banks, FRN 7.38% Perpetual | €1,453,000 | 1,312 | 0.14 |
| Bank of Ireland Group, FRN 4.12% 19/09/2027 | $5,000,000 | 3,829 | 0.41 |
| Lambay Capital Securities 6.25% Perpetual[^§] | £3,250,000 | – | – |
| National Asset Management 5.26% 01/03/2020[^] | €3,000,000 | 2,627 | 0.28 |
| | | **7,768** | **0.83** |
| **Israel 0.32% (0.00%)** | | | |
| Teva Pharmaceutical Finance Netherlands III 6.00% 15/04/2024 | $4,000,000 | 3,039 | 0.32 |
| | | **3,039** | **0.32** |
| **Italy 1.44% (1.06%)** | | | |
| Assicurazioni Generali, FRN 6.42% Perpetual | £2,700,000 | 2,919 | 0.31 |
| Enel, FRN 6.62% 15/09/2076 | £2,550,000 | 2,753 | 0.30 |
| Evoca, FRN 3.85% 01/11/2026 | €1,200,000 | 1,031 | 0.11 |
| Evoca, FRN 3.85% 01/11/2026 (Senior Secured) | €2,500,000 | 2,149 | 0.23 |
| Intesa Sanpaolo, FRN 7.00% Perpetual | €2,000,000 | 1,796 | 0.19 |
| Telecom Italia 4.00% 11/04/2024 | €3,000,000 | 2,820 | 0.30 |
| | | **13,468** | **1.44** |
| **Jersey 0.50% (0.49%)** | | | |
| LHC3 4.12% 15/08/2024 | €5,300,000 | 4,652 | 0.50 |
| | | **4,652** | **0.50** |
| **Luxembourg 0.85% (2.11%)** | | | |
| Eurofins Scientific, FRN 3.25% Perpetual | €1,700,000 | 1,407 | 0.15 |
| LHMC Finco 2 7.25% 02/10/2025 | €3,400,000 | 2,993 | 0.32 |
| Safari Verwaltungs 5.38% 30/11/2022 | €5,300,000 | 3,554 | 0.38 |
| | | **7,954** | **0.85** |
| **Mexico 0.10% (0.10%)** | | | |
| America Movil, FRN 6.37% 06/09/2073 | £900,000 | 928 | 0.10 |
| | | **928** | **0.10** |
| **Netherlands 2.82% (2.11%)** | | | |
| Achmea, FRN 4.62% Perpetual | €1,000,000 | 882 | 0.09 |
| Achmea, FRN 4.69% Perpetual | €3,875,000 | 3,418 | 0.37 |
| Cooperatieve Rabobank 4.63% 23/05/2029 | £3,150,000 | 3,749 | 0.40 |
| ING Groep, FRN 6.87% Perpetual | $3,250,000 | 2,627 | 0.28 |
| NN Group, FRN 4.38% Perpetual | €4,000,000 | 3,820 | 0.41 |
| PPF Arena 1 3.13% 27/03/2026 | €5,300,000 | 4,741 | 0.51 |
| Trivium Packaging Finance 3.75% 15/08/2026 | €800,000 | 719 | 0.08 |
| Vivat, FRN 6.25% Perpetual | $4,200,000 | 3,214 | 0.34 |
| VZ Vendor Financing 2.50% 31/01/2024 | €3,700,000 | 3,209 | 0.34 |
| | | **26,379** | **2.82** |
| **Norway 0.40% (0.38%)** | | | |
| PGS 7.38% 15/12/2020 | $5,100,000 | 3,735 | 0.40 |
| | | **3,735** | **0.40** |
| **Portugal 0.41% (0.41%)** | | | |
| EDP - Energias de Portugal, FRN 4.50% 30/04/2079 | €4,000,000 | 3,797 | 0.41 |
| | | **3,797** | **0.41** |

| Investment | Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Russia 0.58% (0.43%)** | | | |
| Gazprom 4.25% 06/04/2024 | £5,000,000 | 5,415 | 0.58 |
| | | **5,415** | **0.58** |
| **South Africa 0.00% (0.18%)** | | | |
| **Spain 1.24% (1.67%)** | | | |
| eDreams ODIGEO 5.50% 01/09/2023 | €6,000,000 | 5,388 | 0.58 |
| Grifols 1.63% 15/02/2025 | €200,000 | 173 | 0.02 |
| Naturgy Finance, FRN 4.13% Perpetual | €5,000,000 | 4,601 | 0.49 |
| Tasty Bondco 1 6.25% 15/05/2026 | €1,600,000 | 1,419 | 0.15 |
| | | **11,581** | **1.24** |
| **Sweden 0.28% (0.54%)** | | | |
| Skandinaviska Enskilda Banken, FRN 5.63% Perpetual | $600,000 | 466 | 0.05 |
| Vattenfall, FRN 3.00% 19/03/2077 | €2,400,000 | 2,190 | 0.23 |
| | | **2,656** | **0.28** |
| **Switzerland 2.14% (1.88%)** | | | |
| Credit Suisse Group, FRN 6.25% Perpetual | $5,800,000 | 4,776 | 0.51 |
| Kongsberg Actuation Systems 5.00% 15/07/2025 | €3,937,000 | 3,430 | 0.37 |
| Swiss Re, FRN 5.75% 15/08/2050 | $5,500,000 | 4,582 | 0.49 |
| UBS Group, FRN 7.00% Perpetual | $2,000,000 | 1,653 | 0.18 |
| Walnut Bidco 6.75% 01/08/2024 | €2,300,000 | 2,087 | 0.22 |
| Zurich Insurance, FRN 4.25% 01/10/2045 | $4,400,000 | 3,478 | 0.37 |
| | | **20,006** | **2.14** |
| **United Arab Emirates 0.42% (0.90%)** | | | |
| Shelf Drilling Holdings 8.25% 15/02/2025 | $5,628,000 | 3,909 | 0.42 |
| | | **3,909** | **0.42** |
| **United Kingdom 22.95% (20.58%)** | | | |
| Arqiva Broadcast Finance 6.75% 30/09/2023 | £4,750,000 | 5,055 | 0.54 |
| Assura Financing, REIT 3.00% 19/07/2028 | £4,500,000 | 4,913 | 0.52 |
| Aviva, FRN 3.38% 04/12/2045 | €3,500,000 | 3,293 | 0.35 |
| Bupa Finance 5.00% 08/12/2026 | £3,550,000 | 4,079 | 0.44 |
| Burford Capital 5.00% 01/12/2026 | £2,300,000 | 2,098 | 0.22 |
| Cabot Financial Luxembourg 7.50% 01/10/2023 | £5,500,000 | 5,705 | 0.61 |
| Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020 | £1,200,000 | 1,233 | 0.13 |
| CPUK Finance 4.25% 28/02/2047 | £4,300,000 | 4,376 | 0.47 |
| Direct Line Insurance Group, FRN 4.75% Perpetual | £5,700,000 | 5,387 | 0.58 |
| Drax Finco 4.25% 01/05/2022 | £5,300,000 | 5,403 | 0.58 |
| EnQuest, FRN 7.00% 15/10/2023 | $7,241,000 | 4,780 | 0.51 |
| Fidelity International 7.13% 13/02/2024 | £1,500,000 | 1,817 | 0.19 |
| Galaxy Bidco 6.50% 31/07/2026 | £3,500,000 | 3,701 | 0.40 |
| Grainger 3.38% 24/04/2028 | £5,200,000 | 5,455 | 0.58 |
| HBOS Sterling Finance Jersey, FRN 7.88% Perpetual | £1,800,000 | 2,806 | 0.30 |
| Heathrow Finance 3.88% 01/03/2027 | £4,500,000 | 4,549 | 0.49 |
| Hiscox, FRN 6.12% 24/11/2045 | £3,000,000 | 3,402 | 0.36 |
| HSBC Bank, FRN 2.19% Perpetual | $7,200,000 | 4,207 | 0.45 |
| Iceland Bondco 6.75% 15/07/2024 | £4,890,000 | 4,638 | 0.50 |
| InterContinental Hotels Group 3.75% 14/08/2025 | £3,800,000 | 4,157 | 0.44 |
| Investec Bank, FRN 4.25% 24/07/2028 | £3,000,000 | 3,081 | 0.33 |

