

Kames Capital ICVC Annual Report and Financial Statements for the year ended 31 July 2018

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

Kames Capital ICVC

Company Information

Authorised Corporate Director (ACD), Investment Manager

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

Directors of the ACD

Arnab Banerji
Gregory Cooper[†]
Martin Davis
Stephen Jones
Sarah Russell
David Watson

Secretary of the ACD

Alison Talbot^{††}

Research Provider

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

Depository

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

Custodian

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

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registrar

Northern Trust Global Services plc* ****
50 Bank Street
London
E14 5NT

*Authorised and regulated by the Financial Conduct Authority.

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

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

****With effect from 3 April 2018 the appointed Transfer Agent and Registrar for the Kames Capital ICVC changed legal name from Northern Trust Global Services Limited to Northern Trust Global Services Plc.

[†]Gregory Cooper resigned as a Director of Kames Capital plc on 31 December 2017.

^{††}Alison Talbot was appointed secretary of the ACD on 18 November 2010.

Kames Capital ICVC

Report of the Authorised Corporate Director

The Company

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

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

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

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

The Company is an umbrella company with 15 sub-funds trading as at 31 July 2018. The number of sub-funds may be increased or decreased in the future.

Authorised Status

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

The Financial Statements

We are pleased to present the annual financial statements for the year ended 31 July 2018.

As required by the OEIC Regulations, information for each of the sub-funds has been included in these financial statements. For each sub-fund we have provided a detailed description of the strategy that was adopted during the year under review. A summary of global market trends covering the year ended 31 July 2018 can be found below.

Sub-fund cross holdings

At the year end none of the shares in the sub-funds listed on page 1 (contents page) were held by any other sub-funds of the company.

Changes to the Prospectus

As of 31 October 2017 Kames Capital plc has appointed Aegon Investment Management BV to assist it in the investment management of Kames Diversified Monthly Income Fund and Kames Diversified Growth Fund. Aegon Investment Management BV is a private limited liability company organised under Dutch law and recorded in the Commercial Registry of The Hague with registered office AEGONplein 50, 2591 TV The Hague, Netherlands.

On the 3 January 2018, various regulatory changes were made to the Kames Capital ICVC prospectus with respect to MiFID II legislation.

On the 1 July 2018, the following changes were made:

Kames Sterling Corporate Bond Fund S share classes decreased from 0.45% to 0.35%.

Kames Investment Grade Bond Fund S share classes decreased from 0.55% to 0.50%.

Kames High Yield Bond S share classes decreased from 0.55% to 0.50%.

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

On the 21 May 2018, the Depositary changed its address to

Second Floor
Drummond House
1 Redheughs Avenue
Edinburgh
EH12 9RH

On the 21 May 2018, there were various updates made to dilution levy spreads across the sub funds within the Kames Capital ICVC.

From 6 April 2018, the Dividend Allowance provides a 0% tax rate on the first £2,000 of dividend income per year (2016/2017 to 2017/18 tax years: £5,000 Dividend Allowance per year).

On the 21 May 2018, various updates were made to historic performance figures across the sub funds of the Kames Capital ICVC.

Kames Capital ICVC

Report of the Authorised Corporate Director (continued)

Investment Approach

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

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

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

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

Synthetic Risk and Reward Indicator

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

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

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

*On 1 October 2017, the SRRI rating on Diversified Monthly Income Fund has changed as the realised volatility of returns on the sub-fund has dropped throughout the year.

Kames Capital ICVC

Market Review for the year ended 31 July 2018

Equity markets continued their long-term bull run, with the MSCI AC World Index registering a 12.11% increase, but they ended the year with increased volatility. After a strong January equities were hit across the board in mid-Q1 2018. One of the key causes was considered to be a strong US job report prompting fears of early interest rate increases from the Federal Reserve, which in turn spooked global equity markets. Before markets could fully return to normalcy this was followed with increased protectionist rhetoric and tariff imposition from the White House, which continued the equity slide into March. While markets rallied in Q2, the spectre of continuing trade disruption has dampened growth.

UK equities had a slightly less successful year than their international counterparts, with continued Brexit uncertainty hitting investor confidence, though macroeconomic data remains relatively positive. Despite Sterling appreciation during Q4 2017 after an optimistic Bank of England assessment and a base rate hike, and further rise during Q1 2018 as investment retreated from emerging markets and into safer currencies, ultimately the pound fell to 6-month lows against the dollar by the end of Q2. The weakness of the pound has been something of a boon to large cap names with significant overseas earnings, especially those in the Oil and Gas sector who have also benefited from increases in the oil price.

Japanese equities also improved through the year, with the MSCI Japan Net USD up by 8.68%. Like the pound, the yen increased in Q1 2018 as investment rallied around 'safe' currencies, but has since returned to late-2017 levels. Global trade fears resulted in export-dependent equities lagging during 2018, but the domestic economy remains in generally good health.

Government bonds generated positive returns across the year. Gilts increased in value, despite the Bank of England raising the base rate and the promise of more to follow. Likewise, overall global government bond prices finished the year having appreciated; the CitiGroup World Government Bond (ex UK) index rose by 1.83% in Sterling terms. Concerns over geopolitics, the protectionist agenda of the White House, and future rate rises checked positive sentiment somewhat, especially during Q1 2018. The overall macroeconomic outlook, however, remained generally positive with robust growth worldwide, steady inflation and increasingly normalised central banking policy.

Corporate bonds also finished the year positively, though with less success than Government bonds. Robust equity markets led to reduced demand, coupled with a surplus of new credit issuance, together causing prices to lag. The high yield sector was the strongest area in relative terms, with the US high yield market outperforming its European counterpart.

Kames Capital ICVC

Statements of Responsibility

Statement of Authorised Corporate Director's Responsibilities

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

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

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

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

The report has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook.

Kames Capital ICVC

Authorised Corporate Director's Statement

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



Martin Davis



Stephen Jones

Edinburgh
26 November 2018

Kames Capital ICVC

Depository's Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of the Kames Capital ICVC ("the Company") for the year ended 31 July 2018

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

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

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

The Depository must ensure that:

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

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

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank plc
Trustee & Depository Services
Edinburgh

26 November 2018

Kames Capital ICVC

Independent auditors' report to the Shareholders of Kames Capital ICVC

Report on the audit of the financial statements

Opinion

In our opinion, Kames Capital ICVC's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 July 2018 and of the net revenue / expenses and the net capital gains / losses on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Kames Capital ICVC (the "company") is an Open Ended Investment Company ('OEIC') with 15 sub-funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 July 2018; the statement of total return, the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or any of the sub-funds' ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Report of the Authorised Corporate Director

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

Kames Capital ICVC

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

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

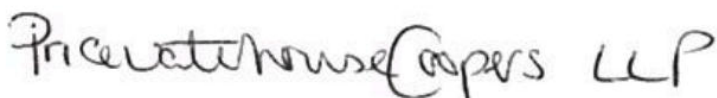
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

26 November 2018

Kames Capital ICVC

Notes to the Annual Financial Statements

Accounting Policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (SORP 2014), and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Both of which became effective for the accounting periods commencing 1 January 2015.

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

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

b) Investments

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

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

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

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

c) Revenue

Dividends on equity investments are recognised when the security is quoted ex-dividend. Dividend equivalent values on long and short CFDs are recognised when the securities are quoted ex-dividend.

All dividends and interest from underlying funds declared ex-dividend during the year ended 31 July 2018 are included in revenue. Any reported revenue from an offshore fund in excess of any distributions is recognised as revenue after the end of the reporting period, not later than the date when the reporting fund makes this information available.

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

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

Kames Diversified Monthly Income Fund holds currency forward contracts and the interest on the difference between spot and forward rates on the trade date is split out and amortised over the life of the contract as revenue. Subsequent changes to the exchange rates during the life of the currency forward contract and on closure would be recognised as a capital gain/loss.

d) Exchange rates

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

e) Expenses

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

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

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

f) Allocation of revenue and expenses to multiple share classes

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

Kames Capital ICVC

Notes to the Annual Financial Statements

Accounting Policies (continued)

g) Taxation

Corporation tax relief is applicable only where the transfer of the benefit is between the revenue and capital property of at least two different share classes of a sub-fund. Previously, corporation tax relief could apply between the revenue and capital property of the same share class of a sub-fund.

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

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

h) Special dividends

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

i) Underwriting commission

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

j) Derivatives

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

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

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

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

Forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. All gains and losses are taken to capital with the exception of the Kames Diversified Monthly Income Fund and Diversified Growth Fund, further details of which can be found in the Revenue section of the Accounting policies.

Futures

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

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

Interest rate swaps

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

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

Contracts for difference

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

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

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

Kames Capital ICVC

Notes to the Annual Financial Statements

Accounting Policies (continued)

Options

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

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

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

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

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

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

Kames Capital ICVC (“the Company”) will only write call options where we hold the underlying position equity directly.

Credit default swaps

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

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

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

Distribution Policies

a) Distribution policy

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

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

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

b) Stock dividends

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

c) Expenses

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

d) Equalisation

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

Kames Capital ICVC

Notes to the Annual Financial Statements

Dilution Adjustment

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

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

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

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

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

Financial Instruments

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

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the year (2017: same policies).

Market price risk

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

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

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

Foreign currency risk

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

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

Interest rate risk

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

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

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

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

Liquidity risk

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

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

Kames Capital ICVC

Notes to the Annual Financial Statements

Financial Instruments (continued)

Liquidity risk (continued)

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

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

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

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

Credit risk

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

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

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

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

Derivative risk

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

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

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

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

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

Fair value of financial assets and financial liabilities

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

Related Parties

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

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

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

Kames Sterling Corporate Bond Fund

Fund description

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

Risk profile

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

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

Performance

The Kames Sterling Corporate Bond Fund returned 0.10% compared to the peer group median return of (0.05)%. The peer group is the Investment Association Sterling Corporate Bond sector.

Strategy review

Bond markets were volatile over the period, with government bonds slightly outperforming their corporate bond counterparts. Overall returns were subdued although the high yield sector was the strongest performer as it benefited most from the ongoing strength in the global economy.

Throughout the period, global economic growth remained buoyant, particularly in the US. Bond markets had to contend with interest rate rises (in both the US and UK), but at other times (particularly as we moved through 2018), periods of risk aversion dominated markets. The main driver was an escalation in trade tariffs prompted by President Trump's protectionist policies.

For the majority of the period the Fund retained a short position in terms of interest rate risk, although we amended our positioning when warranted by the prevailing market environment. At times, our positioning added value; around September, for example, gilt yields moved sharply higher in response to more hawkish comments from the Bank of England and our short duration stance performed well. At the start of 2018, however, an uptick in global geopolitical risk resulted in a flight to the safety of government bonds and our short position subsequently detracted. Gilt yields increased again as we approached the end of the period and we lengthened duration as a result.

Within credit, our exposure to subordinated financials bonds continued to benefit relative performance, as did the weighting to the collateralised sector. Within issue selection the exposure to Bank of Scotland, Santander and Rabobank were among the better performers. Our holdings in Sainsbury's Bank, Rabobank and Legal & General also added value. In other areas, the position in Tesco Property bonds aided returns after the company conducted a tender for unsecured debt.

We began to reduce our exposure to credit as the second half of the period progressed, and as we became more cautious on the potential for the Bank of England to increase rates. This proved the correct course of action as credit came under pressure.

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

Kames Sterling Corporate Bond Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
HSBC 5.375% 22/08/2033	8,239	Transport for London 2.25% 09/08/2022	12,075
United Kingdom Gilt 4.25% 07/03/2036	7,332	United Kingdom Gilt 2.75% 07/09/2024	11,901
Aviva 4.375% 12/09/2049	7,262	United Kingdom Gilt 1.5% 22/07/2026	10,569
Royal Bank of Scotland 2.875% 19/09/2026	6,857	AA 6.269% 02/07/2043	9,327
United Kingdom Gilt 1.5% 22/07/2047	6,487	HSBC 7% 07/04/2038	8,063
E.ON International Finance 6.375% 07/06/2032	6,263	KFW 1% 07/12/2017	8,018
Barclays Bank 5.75% 14/09/2026	6,084	HSBC 5.375% 22/08/2033	7,987
Transport for London 2.125% 24/04/2025	5,013	United Kingdom Gilt 4.5% 07/09/2030	7,635
Bank of Nova Scotia 1.75% 23/12/2022	4,988	Centrica 4.25% 12/09/2044	7,458
Direct Line Insurance 4.75% Perpetual	4,900	UNITE USAF II 3.374% 30/06/2023	7,166

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
DONG Energy 5.75% 09/04/2040	1.29	United Kingdom Gilt 2.75% 07/09/2024	1.81
Aviva 4.375% 12/09/2049	1.29	Transport for London 2.25% 09/08/2022	1.81
Barclays Bank 5.75% 14/09/2026	1.23	United Kingdom Gilt 1.5% 22/07/2026	1.55
E.ON International Finance 6.375% 07/06/2032	1.22	AA 6.269% 31/07/2025	1.52
THPA Finance 8.241% 15/03/2028	1.21	APT Pipelines 3.5% 22/03/2030	1.35
Bank of America 7% 31/07/2028	1.19	White City Property Finance 5.1202% 17/04/2035	1.29
Canary Wharf Finance II 6.8% 22/04/2030	1.14	HSBC 7% 07/04/2038	1.23
Tesco Property Finance No.2 6.0517% 13/10/2039	1.14	KFW 1% 07/12/2017	1.19
Rabobank Nederland 6.91% Perpetual	1.10	Bank of Scotland Capital Funding 7.754% Perpetual	1.17
American International 2.33575% 15/03/2067	1.10	FCE 2.727% 03/06/2022	1.16

Kames Sterling Corporate Bond Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	76.44	74.54	69.15
Return before operating charges	0.92	2.87	6.52
Operating charges	(0.80)	(0.79)	(0.73)
Return after operating charges	0.12	2.08	5.79
Distributions	(1.90)	(1.79)	(2.01)
Retained distributions on accumulation shares	1.90	1.61	1.61
Closing net asset value per share	76.56	76.44	74.54
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.15%	2.80%	7.79%
Other information			
Closing net asset value (£'000)	72,909	84,927	126,371
Closing number of shares	95,236,464	111,098,895	169,527,642
Operating charges	1.04%	1.04%	1.05%
Direct transaction costs	-	-	-
Prices			
Highest share price	78.33	77.22	75.03
Lowest share price	76.11	73.17	68.49

A Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	32.67	32.55	30.89
Return before operating charges	0.40	1.24	2.88
Operating charges	(0.34)	(0.34)	(0.32)
Return after operating charges	0.06	0.90	2.56
Distributions	(0.81)	(0.78)	(0.90)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	31.92	32.67	32.55
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.18%	2.76%	7.70%
Other information			
Closing net asset value (£'000)	5,925	8,368	9,885
Closing number of shares	18,561,961	25,615,972	30,371,829
Operating charges	1.04%	1.04%	1.05%
Direct transaction costs	-	-	-
Prices			
Highest share price	33.29	33.72	32.93
Lowest share price	31.94	31.79	30.23

Kames Sterling Corporate Bond Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	81.52	79.14	73.14
Return before operating charges	0.97	3.05	6.91
Operating charges	(0.44)	(0.44)	(0.41)
Return after operating charges	0.53	2.61	6.50
Distributions	(2.45)	(2.30)	(2.49)
Retained distributions on accumulation shares	2.45	2.07	1.99
Closing net asset value per share	82.05	81.52	79.14
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.66%	3.30%	8.20%
Other information			
Closing net asset value (£'000)	129,692	193,325	199,493
Closing number of shares	158,060,223	237,142,229	252,071,600
Operating charges	0.54%	0.54%	0.55%
Direct transaction costs	-	-	-
Prices			
Highest share price	83.72	82.22	79.66
Lowest share price	81.31	77.80	72.59

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	33.25	33.13	31.44
Return before operating charges	0.40	1.25	2.92
Operating charges	(0.18)	(0.18)	(0.17)
Return after operating charges	0.22	1.07	2.75
Distributions	(0.99)	(0.95)	(1.06)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	32.48	33.25	33.13
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.66%	3.23%	8.08%
Other information			
Closing net asset value (£'000)	127,339	378,486	377,038
Closing number of shares	391,995,939	1,138,160,470	1,138,032,508
Operating charges	0.54%	0.54%	0.55%
Direct transaction costs	-	-	-
Prices			
Highest share price	33.90	34.33	33.55
Lowest share price	32.51	32.38	30.78

Kames Sterling Corporate Bond Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	125.74	122.34	113.27
Return before operating charges	1.50	4.70	10.71
Operating charges	(1.00)	(0.98)	(0.92)
Return after operating charges	0.50	3.72	9.79
Distributions	(3.45)	(3.24)	(3.58)
Retained distributions on accumulation shares	3.45	2.92	2.86
Closing net asset value per share	126.24	125.74	122.34
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.40%	3.04%	8.64%
Other information			
Closing net asset value (£'000)	1,359	1,642	2,058
Closing number of shares	1,076,831	1,305,956	1,682,290
Operating charges	0.79%	0.79%	0.80%
Direct transaction costs	-	-	-
Prices			
Highest share price	128.98	126.85	123.14
Lowest share price	125.36	120.18	112.31

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	110.99	110.58	104.95
Return before operating charges	1.33	4.20	9.74
Operating charges	(0.87)	(0.88)	(0.84)
Return after operating charges	0.46	3.32	8.90
Distributions	(3.01)	(2.91)	(3.27)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	108.44	110.99	110.58
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.41%	3.00%	7.86%
Other information			
Closing net asset value (£'000)	2,437	3,164	4,541
Closing number of shares	2,247,579	2,850,310	4,106,604
Operating charges	0.79%	0.79%	0.80%
Direct transaction costs	-	-	-
Prices			
Highest share price	113.12	114.57	111.94
Lowest share price	108.52	108.04	102.72

Kames Sterling Corporate Bond Fund

Performance Information (continued)

G Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	182.72	176.86	162.33
Return before operating charges	2.17	6.84	15.44
Operating charges	(0.99)	(0.98)	(0.91)
Return after operating charges	1.18	5.86	14.53
Distributions	(5.48)	(5.15)	(5.56)
Retained distributions on accumulation shares	5.48	5.15	5.56
Closing net asset value per share	183.90	182.72	176.86
After direct transaction costs of	-	-	-
Performance			
Return after charges	0.65%	3.31%	8.95%
Other information			
Closing net asset value (£'000)	2,613	3,218	2,536
Closing number of shares	1,420,791	1,761,089	1,433,952
Operating charges	0.54%	0.54%	0.55%
Direct transaction costs	-	-	-
Prices			
Highest share price	187.63	184.28	178.01
Lowest share price	182.25	174.25	161.74

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

*Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Performance Information (continued)

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

*Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Futures Contracts (31 July 2017: 0.04%)	135	0.03
335	Long Gilt Future Contract September 2018	135	0.03
	Sterling Denominated Bonds (31 July 2017: 98.29%)	446,825	91.51
	Asset Backed Security (31 July 2017: 10.88%)	62,618	12.82
3,500,000	Arqiva Financing 4.882% 31/12/2032	3,753	0.77
4,200,000	Autolink Concessionaires M6 8.39% 15/06/2022	1,891	0.39
8,100,000	BL Superstores Finance 5.27% 04/10/2025	2,097	0.43
7,100,000	Canary Wharf Finance II 6.8% 22/04/2030	5,599	1.14
1,500,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,597	0.33
4,000,000	Connect M77/GSO 5.404% 31/03/2034	3,277	0.67
4,000,000	Dignity Finance 3.5456% 31/12/2034	3,622	0.74
3,000,000	Intu Debenture 5.562% 31/12/2027	2,917	0.60
5,900,000	Nats En Route 5.25% 31/03/2026	4,282	0.88
4,735,000	Premier Transmission Financing 5.2022% 31/03/2030	3,486	0.71
6,200,000	Telereal Secured Finance 4.01% 10/12/2031	5,210	1.07
4,000,000	Telereal Secured Finance 4.9741% 10/09/2027	3,022	0.62
2,600,000	Telereal Secured Finance 6.1645% 10/12/2031	2,934	0.60
5,500,000	Tesco Property Finance No.2 6.0517% 13/10/2039	5,590	1.14
5,300,000	THPA Finance 8.241% 15/03/2028	5,917	1.21
5,300,000	Unique Pub Finance 6.542% 30/03/2021	2,356	0.48
4,600,000	White City Property Finance 5.1202% 17/04/2035	5,068	1.04
	Corporate Bonds (31 July 2017: 81.09%)	364,944	74.75
5,800,000	American International 2.33575% 15/03/2067	5,365	1.10
1,800,000	American International 5% 26/04/2023	2,018	0.41
2,600,000	Anheuser-Busch InBev 2.25% 24/05/2029	2,487	0.51
3,500,000	Anheuser-Busch InBev 2.85% 25/05/2037	3,364	0.69
2,100,000	APT Pipelines 3.5% 22/03/2030	2,158	0.44
3,700,000	Aroundtown 3.25% 18/07/2027	3,630	0.74
1,700,000	Arqiva Financing 5.34% 30/06/2030	1,981	0.41
6,400,000	Aviva 4.375% 12/09/2049	6,291	1.29
2,200,000	AXA 5.453% Perpetual	2,368	0.49
4,300,000	Bank of America 7% 31/07/2028	5,826	1.19
5,000,000	Bank of Nova Scotia 1.75% 23/12/2022	4,981	1.02
2,000,000	Bank of Scotland 7.281% Perpetual	2,349	0.48
4,600,000	Bank of Scotland Capital Funding 7.754% Perpetual	5,094	1.04
3,200,000	Barclays Bank 2.375% 06/10/2023	3,155	0.65
5,200,000	Barclays Bank 5.75% 14/09/2026	5,994	1.23
3,200,000	Barclays Bank 7.125% 21/05/2021	3,823	0.78
2,400,000	Becton Dickinson 3.02% 24/05/2025	2,430	0.50
2,900,000	BG Energy Capital 5.125% 01/12/2025	3,508	0.72
3,000,000	British Land 5.264% 24/09/2035	3,775	0.77
2,500,000	BUPA Finance 6.125% Perpetual	2,658	0.54
3,700,000	Chancellor Masters and Scholars of the University of Oxford 2.544% 08/12/2117	3,510	0.72
2,100,000	Citigroup 5.15% 21/05/2026	2,461	0.50
2,600,000	Citigroup 6.8% 25/06/2038	3,944	0.81
2,500,000	Close Brothers 2.75% 26/04/2023	2,507	0.51
1,200,000	CPUK Finance 4.25% 28/08/2022	1,193	0.24
4,000,000	CPUK Finance 7.239% 28/02/2024	4,919	1.01
2,900,000	Credit Agricole 7.375% 18/12/2023	3,601	0.74
1,500,000	Credit Agricole 8.125% Perpetual	1,594	0.33
2,800,000	CYBG 3.125% 22/06/2025	2,756	0.56
4,300,000	Deutsche Bank 1.75% 16/12/2021	4,198	0.86
1,400,000	Dexia Credit 2.125% 12/02/2025	1,425	0.29
3,300,000	Direct Line Insurance 4.75% Perpetual	2,977	0.61