## Investment information (continued)

| Investment | Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| Ithaca Energy North Sea 9.38% 15/07/2024 | $4,800,000 | 3,781 | 0.40 |
| Just Group 9.00% 26/10/2026 | £1,250,000 | 1,391 | 0.15 |
| Kelda Finance No. 3 5.75% 17/02/2020 | £2,700,000 | 2,709 | 0.29 |
| Legal & General Group, FRN 5.38% 27/10/2045 | £4,000,000 | 4,539 | 0.48 |
| Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043 | £2,500,000 | 2,794 | 0.30 |
| London Power Networks 2.63% 01/03/2029 | £4,100,000 | 4,315 | 0.46 |
| M&G, FRN 6.50% 20/10/2048 | $7,000,000 | 6,151 | 0.66 |
| Matalan Finance 6.75% 31/01/2023 | £5,186,000 | 5,037 | 0.54 |
| Miller Homes Group Holdings, FRN 6.03% 15/10/2023 | £3,300,000 | 3,317 | 0.35 |
| Mizzen Bondco 7.00% 01/05/2021 | £2,178,100 | 2,149 | 0.23 |
| National Express Group 2.38% 20/11/2028 | £2,250,000 | 2,253 | 0.24 |
| Neptune Energy Bondco 6.63% 15/05/2025 | $6,000,000 | 4,529 | 0.48 |
| NGG Finance, FRN 5.63% 18/06/2073 | £4,900,000 | 5,534 | 0.59 |
| NWEN Finance 5.88% 21/06/2021 | £1,800,000 | 1,827 | 0.20 |
| Pennon Group, FRN 2.87% Perpetual | £4,667,000 | 4,668 | 0.50 |
| Pension Insurance, FRN 7.38% Perpetual | £4,600,000 | 5,304 | 0.57 |
| Phoenix Group Holdings 4.13% 20/07/2022 | £4,500,000 | 4,708 | 0.50 |
| Provident Financial 7.00% 04/06/2023 | £2,700,000 | 2,801 | 0.30 |
| Punch Taverns Finance B 7.75% 30/12/2025 | £2,250,000 | 2,227 | 0.24 |
| Quilter, FRN 4.48% 28/02/2028 | £4,500,000 | 4,709 | 0.50 |
| Reassure Group 5.87% 13/06/2029 | £4,000,000 | 4,479 | 0.48 |
| Rothesay Life 8.00% 30/10/2025 | £2,915,000 | 3,573 | 0.38 |
| Royal Bank of Scotland Group, FRN 3.75% 01/11/2029 | $500,000 | 386 | 0.04 |
| Royal Bank of Scotland Group, FRN 7.65% Perpetual | $2,511,000 | 2,727 | 0.29 |
| RSA Insurance Group, FRN 5.13% 10/10/2045 | £3,300,000 | 3,735 | 0.40 |
| Santander UK Group Holdings 4.75% 15/09/2025 | $2,200,000 | 1,791 | 0.19 |
| Society of Lloyd's 4.75% 30/10/2024 | £2,000,000 | 2,225 | 0.24 |
| Stonegate Pub Co. Financing 4.88% 15/03/2022 | £2,700,000 | 2,755 | 0.29 |
| Stonegate Pub Co. Financing, FRN 7.05% 15/03/2022 | £1,125,000 | 1,130 | 0.12 |
| TalkTalk Telecom Group 5.38% 15/01/2022 | £5,000,000 | 5,053 | 0.54 |
| Tesco 6.15% 15/11/2037 | $5,590,000 | 5,022 | 0.54 |
| Viridian Group FinanceCo 4.75% 15/09/2024 | £4,150,000 | 4,200 | 0.45 |
| Vodafone Group, FRN 6.25% 03/10/2078 | $5,000,000 | 4,117 | 0.44 |
| Voyage Care BondCo 5.88% 01/05/2023 | £4,800,000 | 4,848 | 0.52 |
| Western Power Distribution 3.50% 16/10/2026 | £5,400,000 | 5,735 | 0.61 |
| Whitbread Group 3.38% 16/10/2025 | £2,400,000 | 2,484 | 0.27 |
| William Hill 4.88% 07/09/2023 | £1,550,000 | 1,654 | 0.18 |
| | | **214,792** | **22.95** |
| **United States of America 5.26% (7.18%)** | | | |
| AMC Entertainment Holdings 6.38% 15/11/2024 | £4,750,000 | 4,671 | 0.50 |
| Burford Capital Finance 6.13% 12/08/2025 | $3,700,000 | 2,661 | 0.28 |
| Continental Resources 4.50% 15/04/2023 | $3,850,000 | 3,053 | 0.33 |
| Infor US 5.75% 15/05/2022 | €2,450,000 | 2,111 | 0.23 |
| Ingles Markets 5.75% 15/06/2023 | $4,474,000 | 3,445 | 0.37 |
| Kraton Polymers 7.00% 15/04/2025 | $4,700,000 | 3,668 | 0.39 |
| Mauser Packaging Solutions Holding 4.75% 15/04/2024 | €5,000,000 | 4,393 | 0.47 |
| Men's Wearhouse 7.00% 01/07/2022 | $3,280,000 | 2,441 | 0.26 |