Kames Sterling Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (continued)		
1,476,000	Direct Line Insurance 9.25% 27/04/2042	1,802	0.37
4,500,000	DONG Energy 5.75% 09/04/2040	6,319	1.29
2,200,000	Drax Finco 4.25% 01/05/2022	2,224	0.46
4,400,000	E.ON International Finance 6.375% 07/06/2032	5,973	1.22
2,200,000	Electricite de France 5.875% 18/07/2031	2,814	0.58
3,000,000	Engie 4.625% Perpetual	3,036	0.62
4,300,000	Enterprise Inns 6% 06/10/2023	4,646	0.95
1,650,000	Esure 6.75% 19/12/2024	1,900	0.39
2,700,000	General Electric 5.25% 07/12/2028	3,254	0.67
3,000,000	GLH Hotels 7.875% 20/06/2022	3,317	0.68
3,600,000	Goldman Sachs 6.875% 18/01/2038	5,054	1.04
3,100,000	Heathrow Funding 4.625% 31/10/2046	3,793	0.78
2,700,000	HJ Heinz Finance UK 6.25% 18/02/2030	3,345	0.69
3,200,000	HSBC 4.75% 24/03/2046	3,810	0.78
3,100,000	HSBC Capital 5.844% Perpetual	3,858	0.79
3,800,000	HSBC Capital Funding Sterling 2 5.862% Perpetual	3,988	0.82
2,300,000	Imperial Brands Finance 4.625% 07/06/2032	2,638	0.54
3,400,000	Intesa Sanpaolo 5.25% 28/01/2022	3,686	0.75
4,800,000	Intu Metrocentre Finance 4.125% 06/12/2023	5,125	1.05
2,400,000	Investec 4.5% 05/05/2022	2,568	0.53
2,500,000	Investec 6.75% Perpetual	2,536	0.52
2,350,000	John Lewis 6.125% 21/01/2025	2,711	0.56
5,000,000	Juneau Investments 5.9% 22/02/2021	5,281	1.08
1,700,000	Legal & General 5.5% 27/06/2064	1,815	0.37
3,200,000	Legal & General 10% 23/07/2041	3,886	0.80
5,000,000	Lehman Brothers 6% 25/01/2013	208	0.04
2,000,000	Liberty Living Finance 3.375% 28/11/2029	1,993	0.41
3,400,000	Lunar Funding I 5.494% 29/07/2020	3,624	0.74
2,800,000	Martlet Homes 3% 09/05/2052	2,636	0.54
3,300,000	Metro Bank 5.5% 26/06/2028	3,227	0.66
4,900,000	National Express 2.5% 11/11/2023	4,845	0.99
4,600,000	National Grid Gas Finance 2.125% 22/09/2028	4,326	0.89
3,200,000	National Grid Gas Finance 2.625% 22/09/2038	2,917	0.60
4,000,000	NGG Finance 5.625% 18/06/2073	4,390	0.90
3,500,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	4,139	0.85
2,500,000	Orange 5.75% Perpetual	2,708	0.55
2,600,000	Partnership Assurance 9.5% 24/03/2025	2,895	0.59
4,600,000	Pennon 2.875% Perpetual	4,594	0.94
2,500,000	Pension Insurance 8% 23/11/2026	3,096	0.63
4,000,000	PGH Capital 6.625% 18/12/2025	4,413	0.90
800,000	Places for People Homes 3.625% 22/11/2028	807	0.17
1,200,000	Provident Financial 7% 04/06/2023	1,222	0.25
1,200,000	Prudential 5% 20/07/2055	1,263	0.26
2,500,000	Prudential 5.7% 19/12/2063	2,867	0.59
2,000,000	Prudential 5.875% 11/05/2029	2,756	0.56
2,000,000	Quilter 4.478% 28/02/2028	2,007	0.41
3,700,000	Rabobank Nederland 4.625% 23/05/2029	4,095	0.84
3,700,000	Rabobank Nederland 6.91% Perpetual	5,380	1.10
2,400,000	RAC Bond 4.87% 06/05/2026	2,431	0.50
5,400,000	Royal Bank of Scotland 2.875% 19/09/2026	5,319	1.09
3,000,000	Royal Bank of Scotland 6.2% Perpetual	3,298	0.68
4,300,000	RWE Finance 4.75% 31/01/2034	5,057	1.04
3,200,000	Sainsbury's Bank 6% 23/11/2027	3,319	0.68
2,600,000	Santander 10.0625% Perpetual	4,242	0.87
1,900,000	Santander UK 6.75% Perpetual	1,970	0.40
1,800,000	SMFG Preferred Capital GBP 2 10.231% Perpetual	2,848	0.58
3,400,000	SP Manweb 4.875% 20/09/2027	4,028	0.82
4,300,000	SSE 3.875% Perpetual	4,381	0.90

Kames Sterling Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
2,700,000	Stagecoach 4% 29/09/2025	2,816	0.58
2,800,000	Thames Water Utilities Cayman Finance 2.625% 24/01/2032	2,646	0.54
3,800,000	Thames Water Utilities Cayman Finance 5.75% 13/09/2030	4,221	0.86
3,500,000	TP ICAP 5.25% 26/01/2024	3,528	0.72
2,000,000	Trafford Centre Finance 4.75% 28/04/2024	2,143	0.44
4,200,000	UBS Jersey 6.375% 19/11/2024	4,431	0.91
2,100,000	Vantiv / Vanity Issuer 3.875% 15/11/2025	2,013	0.41
3,800,000	Verizon Communications 3.375% 27/10/2036	3,738	0.77
2,300,000	Volkswagen Financial Services 1.5% 12/04/2021	2,281	0.47
4,200,000	Walgreens 2.875% 20/11/2020	4,312	0.88
2,200,000	Wellcome Trust 2.517% 07/02/2118	2,067	0.42
3,800,000	Wells Fargo 2% 28/07/2025	3,657	0.75
3,200,000	Welltower 4.8% 20/11/2028	3,609	0.74
2,600,000	Western Power Distribution 3.625% 06/11/2023	2,725	0.56
2,870,000	Western Power Distribution West Midlands 5.75% 16/04/2032	3,725	0.76
4,800,000	Yorkshire Building Society 3.5% 21/04/2026	5,011	1.03
2,500,000	Yorkshire Water Services 3.75% 22/03/2046	2,591	0.53
3,900,000	Zurich Finance (UK) 6.625% Perpetual	4,410	0.90
Government Bonds (31 July 2017: 6.32%)		19,263	3.94
5,200,000	European Investment Bank 1% 21/09/2026	4,956	1.01
3,400,000	European Investment Bank 6% 07/12/2028	4,753	0.97
4,900,000	Transport For London 2.215% 24/04/2025	4,978	1.02
3,300,000	United Kingdom Gilt 4.25% 07/03/2036	4,576	0.94
Portfolio of investments		446,960	91.54
Net other assets		41,330	8.46
Total net assets attributable to shareholders		488,290	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Bonds	446,825	91.51
Derivatives	135	0.03
Portfolio of investments	446,960	91.54
Net other assets	41,330	8.46
Total net assets attributable to shareholders	488,290	100.00

Analysis of underlying exposure futures and options

	Market Value £'000
Futures contracts	135
	135

The comparative percentage figures in brackets are at 31 July 2017.

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

Kames Sterling Corporate Bond Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(12,519)		2,261
Revenue	3	20,494		24,099	
Expenses	4	(3,494)		(4,334)	
Interest payable and similar charges	6	<u>(343)</u>		<u>(203)</u>	
Net revenue before taxation		16,657		19,562	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>16,657</u>		<u>19,562</u>
Total return before distributions			4,138		21,823
Distributions	6		<u>(16,667)</u>		<u>(19,564)</u>
Change in net assets attributable to shareholders from investment activities			(12,529)		2,259

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		673,130		721,922
Amounts receivable on creation of shares	61,986		139,744	
Amounts payable on cancellation of shares	<u>(241,164)</u>		<u>(198,106)</u>	
		(179,178)		(58,362)
Dilution adjustment		454		208
Change in net assets attributable to shareholders from investment activities		(12,529)		2,259
Retained distribution on accumulation shares		6,408		7,098
Unclaimed distributions		<u>5</u>		<u>5</u>
Closing net assets attributable to shareholders		488,290		673,130

Kames Sterling Corporate Bond Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			446,960		661,871
Current assets:					
Debtors	7	17,163		9,994	
Cash and cash equivalents	8	<u>31,548</u>		<u>8,847</u>	
			<u>48,711</u>		<u>18,841</u>
Total assets			495,671		680,712
Liabilities					
Creditors					
Bank overdrafts	9	5		123	
Distribution payable		2,157		2,712	
Other creditors	10	<u>5,219</u>		<u>4,747</u>	
Total liabilities			<u>7,381</u>		<u>7,582</u>
Net assets attributable to shareholders			488,290		673,130

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2018	2017
	£'000	£'000
(Losses)/gains on non-derivative securities	(13,237)	1,696
Currency exchange gains/(losses)	6	(14)
Gains on derivative securities	714	581
Transaction charges	(2)	(2)
Net capital (losses)/gains	(12,519)	2,261

3 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	20,462	24,065
Bank interest	32	34
Total revenue	20,494	24,099

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,270	4,030
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	121	192
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	4
KIID fee	3	3
Printing cost	-	(2)
Registrar's fee	52	52
Safe custody charge	34	48
	103	112
Total expenses	3,494	4,334

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

**The audit fee (excluding VAT) incurred during the year was £8,655 (2017: £6,426).

5 Taxation

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

Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	16,657	19,562
Corporation tax 20% (2017: 20%)	3,331	3,913
Effects of:		
Tax deductible interest distributions	(3,333)	(3,913)
RDR conversion transfer from capital	2	-
Total tax charge for the year	-	-

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

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	1	3
Futures expense	342	200
Interest payable and similar charges	343	203

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	12,337	14,822
Final distribution	3,665	4,569
	16,002	19,391
Add: amounts deductible on cancellation of shares	894	610
Less: amounts receivable on creation of shares	(229)	(437)
Distributions	16,667	19,564

Details of the distributions are set out in the tables on pages 35 to 37.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	16,657	19,562
Capitalised fees*	-	3
Equalisation on conversions	9	-
Undistributed revenue brought forward	1	-
Undistributed revenue carried forward	-	(1)
Distributions	16,667	19,564

*Overdraft Interest to be transferred to income.

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	6,764	9,035
Amounts receivable for the issue of shares	235	959
Sales awaiting settlement	10,164	-
Debtors	17,163	9,994

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	344	84
Cash and bank balances	55	288
Money market deposits	31,149	8,475
Cash and cash equivalents	31,548	8,847

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	5	123
Bank overdrafts	5	123

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	260	357
Amounts payable for cancellation of shares	1,192	1,690
Purchases awaiting settlement	3,767	2,700
Other creditors	5,219	4,747

*Includes accrued ACD's periodic charge of £226,000 (2017: £329,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £1,183,000 (2017: £1,060,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 5.56% (2017: 4.40%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	348,625	71.40	558,660	83.00
Rated bonds below investment grade	43,757	8.96	51,115	7.59
Unrated bonds	54,443	11.15	51,854	7.70
Derivatives	135	0.03	242	0.04
Portfolio of investments	446,960	91.54	661,871	98.33
Net other assets	41,330	8.46	11,259	1.67
Total net assets attributable to shareholders	488,290	100.00	673,130	100.00

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

Currency exposure

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

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
Euro	3
Sterling	672,842
United States Dollar	285
	673,130

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	8,401	438,424	17,298	464,123
Cash at bank				
Euro	2	-	-	2
United States Dollar	53	-	-	53
Cash at brokers				
Sterling	344	-	-	344
Cash on deposit				
Sterling	31,149	-	-	31,149
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(7,376)	(7,376)
Cash at bank				
Sterling	(5)	-	-	(5)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	3,744	657,884	10,237	671,865
Cash at bank				
Euro	3	-	-	3
United States Dollar	285	-	-	285
Cash at brokers				
Sterling	84	-	-	84
Cash on deposit				
Sterling	8,475	-	-	8,475
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(7,459)	(7,459)
Cash at bank				
Sterling	(123)	-	-	(123)

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

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.05% (2017: 2.23%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	1.98	2.57	2.26
31 July 2017	1.90	2.23	2.07

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 5.94% (2017: 2.94%).

Counterparty risk

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

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

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

At 31 July 2018, the market value of the exchange traded derivatives held by the sub-fund was £135,000 (2017: £242,000).

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

As at 31 July 2018

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	41,108	-

As at 31 July 2017

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	(17,643)	-

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	279,289	-	-	-	-
Total	279,289	-		-	
Total purchases including transaction costs	279,289				
31 July 2017					
Bonds	331,570	-	-	-	-
Total	331,570	-		-	
Total purchases including transaction costs	331,570				

Sales

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	476,954	-	-	-	-
Total	476,954	-		-	
Total sales net of transaction costs	476,954				
31 July 2017					
Bonds	363,594	-	-	-	-
Total	363,594	-		-	
Total sales net of transaction costs	363,594				

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.81% (2017: 0.76%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	9,689	-	42,779	-
Observable market data	437,271	-	619,092	-
Unobservable data	-	-	-	-
	446,960	-	661,871	-

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

16 Share classes

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

A share class: 1.00%
 B share class: 0.50%
 D share class: 0.75%
 G share class: 0.50%
 S share class*: 0.35%

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

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 18 to 22. The distribution per share class is given in the distribution tables on pages 35 to 37. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	111,098,895	7,262,240	(22,938,713)	(185,958)	95,236,464
Share class A Income	25,615,972	449,476	(11,228,932)	3,725,445	18,561,961
Share class B Accumulation	237,142,229	31,676,604	(107,061,306)	(3,697,304)	158,060,223
Share class B Income	1,138,160,470	80,092,252	(1,365,748,160)	539,491,377	391,995,939
Share class D Accumulation	1,305,956	14,247	(243,372)	-	1,076,831
Share class D Income	2,850,310	7,978	(547,394)	(63,315)	2,247,579
Share class G Accumulation	1,761,089	247,144	(587,442)	-	1,420,791
Share class S Accumulation**	-	50,037	(332,014)	3,836,663	3,554,686
Share class S Income**	-	3,246,673	(36,438,711)	180,672,053	147,480,015

**Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.4695	N/A	0.4695	0.00%	100.00%	0.3599
		Group 2	0.1987	0.2708				
31/01/18	31/03/18	Group 1	0.4944	N/A	0.4944	0.00%	100.00%	0.3583
		Group 2	0.1691	0.3253				
30/04/18	30/06/18	Group 1	0.4517	N/A	0.4517	0.00%	100.00%	0.4540
		Group 2	0.1538	0.2979				
31/07/18	30/09/18	Group 1	0.4865	N/A	0.4865	0.00%	100.00%	0.4344
		Group 2	0.2690	0.2175				

Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.2006	N/A	0.2006	0.00%	100.00%	0.1582
		Group 2	0.1071	0.0935				
31/01/18	31/03/18	Group 1	0.2100	N/A	0.2100	0.00%	100.00%	0.1556
		Group 2	0.0670	0.1430				
30/04/18	30/06/18	Group 1	0.1907	N/A	0.1907	0.00%	100.00%	0.1963
		Group 2	0.0831	0.1076				
31/07/18	30/09/18	Group 1	0.2044	N/A	0.2044	0.00%	100.00%	0.1867
		Group 2	0.0798	0.1246				

Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6045	N/A	0.6045	0.00%	100.00%	0.4633
		Group 2	0.3523	0.2522				
31/01/18	31/03/18	Group 1	0.6328	N/A	0.6328	0.00%	100.00%	0.4598
		Group 2	0.3189	0.3139				
30/04/18	30/06/18	Group 1	0.5835	N/A	0.5835	0.00%	100.00%	0.5808
		Group 2	0.3072	0.2763				
31/07/18	30/09/18	Group 1	0.6250	N/A	0.6250	0.00%	100.00%	0.5657
		Group 2	0.2887	0.3363				

Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.2466	N/A	0.2466	0.00%	100.00%	0.1940
		Group 2	0.1232	0.1234				
31/01/18	31/03/18	Group 1	0.2562	N/A	0.2562	0.00%	100.00%	0.1913
		Group 2	0.1174	0.1388				
30/04/18	30/06/18	Group 1	0.2363	N/A	0.2363	0.00%	100.00%	0.2404
		Group 2	0.1113	0.1250				
31/07/18	30/09/18	Group 1	0.2492	N/A	0.2492	0.00%	100.00%	0.2323
		Group 2	0.1168	0.1324				

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

Kames Sterling Corporate Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.8522	N/A	0.8522	0.00%	100.00%	0.6535
		Group 2	0.3941	0.4581				
31/01/18	31/03/18	Group 1	0.8944	N/A	0.8944	0.00%	100.00%	0.6497
		Group 2	0.5339	0.3605				
30/04/18	30/06/18	Group 1	0.8214	N/A	0.8214	0.00%	100.00%	0.8214
		Group 2	0.3869	0.4345				
31/07/18	30/09/18	Group 1	0.8817	N/A	0.8817	0.00%	100.00%	0.7935
		Group 2	0.4116	0.4701				

Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7523	N/A	0.7523	0.00%	100.00%	0.5908
		Group 2	0.2842	0.4681				
31/01/18	31/03/18	Group 1	0.7844	N/A	0.7844	0.00%	100.00%	0.5847
		Group 2	0.5749	0.2095				
30/04/18	30/06/18	Group 1	0.7154	N/A	0.7154	0.00%	100.00%	0.7346
		Group 2	0.2545	0.4609				
31/07/18	30/09/18	Group 1	0.7627	N/A	0.7627	0.00%	100.00%	0.7051
		Group 2	0.2132	0.5495				

Share Class G Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.3549	N/A	1.3549	0.00%	100.00%	1.2948
		Group 2	0.6825	0.6724				
31/01/18	31/03/18	Group 1	1.4181	N/A	1.4181	0.00%	100.00%	1.2871
		Group 2	0.9855	0.4326				
30/04/18	30/06/18	Group 1	1.3075	N/A	1.3075	0.00%	100.00%	1.3016
		Group 2	0.4415	0.8660				
31/07/18	30/09/18	Group 1	1.4002	N/A	1.4002	0.00%	100.00%	1.2680
		Group 2	0.7628	0.6374				

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

Kames Sterling Corporate Bond Fund

Distribution Tables (continued)

Share Class S Accumulation**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/01/18	31/03/18	Group 1	0.3409	N/A	0.3409	0.00%	100.00%	N/A
		Group 2	0.3409	0.0000				
30/04/18	30/06/18	Group 1	0.7059	N/A	0.7059	0.00%	100.00%	N/A
		Group 2	0.2171	0.4888				
31/07/18	30/09/18	Group 1	0.7704	N/A	0.7704	0.00%	100.00%	N/A
		Group 2	0.2408	0.5296				

Share Class S Income**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/01/18	31/03/18	Group 1	0.3411	N/A	0.3411	0.00%	100.00%	N/A
		Group 2	0.0502	0.2909				
30/04/18	30/06/18	Group 1	0.7060	N/A	0.7060	0.00%	100.00%	N/A
		Group 2	0.2620	0.4440				
31/07/18	30/09/18	Group 1	0.7628	N/A	0.7628	0.00%	100.00%	N/A
		Group 2	0.1683	0.5945				

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

**Share class launched on 19 December 2017.

Kames UK Equity Fund

Fund description

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

Risk profile

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

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

Performance

The Kames UK Equity Fund returned 6.28% compared to the peer group median return of 8.45%. The peer group is the IA UK All Companies sector.

Strategy review

UK equities performed well over the year as markets embraced the pro-growth environment. The FTSE All Share index increased by 9.15% with large-cap stocks generally stronger than their smaller counterparts. Despite ongoing concerns over Brexit investors chose to focus on the healthy earnings data coming through for UK companies. In particular those areas of the economy that are exposed to overseas growth tended to perform well, given they benefited from the weakness seen in sterling. In contrast, domestic economic growth remained relatively subdued. In November, the Bank of England increased interest rates for the first time in ten years, although much of its concerns about the level of inflation were due to the ongoing weakness in sterling and a stronger oil price. Investors expected another increase in May but this was not delivered, which benefited the market and large-cap stocks in particular.

Within sector allocation, the Fund benefited from its weighting to the pharmaceuticals sector which we moved from underweight to overweight as the period progressed. The consistent underweight stance on the telecoms sector was also beneficial, as poor revenue trends held back the stocks in this area. Having no exposure to the utilities sector also aided returns. In contrast the underweight exposure to oil & gas producers detracted, given this set benefited from a rise in the oil price. A slight overweight exposure to mining also hampered overall returns, as this area of the market remained volatile.

Within stock selection, notable contributors included AVEVA, which, following its merger with Schneider, is benefiting from the growing trend towards the digitisation of industry. GB Group, the identity data intelligence business, was another strong performer, exiting the financial year with high double-digit rates of organic growth. In other areas, the overweight exposure to Dechra Pharmaceuticals performed well following a positive trading update. Our exposure to oil stock Cairn Energy also benefited overall performance as it responded to the rally in the oil price. Blue Prism was another strong performer on increasing evidence of the global market appetite for its innovative robotic process automation software.