| Investment | Nominal value | Valuation £'000 | % of net assets |
|---|---|---|---|
| Seagate HDD Cayman 4.75% 01/01/2025 | $2,222,000 | 1,778 | 0.19 |
| Standard Industries 2.25% 21/11/2026 | €3,000,000 | 2,625 | 0.28 |
| State Street, FRN 2.47% 15/05/2028 | $2,970,000 | 2,193 | 0.23 |
| USB Realty, FRN 3.15% Perpetual | $7,600,000 | 4,962 | 0.53 |
| Valaris 7.75% 01/02/2026 | $9,000,000 | 3,935 | 0.42 |
| Wells Fargo 2.50% 02/05/2029 | £2,000,000 | 2,079 | 0.22 |
| WW International 8.63% 01/12/2025 | $6,500,000 | 5,208 | 0.56 |
| | | **49,223** | **5.26** |
| **Corporate bonds total** | | **457,550** | **48.90** |
| **Forward currency contracts (0.31)% ((0.17)%)** | | | |
| Buy Sterling 111,282,016 sell Euro 131,986,000 dated 11/03/2020 | | (1,170) | (0.13) |
| Buy Sterling 176,039,901 sell US Dollar 232,598,000 dated 11/03/2020 | | 288 | 0.03 |
| Buy US Dollar 218,254,149 sell Euro 195,900,000 dated 11/03/2020 | | (1,992) | (0.21) |
| **Forward currency contracts total** | | **(2,874)** | **(0.31)** |
| Investment assets (including investment liabilities) | | 930,794 | 99.47 |
| Net other assets | | 5,000 | 0.53 |
| Net assets attributable to unitholders | | 935,794 | 100.00 |

The comparative percentage figures in brackets are as at 31 December 2018.
§ Security is currently in default.
^ Unlisted, suspended or delisted security.

# Financial statements

## Statement of total return for the year ended 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2019 £'000 | 31 December 2018 £'000 | 31 December 2018 £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Net capital gains/(losses) | 3 | | 83,832 | | (106,311) |
| Revenue | 5 | 45,666 | | 41,782 | |
| Expenses | 6 | (8,301) | | (7,272) | |
| Interest payable and similar charges | 7 | (19) | | (302) | |
| Net revenue before taxation | | 37,346 | | 34,208 | |
| Taxation | 8 | (5,392) | | (5,142) | |
| Net revenue after taxation | | | 31,954 | | 29,066 |
| **Total return before distributions** | | | **115,786** | | **(77,245)** |
| Distributions | 9 | | (39,346) | | (35,698) |
| Change in net assets attributable to unitholders from investment activities | | | 76,440 | | (112,943) |

## Statement of change in net assets attributable to unitholders for the year ended 31 December 2019

| | 31 December 2019 £'000 | 31 December 2019 £'000 | 31 December 2018 £'000 | 31 December 2018 £'000 |
|---|---|---|---|---|
| Opening net assets attributable to unitholders | | 924,394 | | 709,993 |
| Amounts receivable on issue of units | 48,582 | | 311,681 | |
| Amounts payable on cancellation of units | (137,975) | | (7,269) | |
| | | (89,393) | | 304,412 |
| Dilution adjustment | | 62 | | - |
| Change in net assets attributable to unitholders from investment activities | | 76,440 | | (112,943) |
| Retained distributions on accumulation units | | 24,291 | | 22,932 |
| Closing net assets attributable to unitholders | | 935,794 | | 924,394 |

## Balance sheet as at 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Investments | 10 | 933,956 | 914,698 |
| **Current assets** | | | |
| Debtors | 11 | 8,830 | 13,155 |
| Cash and cash equivalents | 12 | 3,526 | 7,383 |
| **Total current assets** | | **12,356** | **20,538** |
| **Total assets** | | **946,312** | **935,236** |
| **Liabilities** | | | |
| Investment liabilities | 10 | 3,162 | 1,899 |
| Provisions for liabilities | 13 | - | 23 |
| **Creditors** | | | |
| Bank overdraft | | 1,924 | - |
| Distribution payable | | 1,863 | 2,000 |
| Other creditors | 14 | 3,569 | 6,920 |
| **Total creditors** | | **7,356** | **8,920** |
| **Total liabilities** | | **10,518** | **10,842** |
| Net assets attributable to unitholders | | 935,794 | 924,394 |

# 1. Accounting policies

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

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

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

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

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

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

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

**(h) Dilution adjustment.** The fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the fund. In order to counter this and to protect unitholders' interests, the Manager will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. In the usual course of business the application of a dilution adjustment will be applied systematically and on a consistent basis.

# 2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on investments, derivatives and currencies, whether realised or

## Notes to the financial statements (continued)

unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. For accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

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

## 3. Net capital gains/(losses)

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Non-derivative securities | 70,230 | (101,226) |
| Forward currency contracts | 10,482 | (7,328) |
| Currency gains | 3,126 | 2,064 |
| Derivative contracts | - | 200 |
| Capital transaction charges | (6) | (21) |
| Net capital gains/(losses) | 83,832 | (106,311) |

## 4. Direct transaction costs

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

| | Year ended 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Principal £'000 | Commission £'000 | Taxes £'000 | Total after costs £'000 | Commission as a percentage of principal % | Taxes as a percentage of principal % |
| Purchases | | | | | | |
| Equities | 510,386 | 129 | 344 | 510,859 | 0.03 | 0.07 |
| Bonds | 186,113 | - | - | 186,113 | - | - |
| Sales | | | | | | |
| Equities | 556,011 | 174 | 76 | 555,761 | 0.03 | 0.01 |
| Bonds | 190,873 | - | - | 190,873 | - | - |
| Total | | 303 | 420 | | | |
| Percentage of fund average net assets | | 0.03% | 0.04% | | | |

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

During the year the fund incurred £6,000 (2018: £21,000) in capital transaction charges.

### Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.52% (2018: 0.79%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

# Notes to the financial statements (continued)

## 5. Revenue

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Interest on debt securities | 25,794 | 24,774 |
| Overseas dividends | 19,204 | 15,928 |
| UK dividends | 637 | 1,053 |
| Bank interest | 31 | 27 |
| Total revenue | 45,666 | 41,782 |

## 6. Expenses

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| **Payable to the manager, associates of the manager and agents of either of them:** | | |
| Annual management charge | 7,407 | 6,627 |
| Administration fees * | 798 | - |
| **Other expenses:** | | |
| Trustee fees | 21 | 71 |
| Registration fees | 20 | 210 |
| Professional fees | 20 | 35 |
| Administrator fees | 12 | 148 |
| Safe custody fees | 12 | 137 |
| Auditor's remuneration: audit fee ** | 11 | 10 |
| Auditor's remuneration: non-audit fee (taxation) | 9 | 4 |
| Price publication fees | - | 1 |
| Operational fees | (9) | 29 |
| Total expenses | 8,301 | 7,272 |

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above reflects the change from variable expenses to a fixed administration fee effective from 1 February 2019.
** The amounts disclosed above include VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £8,450 (2018: £8,450).

## 7. Interest payable and similar charges

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Interest payable | 19 | 39 |
| Interest payable on short futures | - | 263 |
| Total interest payable and similar charges | 19 | 302 |

# 8. Taxation

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| **a) Analysis of the tax charge for the year** | | |
| UK corporation tax | 4,101 | 4,158 |
| Irrecoverable overseas tax | 1,714 | 1,359 |
| Prior year adjustments | (35) | 39 |
| Double tax relief | (365) | (422) |
| Total current taxation (note 8b) | 5,415 | 5,134 |
| Deferred tax (note 8c) | (23) | 8 |
| Total taxation | 5,392 | 5,142 |
| **b) Factors affecting the tax charge for the year** | | |
| Net revenue before taxation | 37,346 | 34,208 |
| Corporation tax at 20% (2018: 20%) | 7,469 | 6,842 |
| **Effects of:** | | |
| Irrecoverable overseas tax | 1,349 | 937 |
| Revenue taxable in different periods | 64 | (26) |
| Prior year adjustments | (35) | 39 |
| Non-taxable UK dividends | (127) | (211) |
| Non-taxable overseas dividends | (3,305) | (2,447) |
| Tax charge for the year (note 8a) | 5,415 | 5,134 |
| **c) Provision for deferred tax** | | |
| Provision at the start of the year | 23 | 15 |
| Movement in deferred tax for the year (note 8a) | (23) | 8 |
| Provision at the end of the year | - | 23 |

# 9. Distributions

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Interim dividend distribution - January 2019 | 2,201 | 1,478 |
| Interim dividend distribution - February 2019 | 2,557 | 2,059 |
| Interim dividend distribution - March 2019 | 4,909 | 2,660 |
| Interim dividend distribution - April 2019 | 4,275 | 3,292 |
| Interim dividend distribution - May 2019 | 5,938 | 5,384 |
| Interim dividend distribution - June 2019 | 3,511 | 3,610 |
| Interim dividend distribution - July 2019 | 3,462 | 2,842 |
| Interim dividend distribution - August 2019 | 2,771 | 2,982 |
| Interim dividend distribution - September 2019 | 2,267 | 3,549 |
| Interim dividend distribution - October 2019 | 2,626 | 3,007 |
| Interim dividend distribution - November 2019 | 2,320 | 2,842 |
| Final dividend distribution - December 2019 | 2,364 | 2,564 |
| | **39,201** | **36,269** |
| Add: amounts deducted on cancellation of units | 228 | 11 |
| Deduct: amounts added on issue of units | (83) | (582) |
| Distributions | 39,346 | 35,698 |
| **Movement between net revenue and distributions** | | |
| Net revenue after taxation | 31,954 | 29,066 |
| Annual management charge paid from capital | 7,407 | 6,627 |
| Undistributed revenue brought forward | 1 | 1 |
| Undistributed revenue carried forward | (1) | (1) |
| Expenses paid from capital | (15) | 5 |
| | 39,346 | 35,698 |

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 31 to 32.