Less positive was our exposure to financial names Standard Chartered and Prudential, which suffered from the impact of the 'trade war' on global trade and emerging markets. The holding in Just Group struggled during the second half of the period due to the potential impact of an FCA consultation on the lifetime mortgage business on its capital position.

Kames UK Equity Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Rio Tinto	11,811	BAE Systems	7,795
BAE Systems	7,958	RELX	5,692
Tesco	7,513	CRH	5,623
AstraZeneca	6,573	Fever-Tree Drinks	5,182
Coca-Cola	6,033	British American Tobacco	5,153
Just Eat	5,410	Barclays	4,680
GlaxoSmithKline	5,323	Shire	4,606
DS Smith	5,288	RPC	4,531
Just Retirement	4,970	Royal Bank of Scotland	4,267
Ashtead	4,810	Rio Tinto	3,802

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
AstraZeneca	5.43	HSBC	5.49
HSBC	4.62	Prudential	5.12
Prudential	4.24	British American Tobacco	5.03
Rio Tinto	4.01	RELX	4.30
GlaxoSmithKline	3.81	Royal Dutch Shell 'B'	3.79
Royal Dutch Shell 'B'	3.73	Standard Chartered	3.48
Synthomer	3.67	Synthomer	3.27
Tesco	3.54	Aviva	3.18
British American Tobacco	3.04	Glencore	2.73
Wm Morrison Supermarkets	2.83	CRH	2.60

Kames UK Equity Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	272.86	242.90	237.06
Return before operating charges	18.50	34.03	9.45
Operating charges	(4.31)	(4.07)	(3.61)
Return after operating charges	14.19	29.96	5.84
Distributions	(4.03)	(3.84)	(3.57)
Retained distributions on accumulation shares	4.03	3.84	3.57
Closing net asset value per share	287.05	272.86	242.90
after direct transaction costs of	0.99	0.98	0.76
Performance			
Return after charges	5.20%	12.33%	2.46%
Other information			
Closing net asset value (£'000)	38,965	42,916	40,246
Closing number of shares	13,574,293	15,728,214	16,568,669
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	291.94	275.66	242.92
Lowest share price	259.58	240.04	207.97

A Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	152.10	137.33	136.03
Return before operating charges	10.33	19.27	5.43
Operating charges	(2.41)	(2.33)	(2.08)
Return after operating charges	7.92	16.94	3.35
Distributions	(2.25)	(2.17)	(2.05)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	157.77	152.10	137.33
after direct transaction costs of	0.55	0.56	0.44
Performance			
Return after charges	5.21%	12.34%	2.46%
Other information			
Closing net asset value (£'000)	554	540	209
Closing number of shares	351,210	355,104	152,084
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	162.74	155.86	139.39
Lowest share price	144.70	135.70	119.34

Kames UK Equity Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	306.86	270.72	262.11
Return before operating charges	20.92	38.07	10.59
Operating charges	(2.05)	(1.93)	(1.98)
Return after operating charges	18.87	36.14	8.61
Distributions	(7.38)	(6.91)	(6.03)
Retained distributions on accumulation shares	7.38	6.91	6.03
Closing net asset value per share	325.73	306.86	270.72
after direct transaction costs of	1.12	1.10	0.84
Performance			
Return after charges	6.15%	13.35%	3.28%
Other information			
Closing net asset value (£'000)	188,638	189,976	189,420
Closing number of shares	57,912,670	61,910,184	69,969,233
Operating charges	0.65%	0.66%	0.77%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	330.71	309.55	270.71
Lowest share price	293.62	267.55	230.86

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	1,448.84	1,307.68	1,294.83
Return before operating charges	98.82	183.88	52.33
Operating charges	(9.67)	(9.33)	(9.78)
Return after operating charges	89.15	174.55	42.55
Distributions	(34.83)	(33.39)	(29.70)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	1,503.16	1,448.84	1,307.68
after direct transaction costs of	5.26	5.31	4.17
Performance			
Return after charges	6.15%	13.35%	3.29%
Other information			
Closing net asset value (£'000)	1,516	2,094	2,139
Closing number of shares	100,857	144,515	163,546
Operating charges	0.65%	0.66%	0.77%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	1,561.46	1,495.26	1,337.31
Lowest share price	1,386.35	1,292.32	1,140.46

Kames UK Equity Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	156.88	138.96	135.06
Return before operating charges	10.66	19.50	5.30
Operating charges	(1.68)	(1.58)	(1.40)
Return after operating charges	8.98	17.92	3.90
Distributions	(3.12)	(2.95)	(2.69)
Retained distributions on accumulation shares	3.12	2.95	2.69
Closing net asset value per share	165.86	156.88	138.96
after direct transaction costs of	0.57	0.56	0.43
Performance			
Return after charges	5.72%	12.90%	2.89%
Other information			
Closing net asset value (£'000)	192	247	349
Closing number of shares	115,382	157,235	250,877
Operating charges	1.05%	1.06%	1.06%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	168.53	158.36	138.96
Lowest share price	149.73	137.33	118.70

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	143.02	129.10	127.83
Return before operating charges	9.74	18.10	5.15
Operating charges	(1.54)	(1.44)	(1.32)
Return after operating charges	8.20	16.66	3.83
Distributions	(2.85)	(2.74)	(2.56)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	148.37	143.02	129.10
after direct transaction costs of	0.52	0.51	0.41
Performance			
Return after charges	5.73%	12.90%	2.99%
Other information			
Closing net asset value (£'000)	15	14	75
Closing number of shares	10,278	10,087	58,280
Operating charges	1.05%	1.06%	1.06%
Direct transaction costs	0.36%	0.38%	0.33%
Prices			
Highest share price	153.64	147.14	131.65
Lowest share price	136.50	127.58	112.46

Kames UK Equity Fund

Performance Information (continued)

E Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	162.53	144.70	141.22
Return before operating charges	11.03	20.25	5.64
Operating charges	(2.57)	(2.42)	(2.16)
Return after operating charges	8.46	17.83	3.48
Distributions	(2.41)	(2.29)	(2.53)
Retained distributions on accumulation shares	2.41	2.29	2.53
Closing net asset value per share	170.99	162.53	144.70
after direct transaction costs of	0.59	0.59	0.45
Performance			
Return after charges	5.21%	12.32%	2.46%
Other information			
Closing net asset value (£'000)	50	48	42
Closing number of shares	29,438	29,438	29,438
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.36%	0.38%	0.33%
Prices (Euros)	(c/share)	(c/share)	(c/share)
Highest share price	198.62	190.57	203.46
Lowest share price	173.87	161.98	155.18

Kames UK Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 98.30%)	226,024	98.30
	Basic Materials (31 July 2017: 7.43%)	25,853	11.25
1,798,197	Glencore	6,014	2.62
58,135	Johnson Matthey	2,185	0.95
219,582	Rio Tinto	9,214	4.01
1,596,981	Synthomer	8,440	3.67
	Consumer Goods (31 July 2017: 14.42%)	19,733	8.58
166,550	British American Tobacco	6,996	3.04
181,464	Britvic	1,458	0.63
3,079,615	Cairn Homes	4,670	2.03
150,435	Coca-Cola	4,111	1.79
57,370	Unilever	2,498	1.09
	Consumer Services (31 July 2017: 10.08%)	36,654	15.94
555,845	Ascential	2,333	1.02
188,167	easyJet	3,045	1.32
500,000	Entertainment One	1,791	0.78
1,550,985	Huntsworth	1,799	0.78
350,701	Just Eat	2,780	1.21
239,040	Patisserie	1,034	0.45
312,625	RELX	5,196	2.26
264,725	Sky	4,032	1.75
3,130,623	Tesco	8,146	3.54
2,487,886	Wm Morrison Supermarkets	6,498	2.83
	Electronic & Electrical Equipment (31 July 2017: 0.31%)	2,028	0.88
1,225,836	Strix	2,028	0.88
	Financials (31 July 2017: 28.75%)	44,199	19.22
994,950	Aviva	4,973	2.16
1,454,014	HSBC	10,620	4.62
2,156,857	Just Retirement	2,334	1.01
75,834	London Stock Exchange	3,334	1.45
539,717	Prudential	9,739	4.24
1,093,580	Royal Bank of Scotland	2,792	1.21
895,733	Secure Income REIT	3,395	1.48
246,934	St James's Place	2,976	1.29
586,745	Standard Chartered	4,036	1.76
	Health Care (31 July 2017: 5.20%)	25,479	11.08
213,024	AstraZeneca	12,492	5.43
101,026	Dechra Pharmaceuticals	3,015	1.31
553,819	GlaxoSmithKline	8,758	3.81
490,000	Spire Healthcare	1,214	0.53
	Industrials (31 July 2017: 17.58%)	31,115	13.53
197,180	Ashtead	4,614	2.01
611,229	BAE Systems	3,991	1.73
735,971	Balfour Beatty	2,160	0.94
404,483	Bodycote	4,041	1.76
518,118	DS Smith	2,610	1.13
545,400	Forterra	1,623	0.70
169,157	Hill & Smith Holdings	2,547	1.11
381,795	lenergizer	218	0.09
173,543	Keywords Studios	3,165	1.38
266,522	Sanne	1,879	0.82

Kames UK Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (continued)		
642,891	Senior	2,038	0.89
634,447	TMO Fund Raising*	-	-
184,230	Vitec	2,229	0.97
	Oil & Gas (31 July 2017: 9.36%)	23,670	10.30
1,032,759	BP	5,920	2.58
1,338,735	Cairn Energy	3,266	1.42
321,094	Great Eastern Energy GDR	244	0.11
138,784	Indus Gas	440	0.19
199,491	Royal Dutch Shell 'A'	5,216	2.27
321,377	Royal Dutch Shell 'B'	8,584	3.73
	Technology (31 July 2017: 3.58%)	17,293	7.52
87,382	accesso Technology	2,355	1.03
181,379	Aveva	4,767	2.07
165,817	Blue Prism	2,961	1.29
287,901	FDM	2,738	1.19
798,916	GB Group	4,306	1.87
75,416	NCC	166	0.07
	Telecommunications (31 July 2017: 1.59%)	-	-
	Portfolio of investments	226,024	98.30
	Net other assets	3,906	1.70
	Total net assets attributable to shareholders	229,930	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

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

Kames UK Equity Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		8,286		24,099
Revenue	3	7,050		7,298	
Expenses	4	(1,888)		(1,957)	
Interest payable and similar charges	6	<u>(1)</u>		<u>(6)</u>	
Net revenue before taxation		5,161		5,335	
Taxation	5	<u>(29)</u>		<u>(30)</u>	
Net revenue after taxation			<u>5,132</u>		<u>5,305</u>
Total return before distributions			13,418		29,404
Distributions	6		<u>(5,132)</u>		<u>(5,304)</u>
Change in net assets attributable to shareholders from investment activities			8,286		24,100

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		235,835		232,480
Amounts receivable on creation of shares	10,066		10,157	
Amounts payable on cancellation of shares	<u>(29,145)</u>		<u>(35,858)</u>	
		(19,079)		(25,701)
Dilution adjustment		64		69
Change in net assets attributable to shareholders from investment activities		8,286		24,100
Retained distribution on accumulation shares		<u>4,824</u>		<u>4,887</u>
Closing net assets attributable to shareholders		229,930		235,835