# Notes to the financial statements (continued)

## 10. Fair value hierarchy

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

The disclosure is split into the following categories:

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

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 |
| Level 1 | 424,746 | - | 421,299 | - |
| Level 2 | 506,583 | 3,162 | 490,239 | 1,899 |
| Level 3 | 2,627 | - | 3,160 | - |
| Total | 933,956 | 3,162 | 914,698 | 1,899 |

## 11. Debtors

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Accrued revenue | 7,203 | 8,331 |
| Amounts receivable for issue of units | 936 | 4,337 |
| Overseas withholding tax recoverable | 680 | 487 |
| Sales awaiting settlement | 11 | - |
| Total debtors | 8,830 | 13,155 |

## 12. Cash and cash equivalents

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Cash and bank balances | 3,522 | 4,032 |
| Amounts held at futures clearing houses and brokers | 4 | 3,351 |
| Total cash and cash equivalents | 3,526 | 7,383 |

## 13. Provision for liabilities

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Deferred taxation | - | 23 |
| Total provisions for liabilities | - | 23 |

## 14. Other creditors

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Corporation tax payable | 1,608 | 1,622 |
| Amounts payable for cancellation of units | 1,273 | - |
| Accrued annual management charge | 590 | 590 |
| Accrued administration fee payable to manager | 72 | - |
| Accrued other expenses | 26 | 217 |
| Purchases awaiting settlement | - | 4,491 |
| Total other creditors | 3,569 | 6,920 |

## 15. Contingent liabilities and commitments

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

## 16. Reconciliation of unit movements

| Class | Units in issue at 31 December 2018 | Units issued | Units cancelled | Units converted | Units in issue at 31 December 2019 |
|---|---|---|---|---|---|
| I distribution | 497,917,006 | 32,505,019 | (26,946,234) | 726,224 | 504,202,015 |
| I accumulation | 653,970,726 | 25,301,815 | (119,812,321) | (240,237) | 559,219,983 |
| R distribution | 11,833,660 | 1,753,856 | (2,007,310) | (169,248) | 11,410,958 |
| R accumulation | 14,769,426 | 981,538 | (3,149,037) | (191,216) | 12,410,711 |

## 17. Risk disclosures

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

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

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

### (a) Market risk

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

# Notes to the financial statements (continued)

### (i) Interest rate risk

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

| Currency | Floating rate financial assets £'000 | Fixed rate financial assets £'000 | Financial assets not carrying interest £'000 | Total £'000 |
|---|---|---|---|---|
| 31 December 2019 | | | | |
| Sterling | 12,407 | 210,365 | 313,674 | 536,446 |
| US Dollar | 25,351 | 148,390 | 136,005 | 309,746 |
| Norwegian Krone | 89 | - | 23,289 | 23,378 |
| Hong Kong Dollar | - | - | 21,589 | 21,589 |
| New Zealand Dollar | - | - | 18,002 | 18,002 |
| Swedish Krona | - | - | 13,275 | 13,275 |
| Israeli New Shekel | 38 | - | 12,004 | 12,042 |
| Australian Dollar | - | - | 8,200 | 8,200 |
| Canadian Dollar | - | - | 7,297 | 7,297 |
| Czech Koruna | - | - | 3,192 | 3,192 |
| UAE Dirham | - | - | 3,073 | 3,073 |
| Singapore Dollar | - | - | 1,919 | 1,919 |
| Danish Krone | - | - | 86 | 86 |
| Taiwan Dollar | - | - | 28 | 28 |
| Swiss Franc | - | - | 15 | 15 |
| Euro | 15,549 | 98,335 | (136,378) | (22,494) |
| 31 December 2018 | | | | |
| US Dollar | 17,978 | 117,842 | 112,051 | 247,871 |
| Sterling | 11,473 | 213,442 | 18,429 | 243,344 |
| Euro | 14,422 | 121,178 | 93,514 | 229,114 |
| Swedish Krona | - | - | 29,044 | 29,044 |
| Swiss Franc | - | - | 26,568 | 26,568 |
| Israeli New Shekel | - | - | 25,282 | 25,282 |
| Hong Kong Dollar | 1,203 | - | 22,511 | 23,714 |
| Norwegian Krone | 1,311 | - | 17,856 | 19,167 |
| New Zealand Dollar | - | - | 17,679 | 17,679 |
| Polish Zloty | - | - | 12,715 | 12,715 |
| Danish Krone | - | - | 11,278 | 11,278 |
| Canadian Dollar | - | - | 8,165 | 8,165 |
| Japanese Yen | 1,390 | - | 5,985 | 7,375 |
| Czech Koruna | - | - | 7,179 | 7,179 |
| Australian Dollar | - | - | 5,054 | 5,054 |
| Taiwan Dollar | 216 | - | 3,458 | 3,674 |
| Singapore Dollar | (5) | - | 2,786 | 2,781 |
| Brazilian Real | (13) | - | 1,858 | 1,845 |
| Mexican Peso | - | - | 1,712 | 1,712 |
| UAE Dirham | - | - | 1,259 | 1,259 |
| Indian Rupee | - | - | 1,128 | 1,128 |

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

As at 31 December 2019 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 4.7% fall in the prices of the underlying bonds it holds (2018: 4.1%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

### (ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The gain on forward currency contracts for the year was £10,482,000 (2018: loss of £7,328,000).

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

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

| Currency | Investments £'000 | Net other assets/ (liabilities) £'000 | Forward currency contracts £'000 | Total £'000 |
|---|---|---|---|---|
| 31 December 2019 | | | | |
| Sterling | 249,083 | 41 | 287,322 | 536,446 |
| US Dollar | 317,908 | 2,676 | (10,838) | 309,746 |
| Norwegian Krone | 23,175 | 203 | - | 23,378 |
| Hong Kong Dollar | 21,589 | - | - | 21,589 |
| New Zealand Dollar | 18,002 | - | - | 18,002 |
| Swedish Krona | 13,239 | 36 | - | 13,275 |
| Israeli New Shekel | 11,926 | 116 | - | 12,042 |
| Australian Dollar | 8,200 | - | - | 8,200 |
| Canadian Dollar | 7,292 | 5 | - | 7,297 |
| Czech Koruna | 3,192 | - | - | 3,192 |
| UAE Dirham | 3,073 | - | - | 3,073 |
| Singapore Dollar | 1,919 | - | - | 1,919 |
| Danish Krone | - | 86 | - | 86 |
| Taiwan Dollar | - | 28 | - | 28 |
| Swiss Franc | - | 15 | - | 15 |
| Euro | 255,070 | 1,794 | (279,358) | (22,494) |

# Notes to the financial statements (continued)

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

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £19,967,000 (2018: £20,172,000). A five per cent decrease would have an equal and opposite effect.

### (iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £46,540,000 (2018: £45,640,000). A five per cent decrease would have an equal and opposite effect.

### (iv) Leverage risk

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

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

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

As at 31 December 2019 and 31 December 2018 the leverage ratios of the fund were:

| | 31 December 2019 % | 31 December 2018 % |
|---|---|---|
| Sum of the notionals | 131.95 | 131.65 |
| Commitment | 102.91 | 103.11 |

### (b) Credit and counterparty risk

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

The manager is permitted to use one or more separate counterparties for derivative transactions.  The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the creditworthiness of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus. The derivatives are disclosed in the portfolio statement and UBS A.G. ('UBS') is the counterparty for forward currency contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 December 2019 or 31 December 2018.

### Debt security credit analysis

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

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---:|---:|
| Investment grade securities | 223,699 | 119,244 |
| Below investment grade securities | 262,801 | 340,988 |
| Unrated securities | 22,422 | 32,822 |
| Total of debt securities | 508,922 | 493,054 |

Source of credit ratings: Artemis Investment Management LLP.

### Counterparty exposure

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

| | Foreign currency contracts £'000 | Total net exposure £'000 |
|---|---:|---:|
| 31 December 2019 | | |
| UBS | (2,874) | (2,874) |
| 31 December 2018 | | |
| UBS | (1,554) | (1,554) |

### (c) Liquidity risk

Liquidity risk is the risk that through market liquidity conditions, requests for redemptions from investors cannot be met in an orderly and appropriate manner.  Artemis adopts a policy of mitigation and control to manage liquidity risks.  Mitigation occurs through maintaining prudent levels of liquidity in each fund and a well-diversified investor base.  As a result, redemption requests can be satisfied in all but exceptional circumstances.

Artemis has a dedicated liquidity risk management policy which is owned by the independent investment risk team which reports to the Chief Risk Officer. Its purpose is to ensure the portfolio manager acts in the client's best interest with regards to this liquidity risk.

# Notes to the financial statements (continued)

Through the use of 3rd party modeling and assumptions, the investment risk team conduct regular monitoring and analyses of the liquidity profile of the funds and investor base. This includes but is not limited to what percentage of the fund can be liquidated within certain redemption horizons, whether the largest investors in the fund can redeem without affecting the fair treatment of remaining investors, liquidity stress testing and other analysis deemed to cover a risk specific to the strategy considered.

There was no significant concentration of liquidity risk as at 31 December 2019 or 31 December 2018.

## 18. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 18 and notes 6, 9,11 and 14 on pages 22 to 25 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2019 in respect of these transactions was £999,000 (2018: due from the manager £3,747,000).

## 19. Unit classes

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

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

The net asset value per unit and the number of units in each class are given in the comparative tables on page 33. The distributions per unit class are given in the distribution tables on pages 31 to 32. All classes have the same rights on winding up.

## 20. Post balance sheet event

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

# Distribution tables

This fund pays monthly dividend distributions.The following table sets out the distribution periods.

| Monthly distribution periods | Start | End | Ex-dividend date | Pay date |
|---|---|---|---|---|
| First interim | 1 January 2019 | 31 January 2019 | 1 February 2019 | 29 March 2019 |
| Second interim | 1 February 2019 | 28 February 2019 | 1 March 2019 | 30 April 2019 |
| Third interim | 1 March 2019 | 31 March 2019 | 1 April 2019 | 31 May 2019 |
| Fourth interim | 1 April 2019 | 30 April 2019 | 1 May 2019 | 28 June 2019 |
| Fifth interim | 1 May 2019 | 31 May 2019 | 1 June 2019 | 31 July 2019 |
| Sixth interim | 1 June 2019 | 30 June 2019 | 1 July 2019 | 30 August 2019 |
| Seventh interim | 1 July 2019 | 31 July 2019 | 1 August 2019 | 30 September 2019 |
| Eighth interim | 1 August 2019 | 31 August 2019 | 1 September 2019 | 31 October 2019 |
| Ninth interim | 1 September 2019 | 30 September 2019 | 1 October 2019 | 29 November 2019 |
| Tenth interim | 1 October 2019 | 31 October 2019 | 1 November 2019 | 31 December 2019 |
| Eleventh interim | 1 November 2019 | 30 November 2019 | 1 December 2019 | 31 January 2020 |
| Final | 1 December 2019 | 31 December 2019 | 1 January 2020 | 28 February 2020 |

Group 1 units are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation applies only to group 2 units purchased during the period. It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

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

### I distribution

| Dividend distributions for the year ended 31 December 2019 | Group 2 | | Group 1 & 2 | Corporate streaming | | 2018 |
|---|---|---|---|---|---|---|
| | Net revenue per unit (p) | Equalisation per unit (p) | Distribution per unit (p) | Franked | Unfranked | Distribution per unit (p) |
| First interim | 0.0644 | 0.0937 | 0.1581 | 62.56% | 37.44% | 0.1516 |
| Second interim | 0.0901 | 0.0926 | 0.1827 | 14.71% | 85.29% | 0.2032 |
| Third interim | 0.1988 | 0.1554 | 0.3542 | 63.69% | 36.31% | 0.2507 |
| Fourth interim | 0.1870 | 0.1205 | 0.3075 | 59.34% | 40.66% | 0.2993 |
| Fifth interim | 0.2049 | 0.2222 | 0.4271 | 72.88% | 27.12% | 0.4725 |
| Sixth interim | 0.1373 | 0.1200 | 0.2573 | 20.56% | 79.44% | 0.3061 |
| Seventh interim | 0.1280 | 0.1276 | 0.2556 | 38.50% | 61.50% | 0.2301 |
| Eighth interim | 0.1159 | 0.0914 | 0.2073 | 44.51% | 55.49% | 0.2352 |
| Ninth interim | 0.0835 | 0.0873 | 0.1708 | 37.52% | 62.48% | 0.2724 |
| Tenth interim | 0.1021 | 0.0973 | 0.1994 | 34.80% | 65.20% | 0.2253 |
| Eleventh interim | 0.0620 | 0.1161 | 0.1781 | 73.02% | 26.98% | 0.2090 |
| Final | 0.1044 | 0.0782 | 0.1826 | 47.58% | 52.42% | 0.1855 |