Kames UK Equity Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			226,024		231,828
Current assets:					
Debtors	7	847		1,482	
Cash and cash equivalents	8	<u>3,920</u>		<u>5,033</u>	
			<u>4,767</u>		<u>6,515</u>
Total assets			230,791		238,343
Liabilities					
Investment liabilities			-		6
Creditors					
Bank overdrafts		-		2	
Distribution payable		43		56	
Other creditors	9	<u>818</u>		<u>2,444</u>	
Total liabilities			<u>861</u>	<u>2,508</u>	
Net assets attributable to shareholders			229,930		235,835

Kames UK Equity Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	8,146	24,013
Currency exchange gains	5	15
Gains on derivative securities	138	76
Transaction charges	(3)	(5)
Net capital gains	8,286	24,099

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	6,813	6,784
Overseas dividends	181	455
Property income from REITs	46	56
Bank interest	10	3
Total revenue	7,050	7,298

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,765	1,810
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	58	81
Other expenses:		
Audit fee**	9	7
FT publishing fee	2	3
KIID Fee	2	2
Printing cost	-	(1)
Registrar's fee	42	48
Safe custody charge	10	7
	65	66
Total expenses	1,888	1,957

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

**The audit fee (excluding VAT) incurred during the year was £7,490 (2017: £5,559).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	29	30
Total tax charge for the year (see note 5 (b))	29	30

Kames UK Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	5,161	5,335
Corporation tax 20% (2017: 20%)	1,032	1,067
Effects of:		
Movement in excess expenses	368	380
Overseas tax suffered	29	30
Revenue not subject to taxation	(1,400)	(1,447)
Total tax charge for the year (see note 5 (a))	29	30

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £62,201,000 (2017: £60,361,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £12,440,000 (2017: £12,072,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	1	6
Interest payable and similar charges	1	6

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	4,867	4,944
	4,867	4,944
Add: amounts deductible on cancellation of shares	348	474
Less: amounts receivable on creation of shares	(83)	(114)
Distributions	5,132	5,304

Details of the distributions are set out in the tables on page 53.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	5,132	5,305
Equalisation on conversions	-	(1)
Distributions	5,132	5,304

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	192	158
Amounts receivable for the issue of shares	18	28
Sales awaiting settlement	634	1,292
Reclaimable overseas tax	3	4
Debtors	847	1,482

Kames UK Equity Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	222	-
Amounts held at futures clearing houses and brokers	-	196
Money market deposits	3,698	4,837
Cash and cash equivalents	3,920	5,033

9 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	176	174
Amounts payable for cancellation of shares	642	989
Purchases awaiting settlement	-	1,281
Other creditors	818	2,444

*Includes accrued ACD's periodic charge of £147,000 (2017: £152,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £771,000 (2017: £1,116,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 75.44% (2017: 73.05%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

12 Financial instruments

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

Currency exposure

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

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
Euro	2,824
Sterling	233,011
	235,835

Kames UK Equity Fund

Notes to the Financial Statements (continued)

12 Financial instruments (continued)

Interest rate risk

At the year-end date, 1.70% (2017: 2.13%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.69% (2017: 8.34%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	4.11	5.56	5.06
31 July 2017	7.91	9.20	8.58

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	142,879	115	0.08	589	0.41
Total	<u>142,879</u>	<u>115</u>		<u>589</u>	
Total purchases including transaction costs	<u>143,583</u>				
31 July 2017					
Equities	143,499	119	0.08	639	0.44
Total	<u>143,499</u>	<u>119</u>		<u>639</u>	
Total purchases including transaction costs	<u>144,257</u>				

Sales

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	157,644	(122)	0.08	-	-
Total	<u>157,644</u>	<u>(122)</u>		<u>-</u>	
Total sales net of transaction costs	<u>157,522</u>				
31 July 2017					
Equities	168,597	(137)	0.08	(1)	-
Total	<u>168,597</u>	<u>(137)</u>		<u>(1)</u>	
Total sales net of transaction costs	<u>168,459</u>				

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.15% (2017: 0.09%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Equity Fund

Notes to the Financial Statements (continued)

14 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	226,024	-	231,828	(6)
Observable market data	-	-	-	-
Non-observable data	-	-	-	-
	226,024	-	231,828	(6)

15 Share classes

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

A share class: 1.50%

B share class: 0.60%

D share class: 1.00%

E share class: 1.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 40 to 43. The distribution per share class is given in the distribution tables on page 53. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	15,728,214	91,318	(2,211,888)	(33,351)	13,574,293
Share class A Income	355,104	817	(4,711)	-	351,210
Share class B Accumulation	61,910,184	3,147,714	(7,175,505)	30,277	57,912,670
Share class B Income	144,515	5,206	(48,864)	-	100,857
Share class D Accumulation	157,235	188	(40,660)	(1,381)	115,382
Share class D Income	10,087	191	-	-	10,278
Share class E Accumulation	29,438	-	-	-	29,438

16 Post balance sheet event

Following the trading suspension of Patisserie Holdings Plc, "Patisserie" in the portfolio statement (page 44), please be advised that, as of 2 November 2018, the ACD has applied a fair value price of £0.50 to this asset. Furthermore, please note that whilst the asset is included in the balance sheet as of 31 July 2018, it is no longer held by the sub fund.

Kames UK Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	4.0330	N/A	4.0330	100.00%	0.00%	3.8375
		Group 2	1.9147	2.1183				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	2.2492	N/A	2.2492	100.00%	0.00%	2.1695
		Group 2	1.0052	1.2440				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	7.3761	N/A	7.3761	100.00%	0.00%	6.9122
		Group 2	4.6428	2.7333				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	34.8301	N/A	34.8301	100.00%	0.00%	33.3937
		Group 2	20.2774	14.5527				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	3.1235	N/A	3.1235	100.00%	0.00%	2.9456
		Group 2	1.5936	1.5299				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	2.8510	N/A	2.8510	100.00%	0.00%	2.7421
		Group 2	1.7335	1.1175				

Share Class E Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	2.6993	N/A	2.6993	100.00%	0.00%	2.5625
		Group 2	2.6993	0.0000				

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

Kames UK Equity Income Fund

Fund description

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

Risk profile

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

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

Performance

The Kames UK Equity Income Fund returned 5.44% compared to the peer group median return of 6.76%. The peer group is the Investment Association UK Equity Income sector.

Strategy review

UK equities performed well over the year as markets embraced the pro-growth environment. The FTSE All Share index increased by 9.15% with large-cap stocks generally stronger than their smaller counterparts. Despite ongoing concerns over Brexit, investors chose to focus on the healthy earnings data coming through for UK companies. In particular those areas of the economy that are exposed to overseas growth tended to perform well, given they benefited from the weakness seen in sterling. In contrast, domestic economic growth remained relatively subdued. In November, the Bank of England increased interest rates for the first time in ten years, although much of its concerns about the level of inflation were due to the ongoing weakness in sterling and a stronger oil price. Investors expected another increase in May but this was not delivered, which benefited the market and large-cap stocks in particular.

Given our income strategy, we generally positioned the Fund overweight defensive yield areas of the UK equity market and focused on good quality companies with strong cash-generative businesses.

At stock specific level, the holding in easyJet added value after the company issued a re-assuring trading update. In the insurance sector, Sabre Insurance performed strongly after it listed on the stock market at a relatively cheap price. In the pharmaceutical sector, Astra Zeneca posted good numbers for the first half of 2018, and also benefited from the more defensive positioning within the UK equity market towards the end of the period. GlaxoSmithKline also added value, with the stock benefiting from the company's decision to pull out of a deal to buy the Pfizer consumer health business.

In other areas, the overweight position in online travel agent TUI AG performed well as did engineering stock Halma, which reported strong first-half results. Our underweight in Reckitt Benckiser contributed positively as the stock struggled in the period. Other positions that added value included an underweight exposure to WPP, which reported full-year 2017 numbers showing a reduction in organic revenue growth.

On the downside the overweight position in Mondi detracted after the company reported below-consensus third-quarter numbers based on greater-than-anticipated input cost inflation. Our underweight exposure to Shell was detrimental, given the company rallied in tandem with the oil price. Kier Group suffered following investor concerns around the company's debt levels, while Card Factory also suffered despite reporting decent results; comments on future cash returns were poorly received.

Equity markets should continue to benefit from an improving global economy. A focus on solid stock picking will be of benefit in this environment.

Kames UK Equity Income Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Tesco	1,397	Compass	1,728
Glencore	1,132	WPP	1,170
BAE Systems	1,113	Bunzl	1,096
Pennon	1,084	Spirax-Sarco Engineering	1,032
GlaxoSmithKline	984	BT	1,022
Sky	983	BAE Systems	986
Diageo	934	Imperial Brands	962
Coca-Cola	742	Halma	833
Michael Page International	741	Forterra	806
BP	693	Michael Page International	772

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
HSBC	5.38	HSBC	6.10
GlaxoSmithKline	4.97	British American Tobacco	4.63
Royal Dutch Shell 'B'	4.97	Royal Dutch Shell 'B'	3.88
British American Tobacco	4.78	RELX	3.73
AstraZeneca	4.72	Legal & General	3.70
Phoenix	3.32	Aviva	3.60
BP	2.91	AstraZeneca	3.56
Royal Dutch Shell 'A'	2.89	Imperial Brands	3.47
RELX	2.84	Compass	3.24
Aviva	2.66	Lloyds Banking	3.00

Kames UK Equity Income Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	243.42	218.77	208.19
Return before operating charges	14.63	28.37	13.88
Operating charges	(3.90)	(3.72)	(3.30)
Return after operating charges	10.73	24.65	10.58
Distributions	(11.47)	(10.13)	(8.87)
Retained distributions on accumulation shares	11.47	10.13	8.87
Closing net asset value per share	254.15	243.42	218.77
after direct transaction costs of	0.55	0.69	0.53
Performance			
Return after charges	4.41%	11.27%	5.08%
Other information			
Closing net asset value (£'000)	7,364	7,529	6,767
Closing number of shares	2,897,452	3,093,107	3,093,263
Operating charges	1.58%	1.60%	1.60%
Direct transaction costs	0.22%	0.30%	0.26%
Prices			
Highest share price	260.48	249.75	218.86
Lowest share price	230.64	214.62	188.34

A Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	174.49	163.82	162.72
Return before operating charges	10.29	20.88	10.47
Operating charges	(2.75)	(2.74)	(2.54)
Return after operating charges	7.54	18.14	7.93
Distributions	(8.09)	(7.47)	(6.83)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	173.94	174.49	163.82
after direct transaction costs of	0.38	0.51	0.41
Performance			
Return after charges	4.32%	11.07%	4.87%
Other information			
Closing net asset value (£'000)	5,048	5,300	4,904
Closing number of shares	2,902,027	3,037,268	2,993,714
Operating charges	1.58%	1.60%	1.60%
Direct transaction costs	0.22%	0.30%	0.26%
Prices			
Highest share price	179.91	180.33	165.12
Lowest share price	162.28	158.51	144.86