# Distribution tables (continued)

### I accumulation

| Dividend distributions for the year ended 31 December 2019 | Group 2 Net revenue per unit (p) | Group 2 Equalisation per unit (p) | Group 1 & 2 Distribution per unit (p) | Corporate streaming Franked | Corporate streaming Unfranked | 2018 Distribution per unit (p) |
|---|---|---|---|---|---|---|
| First interim | 0.1042 | 0.1028 | 0.2070 | 62.56% | 37.44% | 0.1905 |
| Second interim | 0.1219 | 0.1180 | 0.2399 | 14.71% | 85.29% | 0.2557 |
| Third interim | 0.2495 | 0.2167 | 0.4662 | 63.69% | 36.31% | 0.3163 |
| Fourth interim | 0.2905 | 0.1162 | 0.4067 | 59.34% | 40.66% | 0.3791 |
| Fifth interim | 0.2771 | 0.2902 | 0.5673 | 72.88% | 27.12% | 0.6008 |
| Sixth interim | 0.1762 | 0.1678 | 0.3440 | 20.56% | 79.44% | 0.3914 |
| Seventh interim | 0.1839 | 0.1591 | 0.3430 | 38.50% | 61.50% | 0.2957 |
| Eighth interim | 0.1499 | 0.1290 | 0.2789 | 44.51% | 55.49% | 0.3030 |
| Ninth interim | 0.1029 | 0.1275 | 0.2304 | 37.52% | 62.48% | 0.3523 |
| Tenth interim | 0.1436 | 0.1265 | 0.2701 | 34.80% | 65.20% | 0.2924 |
| Eleventh interim | 0.0714 | 0.1701 | 0.2415 | 73.02% | 26.98% | 0.2722 |
| Final | 0.1470 | 0.1020 | 0.2490 | 47.58% | 52.42% | 0.2421 |

### R distribution

| Dividend distributions for the year ended 31 December 2019 | Group 2 Net revenue per unit (p) | Group 2 Equalisation per unit (p) | Group 1 & 2 Distribution per unit (p) | Corporate streaming Franked | Corporate streaming Unfranked | 2018 Distribution per unit (p) |
|---|---|---|---|---|---|---|
| First interim | 0.0639 | 0.0932 | 0.1571 | 62.56% | 37.44% | 0.1528 |
| Second interim | 0.0664 | 0.1137 | 0.1801 | 14.71% | 85.29% | 0.2015 |
| Third interim | 0.1439 | 0.2001 | 0.3440 | 63.69% | 36.31% | 0.2474 |
| Fourth interim | 0.1607 | 0.1383 | 0.2990 | 59.34% | 40.66% | 0.2935 |
| Fifth interim | 0.2416 | 0.1716 | 0.4132 | 72.88% | 27.12% | 0.4605 |
| Sixth interim | 0.0582 | 0.1926 | 0.2508 | 20.56% | 79.44% | 0.3002 |
| Seventh interim | 0.1447 | 0.1052 | 0.2499 | 38.50% | 61.50% | 0.2274 |
| Eighth interim | 0.1281 | 0.0753 | 0.2034 | 44.51% | 55.49% | 0.2318 |
| Ninth interim | 0.0902 | 0.0782 | 0.1684 | 37.52% | 62.48% | 0.2675 |
| Tenth interim | 0.0673 | 0.1288 | 0.1961 | 34.80% | 65.20% | 0.2224 |
| Eleventh interim | 0.0607 | 0.1145 | 0.1752 | 73.02% | 26.98% | 0.2061 |
| Final | 0.1414 | 0.0379 | 0.1793 | 47.58% | 52.42% | 0.1834 |

### R accumulation

| Dividend distributions for the year ended 31 December 2019 | Group 2 Net revenue per unit (p) | Group 2 Equalisation per unit (p) | Group 1 & 2 Distribution per unit (p) | Corporate streaming Franked | Corporate streaming Unfranked | 2018 Distribution per unit (p) |
|---|---|---|---|---|---|---|
| First interim | 0.0755 | 0.1308 | 0.2063 | 62.56% | 37.44% | 0.1921 |
| Second interim | 0.1147 | 0.1224 | 0.2371 | 14.71% | 85.29% | 0.2542 |
| Third interim | 0.2894 | 0.1648 | 0.4542 | 63.69% | 36.31% | 0.3128 |
| Fourth interim | 0.3575 | 0.0392 | 0.3967 | 59.34% | 40.66% | 0.3725 |
| Fifth interim | 0.3974 | 0.1533 | 0.5507 | 72.88% | 27.12% | 0.5866 |
| Sixth interim | 0.1238 | 0.2129 | 0.3367 | 20.56% | 79.44% | 0.3846 |
| Seventh interim | 0.1538 | 0.1828 | 0.3366 | 38.50% | 61.50% | 0.2928 |
| Eighth interim | 0.1050 | 0.1695 | 0.2745 | 44.51% | 55.49% | 0.2996 |
| Ninth interim | 0.0702 | 0.1579 | 0.2281 | 37.52% | 62.48% | 0.3463 |
| Tenth interim | 0.1845 | 0.0820 | 0.2665 | 34.80% | 65.20% | 0.2897 |
| Eleventh interim | 0.0762 | 0.1622 | 0.2384 | 73.02% | 26.98% | 0.2691 |
| Final | 0.1193 | 0.1258 | 0.2451 | 47.58% | 52.42% | 0.2394 |