Kames UK Equity Income Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	255.29	227.47	214.84
Return before operating charges	15.43	29.58	14.45
Operating charges	(1.76)	(1.76)	(1.82)
Return after operating charges	13.67	27.82	12.63
Distributions	(12.08)	(10.58)	(9.18)
Retained distributions on accumulation shares	12.08	10.58	9.18
Closing net asset value per share	268.96	255.29	227.47
after direct transaction costs of	0.58	0.73	0.56
Performance			
Return after charges	5.35%	12.23%	5.88%
Other information			
Closing net asset value (£'000)	35,052	34,935	17,967
Closing number of shares	13,032,684	13,684,596	7,898,739
Operating charges	0.68%	0.72%	0.85%
Direct transaction costs	0.22%	0.30%	0.26%
Prices			
Highest share price	275.19	261.54	227.54
Lowest share price	243.30	223.75	195.14

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	183.01	170.34	167.92
Return before operating charges	10.85	21.80	10.88
Operating charges	(1.25)	(1.33)	(1.39)
Return after operating charges	9.60	20.47	9.49
Distributions	(8.52)	(7.80)	(7.07)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	184.09	183.01	170.34
after direct transaction costs of	0.41	0.53	0.42
Performance			
Return after charges	5.25%	12.02%	5.65%
Other information			
Closing net asset value (£'000)	6,673	6,446	5,669
Closing number of shares	3,625,233	3,522,417	3,327,831
Operating charges	0.68%	0.74%	0.85%
Direct transaction costs	0.22%	0.30%	0.26%
Prices			
Highest share price	190.08	188.86	171.67
Lowest share price	171.20	165.26	150.11

Kames UK Equity Income Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 100.07%)	52,829	97.58
	Basic Materials (31 July 2017: 5.91%)	3,202	5.91
180,447	Elementis	469	0.86
113,241	Glencore	379	0.70
57,585	Mondi	1,207	2.23
27,328	Rio Tinto	1,147	2.12
	Consumer Goods (31 July 2017: 11.68%)	7,600	14.04
61,617	British American Tobacco	2,588	4.78
126,845	Britvic	1,019	1.88
29,402	Coca-Cola	804	1.49
34,150	Diageo	957	1.77
21,921	Imperial Brands	640	1.18
430,115	Taylor Wimpey	752	1.39
19,292	Unilever	840	1.55
	Consumer Services (31 July 2017: 16.89%)	8,264	15.26
163,447	Dixons Carphone	289	0.53
57,763	easyJet	935	1.73
110,461	Entertainment One	396	0.73
29,185	Greggs	307	0.57
66,898	Informa	528	0.97
140,694	Kingfisher	417	0.77
92,715	RELX	1,541	2.84
70,268	Sky	1,070	1.98
548,945	Tesco	1,428	2.64
35,790	TUI	584	1.08
294,512	Wm Morrison Supermarkets	769	1.42
	Electronic & Electrical Equipment (31 July 2017: 0.44%)	360	0.66
217,789	Strix	360	0.66
	Financials (31 July 2017: 28.80%)	14,287	26.40
287,598	Aviva	1,437	2.66
94,138	Beazley UK	528	0.98
416,277	Direct Line Insurance	1,431	2.64
398,953	HSBC	2,914	5.38
533,011	Legal & General	1,400	2.59
2,288,621	Lloyds Banking	1,427	2.64
392,070	Londonmetric Property	737	1.36
260,745	Phoenix	1,795	3.32
165,533	Sabre Insurance	459	0.85
154,425	Secure Income REIT	585	1.08
56,819	St James's Place	685	1.26
129,904	Standard Life Aberdeen	406	0.75
55,188	Unite	483	0.89
	Health Care (31 July 2017: 6.22%)	5,246	9.69
43,529	AstraZeneca	2,553	4.72
170,273	GlaxoSmithKline	2,693	4.97
	Industrials (31 July 2017: 15.15%)	4,681	8.65
194,057	BAE Systems	1,267	2.34
11,671	Bunzl	264	0.49
281,254	DS Smith	1,417	2.62
121,983	Filtrona	587	1.08
39,497	IMI	490	0.90
127,189	Melrose Industries	274	0.51
31,569	Vitec	382	0.71

Kames UK Equity Income Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Oil & Gas (31 July 2017: 9.21%)	6,611	12.21
274,542	BP	1,574	2.91
59,811	Royal Dutch Shell 'A'	1,564	2.89
100,752	Royal Dutch Shell 'B'	2,691	4.97
120,305	Wood (John)	782	1.44
	Telecommunications (31 July 2017: 3.51%)	665	1.23
357,761	Vodafone	665	1.23
	Utilities (31 July 2017: 2.26%)	1,913	3.53
134,655	Pennon	1,012	1.87
72,119	SSE	901	1.66
	Portfolio of investments	52,829	97.58
	Net other assets	1,308	2.42
	Total net assets attributable to shareholders	54,137	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

Kames UK Equity Income Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		707		3,894
Revenue	3	2,558		2,116	
Expenses	4	(485)		(466)	
Interest payable and similar charges	6	-		(1)	
Net revenue before taxation		2,073		1,649	
Taxation	5	(11)		(12)	
Net revenue after taxation			2,062		1,637
Total return before distributions			2,769		5,531
Distributions	6		(2,547)		(2,104)
Change in net assets attributable to shareholders from investment activities			222		3,427

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		54,210		35,307
Amounts receivable on creation of shares	1,223		17,638	
Amounts payable on cancellation of shares	(3,499)		(4,081)	
		(2,276)		13,557
Dilution adjustment		6		118
Change in net assets attributable to shareholders from investment activities		222		3,427
Retained distribution on accumulation shares		1,975		1,801
Closing net assets attributable to shareholders		54,137		54,210

Kames UK Equity Income Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			52,829		54,246
Current assets:					
Debtors	7	120		99	
Cash and cash equivalents	8	<u>1,348</u>		<u>279</u>	
			<u>1,468</u>		<u>378</u>
Total assets			54,297		54,624
Liabilities					
Creditors					
Distribution payable		108		86	
Other creditors	9	<u>52</u>		<u>328</u>	
Total liabilities			<u>160</u>		<u>414</u>
Net assets attributable to shareholders			54,137		54,210

Kames UK Equity Income Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	707	3,896
Currency exchange gains	1	-
Transaction charges	(1)	(2)
Net capital gains	707	3,894

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	2,387	1,985
Overseas dividends	117	93
Property income from REITs	52	35
Bank interest	2	-
Underwriting commission	-	3
Total revenue	2,558	2,116

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	440	418
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	14	21
Other expenses:		
Audit fee**	9	6
FT publishing fee	3	5
KIID fee	3	3
Registrar's fee	14	12
Safe custody charge	2	1
	31	27
Total expenses	485	466

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

**The audit fee (excluding VAT) incurred during the year was £7,490 (2017: £5,559).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	11	12
Total tax charge for the year (see note 5 (b))	11	12

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	2,073	1,649
Corporation tax 20% (2017: 20%)	415	330
Effects of:		
Movement in excess expenses	87	85
Overseas tax suffered	11	12
Revenue not subject to taxation	(502)	(415)
Total tax charge for the year (see note 5 (a))	11	12

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £2,623,000 (2017: £2,191,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £525,000 (2017: £438,000) has not been recognised.

6 Interest and distributions

a) Interest payable & similar charges

	2018	2017
	£'000	£'000
Interest	-	1
Total interest payable & similar charges	-	1

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	2,037	1,905
Final distribution	493	392
	2,530	2,297
Add: amounts deductible on cancellation of shares	25	33
Less: amounts receivable on creation of shares	(8)	(226)
Distributions	2,547	2,104

Details of the distributions are set out in the tables on page 67.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	2,062	1,637
Expenses transferred to capital	485	467
Distributions	2,547	2,104

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	112	77
Amounts receivable for the issue of shares	2	16
Reclaimable overseas tax	6	6
Debtors	120	99

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	1,348	279
Cash and cash equivalents	1,348	279

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

9 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	52	53
Purchases awaiting settlement	-	275
Other creditors	52	328

*Includes accrued ACD's periodic charge of £37,000 (2017: £40,000).

10 Related Parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £35,000 (2017: £24,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 94.73% (2017: 95.09%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

12 Financial instruments

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

Currency exposure

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

There was no cash or investments held in foreign currency as at 31 July 2018 (2017: Nil).

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
Euro	36
Sterling	54,174
	54,210

Interest rate risk

At the year-end date, 2.49% (2017: 0.51%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.69% (2017: 7.75%).

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

	Lowest	Highest	Average
	Utilisation	Utilisation	Utilisation
	(%)	(%)	(%)
31 July 2018	4.10	5.27	4.71
31 July 2017	7.34	8.35	7.83

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

13 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	22,592	11	0.05	91	0.40
Total	22,592	11		91	
Total purchases including transaction costs	22,694				

31 July 2017	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	29,295	17	0.06	120	0.41
Total	29,295	17		120	
Total purchases including transaction costs	29,432				

Sales

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	24,837	(18)	0.07	-	-
Total	24,837	(18)		-	
Total sales net of transaction costs	24,819				

31 July 2017	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	13,305	(9)	0.07	-	-
Total	13,305	(9)		-	
Total sales net of transaction costs	13,296				

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.08% (2017: 0.09%), being the difference between the respective bid and offer prices for the sub-fund's investments.

14 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	52,829	-	54,246	-
Observable market data	-	-	-	-
Unobservable data	-	-	-	-
	52,829	-	54,246	-

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

15 Share classes

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

A share class: 1.50%

B share class: 0.60%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 56 and 57. The distribution per share class is given in the distribution tables on page 67. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	3,093,107	13,118	(208,773)	-	2,897,452
Share class A Income	3,037,268	26,621	(159,024)	(2,838)	2,902,027
Share class B Accumulation	13,684,596	150,320	(802,232)	-	13,032,684
Share class B Income	3,522,417	419,176	(319,066)	2,706	3,625,233

Kames UK Equity Income Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked Unfranked		2016/7 Net Distribution
31/10/17	31/12/17	Group 1	3.1625	N/A	3.1625	100.00%	0.00%	3.0646
		Group 2	0.2576	2.9049				
31/01/18	31/03/18	Group 1	1.4106	N/A	1.4106	100.00%	0.00%	1.0655
		Group 2	0.8041	0.6065				
30/04/18	30/06/18	Group 1	4.5813	N/A	4.5813	100.00%	0.00%	4.2426
		Group 2	2.6014	1.9799				
31/07/18	30/09/18	Group 1	2.3132	N/A	2.3132	100.00%	0.00%	1.7606
		Group 2	0.8279	1.4853				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked Unfranked		2016/7 Net Distribution
31/10/17	31/12/17	Group 1	2.2670	N/A	2.2670	100.00%	0.00%	2.2950
		Group 2	1.6374	0.6296				
31/01/18	31/03/18	Group 1	0.9983	N/A	0.9983	100.00%	0.00%	0.7869
		Group 2	0.2645	0.7338				
30/04/18	30/06/18	Group 1	3.2235	N/A	3.2235	100.00%	0.00%	3.1190
		Group 2	2.0698	1.1537				
31/07/18	30/09/18	Group 1	1.5977	N/A	1.5977	100.00%	0.00%	1.2712
		Group 2	0.2746	1.3231				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked Unfranked		2016/7 Net Distribution
31/10/17	31/12/17	Group 1	3.3188	N/A	3.3188	100.00%	0.00%	3.1885
		Group 2	0.4881	2.8307				
31/01/18	31/03/18	Group 1	1.4838	N/A	1.4838	100.00%	0.00%	1.1106
		Group 2	0.3466	1.1372				
30/04/18	30/06/18	Group 1	4.8327	N/A	4.8327	100.00%	0.00%	4.4346
		Group 2	2.5052	2.3275				
31/07/18	30/09/18	Group 1	2.4441	N/A	2.4441	100.00%	0.00%	1.8435
		Group 2	1.2056	1.2385				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked Unfranked		2016/7 Net Distribution
31/10/17	31/12/17	Group 1	2.3792	N/A	2.3792	100.00%	0.00%	2.3878
		Group 2	0.5360	1.8432				
31/01/18	31/03/18	Group 1	1.0502	N/A	1.0502	100.00%	0.00%	0.8202
		Group 2	0.3126	0.7376				
30/04/18	30/06/18	Group 1	3.4006	N/A	3.4006	100.00%	0.00%	3.2607
		Group 2	1.8025	1.5981				
31/07/18	30/09/18	Group 1	1.6881	N/A	1.6881	100.00%	0.00%	1.3312
		Group 2	0.9014	0.7867				

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

Kames UK Equity Absolute Return Fund

Fund description

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

Risk profile

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

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

Performance

The Kames UK Equity Absolute Return Fund returned (3.44)% compared to the LIBOR GBP 1 month return of 0.45%.