# Comparative tables

| | I distribution | | | I accumulation | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| **Change in net assets per unit (p)** | | | | | | |
| **Opening net asset value per unit** | **66.78** | **75.53** | **72.23** | **87.46** | **94.89** | **87.06** |
| Return before operating charges * | 9.03 | (5.10) | 7.04 | 11.98 | (6.65) | 8.60 |
| Operating charges | (0.60) | (0.61) | (0.63) | (0.80) | (0.78) | (0.77) |
| Return after operating charges | 8.43 | (5.71) | 6.41 | 11.18 | (7.43) | 7.83 |
| Distributions | (2.88) | (3.04) | (3.11) | (3.84) | (3.89) | (3.82) |
| Retained distributions on accumulation units | - | - | - | 3.84 | 3.89 | 3.82 |
| **Closing net asset value per unit** | **72.33** | **66.78** | **75.53** | **98.64** | **87.46** | **94.89** |
| * after direct transaction costs of | (0.05) | (0.04) | (0.06) | (0.07) | (0.05) | (0.07) |
| **Performance** | | | | | | |
| Return after charges | 12.62% | (7.56)% | 8.87% | 12.78% | (7.83)% | 8.99% |
| **Other information** | | | | | | |
| Closing net asset value (£'000) | 364,694 | 332,490 | 253,768 | 551,599 | 571,957 | 437,952 |
| Closing number of units | 504,202,015 | 497,917,006 | 335,981,828 | 559,219,983 | 653,970,726 | 461,531,049 |
| Operating charges | 0.84% | 0.83% | 0.84% | 0.84% | 0.83% | 0.84% |
| Direct transaction costs | 0.07% | 0.05% | 0.08% | 0.07% | 0.05% | 0.08% |
| **Prices** ** | | | | | | |
| Highest unit price (p) | 73.44 | 77.90 | 77.13 | 99.61 | 97.86 | 96.64 |
| Lowest unit price (p) | 67.00 | 66.97 | 72.51 | 87.76 | 87.47 | 87.38 |

| | R distribution | | | R accumulation | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| **Change in net assets per unit (p)** | | | | | | |
| **Opening net asset value per unit** | **63.86** | **72.78** | **70.13** | **83.89** | **91.61** | **84.59** |
| Return before operating charges * | 8.70 | (4.82) | 6.89 | 11.56 | (6.29) | 8.44 |
| Operating charges | (1.08) | (1.11) | (1.15) | (1.45) | (1.43) | (1.42) |
| Return after operating charges | 7.62 | (5.93) | 5.74 | 10.11 | (7.72) | 7.02 |
| Distributions | (2.82) | (2.99) | (3.09) | (3.77) | (3.84) | (3.80) |
| Retained distributions on accumulation units | - | - | - | 3.77 | 3.84 | 3.80 |
| **Closing net asset value per unit** | **68.66** | **63.86** | **72.78** | **94.00** | **83.89** | **91.61** |
| * after direct transaction costs of | (0.05) | (0.04) | (0.06) | (0.06) | (0.05) | (0.07) |
| **Performance** | | | | | | |
| Return after charges | 11.93% | (8.15)% | 8.18% | 12.05% | (8.43)% | 8.30% |
| **Other information** | | | | | | |
| Closing net asset value (£'000) | 7,835 | 7,557 | 7,571 | 11,666 | 12,390 | 10,702 |
| Closing number of units | 11,410,958 | 11,833,660 | 10,401,811 | 12,410,711 | 14,769,426 | 11,682,898 |
| Operating charges | 1.59% | 1.58% | 1.59% | 1.59% | 1.58% | 1.59% |
| Direct transaction costs | 0.07% | 0.05% | 0.08% | 0.07% | 0.05% | 0.08% |
| **Prices** ** | | | | | | |
| Highest unit price (p) | 69.94 | 78.21 | 77.62 | 94.94 | 98.43 | 97.22 |
| Lowest unit price (p) | 64.07 | 64.06 | 70.39 | 84.17 | 83.91 | 84.90 |

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

** With effect from 1 February 2019, the pricing basis of the fund changed from bid price and offer price to a single mid price. The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year. High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

# Comparative tables (continued)

## Ongoing charges

| Class | 31 December 2019 |
| --- | --- |
| I distribution | 0.84% |
| I accumulation | 0.84% |
| R distribution | 1.59% |
| R accumulation | 1.59% |

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

## Class I accumulation performance

| Performance | Since launch * | 5 years | 3 years | 1 year | 6 months |
| --- | --- | --- | --- | --- | --- |
| Artemis Monthly Distribution Fund | 107.8 | 43.9 | 13.3 | 12.7 | 3.0 |
| IA Mixed Investment 20-60% Shares average | 58.2 | 27.8 | 14.1 | 12.2 | 3.7 |
| Position in sector | 2/92 | 3/123 | 86/136 | 67/145 | 120/156 |
| Quartile | 1 | 1 | 3 | 2 | 4 |

Past performance is not a guide to the future.
* Source: Lipper Limited, data from 21 May 2012 to 31 December 2019, in sterling. All figures show total returns with dividends/income reinvested, net of all charges, percentage growth. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may be in a currency or have charges or a hedging approach different from those in the IA sector benchmark.

## Class R accumulation performance

| Performance | Since launch * | 5 years | 3 years | 1 year | 6 months |
| --- | --- | --- | --- | --- | --- |
| Artemis Monthly Distribution Fund | 97.9 | 39.3 | 11.1 | 12.0 | 2.7 |
| IA Mixed Investment 20-60% Shares average | 58.2 | 27.8 | 14.1 | 12.2 | 3.7 |

Past performance is not a guide to the future.
* Source: Lipper Limited, data from 21 May 2012 to 31 December 2019, in sterling. All figures show total returns with dividends/income reinvested, net of all charges, percentage growth. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may be in a currency or have charges or a hedging approach different from those in the IA sector benchmark.

# Update to investment objective and policy effective 30 April 2020

| | | |
|---|---|---|
| Objective | To generate monthly income, combined with some capital growth over a five year period. | |
| Investment policy | What the fund invests in | • 40% to 80% in bonds (of any credit quality).<br>• 20% to 60% in company shares.<br>• The fund may also invest in near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives. |
| | Use of derivatives | • The fund may use derivatives for efficient portfolio management purposes to:<br>• reduce risk<br>• manage the fund efficiently. |
| | Where the fund invests | • Globally |
| | Industries the fund invests in | • Any |
| | Other limitations specific to this fund | • None |

ARTEMIS

The Profit Hunter