Strategy review

Global equity markets delivered positive returns in an environment of positive sentiment towards economic growth. It was, however, a volatile period, with geopolitics, central bank policy action and 'trade wars' inspired by President Trump's protectionist stance taking turns to dominate. The Fund is organised into three broad modules: Themes, Best Ideas and Pair Trades.

The **Themes** module came under pressure over the period. Our long Defence Spend theme suffered as one of our positions, Ultra Electronics, had a significant profit warning on slower UK defence spend. We reduced our exposure to the theme prior to the warning and subsequently closed it. Within our Policy Response theme the main drag was driven by stock specifics; our short position rallied strongly in response to a strong trading update and meaningful upgrades. Within our E-Commerce theme, a short position performed well and detracted from performance. On the positive side, our Mergers & Acquisitions theme added value with our exposure to Sky performing well.

Best Ideas made a small negative contribution. Britvic enjoyed an improved earnings outlook and re-rated over the period. EasyJet enjoyed reduced competition and consolidation in its main markets. Aveva added value from its merger with Schneider, and is benefiting from the growing trend towards the digitisation of industry. Other notable contributors included food retailer William Morrison and Blue Prism, which benefited from increasing evidence of the global market appetite for its innovative robotic process automation software. On the short side, positions in a homebuilder and media firm were both beneficial for performance.

Detractors were primarily on the short side, with a number of positions bid for. It remains an occupational hazard on the short side of the book but we will continue to manage position sizes accordingly to help mitigate that risk.

Pair Trades marginally detracted over the period. Successful pairs were generated in the media and support services sectors. However we lost ground in consumer staples and mining.

We are entering the latter stages of the economic cycle, and while acknowledging positive near-term economic momentum, we will look to run a relatively balanced portfolio with high stock-specific risk.

Kames UK Equity Absolute Return Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
United Kingdom Treasury Bill 0% 18/09/2017	36,995	United Kingdom Treasury Bill 0% 21/08/2017	37,650
United Kingdom Treasury Bill 0% 30/01/2018	24,998	United Kingdom Treasury Bill 0% 18/09/2017	37,000
United Kingdom Treasury Bill 0% 22/01/2018	19,997	United Kingdom Treasury Bill 0% 30/01/2018	25,000
United Kingdom Treasury Bill 0% 16/04/2018	13,326	United Kingdom Treasury Bill 0% 22/01/2018	20,000
United Kingdom Treasury Bill 0% 02/01/2018	12,994	United Kingdom Treasury Bill 0% 14/08/2017	20,000
United Kingdom Treasury Bill 0% 08/01/2018	11,994	United Kingdom Treasury Bill 0% 16/04/2018	13,333
United Kingdom Treasury Bill 0% 26/02/2018	11,714	United Kingdom Treasury Bill 0% 02/01/2018	13,000
United Kingdom Treasury Bill 0% 20/11/2017	10,162	United Kingdom Treasury Bill 0% 08/01/2018	12,000
United Kingdom Treasury Bill 0% 06/11/2017	7,543	United Kingdom Treasury Bill 0% 25/09/2017	12,000
Bank of Tokyo 0.7% 20/06/2018	7,500	United Kingdom Treasury Bill 0% 26/02/2018	11,716

Top ten long holdings	31 July 2018	Top ten long holdings	31 July 2017
	%		%
Secure Income REIT	1.35	United Kingdom Treasury Bill 0% 21/08/2017	19.00
accesso Technology	1.28	United Kingdom Treasury Bill 0% 14/08/2017	10.09
Strix	0.87	United Kingdom Treasury Bill 0% 25/09/2017	6.05
Draper Esprit	0.74	Banque Federative 0% 01/08/2017	5.05
Workspace	0.35	BPCE 0% 08/09/2017	5.04
IMI	0.10	Nationwide Building 0.3% 18/09/2017	4.04
Inchcape	0.09	Quiz	0.56
Prudential	0.08	Strix	0.34
BP	0.05	RPC	0.25
Senior	0.05	FDM	0.19

Kames UK Equity Absolute Return Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	111.19	114.19	118.52
Return before operating charges	(3.03)	(1.19)	(2.45)
Operating charges	(1.74)	(1.81)	(1.88)
Return after operating charges	(4.77)	(3.00)	(4.33)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	106.42	111.19	114.19
after direct transaction costs of	-	0.02	-
Performance			
Return after charges	(4.29)%	(2.63)%	(3.65)%
Other information			
Closing net asset value (£'000)	1,218	2,907	9,655
Closing number of shares	1,144,595	2,614,350	8,454,956
Operating charges	1.59%	1.59%	1.59%
Direct transaction costs	-	0.02%	-
Prices			
Highest share price	111.75	115.70	119.80
Lowest share price	105.59	110.51	113.87

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	117.25	119.55	123.16
Return before operating charges	(3.19)	(1.30)	(2.58)
Operating charges	(0.98)	(1.00)	(1.03)
Return after operating charges	(4.17)	(2.30)	(3.61)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	113.08	117.25	119.55
after direct transaction costs of	-	0.02	-
Performance			
Return after charges	(3.56)%	(1.92)%	(2.93)%
Other information			
Closing net asset value (£'000)	53,194	194,297	612,545
Closing number of shares	47,041,530	165,707,871	512,367,274
Operating charges	0.84%	0.84%	0.84%
Direct transaction costs	-	0.02%	-
Prices			
Highest share price	117.99	121.26	124.90
Lowest share price	111.98	116.50	119.18

Kames UK Equity Absolute Return Fund

Performance Information (continued)

D Accumulation shares	2018 (p/share)	2017 (p/share)	2016 (p/share)
Change in net assets per share			
Opening net asset value per share	105.63	107.96	111.49
Return before operating charges	(2.90)	(1.15)	(2.33)
Operating charges	(1.13)	(1.18)	(1.20)
Return after operating charges	(4.03)	(2.33)	(3.53)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	101.60	105.63	107.96
after direct transaction costs of	-	0.02	-
Performance			
Return after charges	(3.82)%	(2.16)%	(3.17)%
Other information			
Closing net asset value (£'000)	569	954	2,940
Closing number of shares	560,115	903,630	2,722,972
Operating charges	1.09%	1.09%	1.09%
Direct transaction costs	-	0.02%	-
Prices			
Highest share price	106.25	109.47	112.95
Lowest share price	100.69	104.97	107.64

Kames UK Equity Absolute Return Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2017: 35.14%)	-	-
	Government Bonds (31 July 2017: 35.14%)	-	-
	Certificates of Deposit (31 July 2017: 14.13%)	-	-
	Contracts for Difference (31 July 2017: 0.35%)	(487)	(0.89)
(325,433)	AA	3	0.01
(38,242)	Admiral	(31)	(0.06)
(30,311)	Aggreko	(6)	(0.01)
(48,762)	Antofagasta	(11)	(0.02)
(207,388)	AO World	15	0.03
(73,817)	Arrow Global	(7)	(0.01)
240,368	Ascential	(9)	(0.02)
47,652	Autotrader	(1)	-
48,451	Aveva	(38)	(0.07)
(81,441)	BCA Marketplace	(5)	(0.01)
(26,295)	Beazley UK	4	0.01
13,279	Bellway	1	-
(4,058)	Berkeley	(6)	(0.01)
(13,133)	Big Yellow	1	-
19,383	Blue Prism	(26)	(0.05)
(177,987)	boohoo.com	(2)	-
(180,225)	BP	29	0.05
(11,899)	British American Tobacco	(39)	(0.07)
(34,593)	Bunzl	(4)	(0.01)
(12,556)	Burford Capital	(26)	(0.05)
513,602	Cairn Homes	(18)	(0.03)
32,868	Coca-Cola	(1)	-
(38,908)	Compass	(16)	(0.03)
(12,901)	Computacenter	3	0.01
(423,478)	Countrywide	7	0.01
(101,565)	Crest Nicholson	(4)	(0.01)
(25,180)	CRH	26	0.05
47,200	CVS	1	-
(59,014)	Daily Mail & General Trust	(3)	-
(11,937)	DCC	(18)	(0.03)
9,302	Dechra Pharmaceuticals	1	-
(145,091)	DFS Furniture	(7)	(0.01)
(24,586)	Dignity	(1)	-
(71,815)	Domino's Pizza	28	0.05
108,637	DS Smith	1	-
(49,222)	Dunelm	(9)	(0.02)
38,413	easyJet	(8)	(0.01)
163,905	Entertainment One	(8)	(0.01)
(36,986)	Euromoney Institutional Investor	15	0.03
(10,131)	Experian	2	-
50,946	FDM	(18)	(0.03)
11,786	Ferguson	(11)	(0.02)
80,068	Gamma Communications	(10)	(0.02)
121,310	GB Group	(72)	(0.13)
(6,753)	Genus	(1)	-
64,622	GlaxoSmithKline	25	0.05
126,069	Glencore	13	0.02
(9,511)	Hargreaves Lansdown	(6)	(0.01)
(55,476)	Hiscox	(77)	(0.14)

Kames UK Equity Absolute Return Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Contracts for Difference (continued)		
46,082	HomeServe	-	-
127,955	Hotel Chocolate Group	(11)	(0.02)
(95,696)	HSBC	(23)	(0.04)
(21,628)	IG	(13)	(0.02)
47,079	IMI	54	0.10
(55,102)	Inchcape	50	0.09
(14,332)	Intermediate Capital	-	-
(14,389)	Intertek	(32)	(0.06)
(105)	iShares FTSE 250	(3)	(0.01)
42,293	Jardine Lloyd Thompson	3	0.01
11,589	Johnson Matthey	8	0.02
(70,253)	Jupiter Fund Management	2	-
58,184	Just Eat	(32)	(0.06)
349,703	Just Retirement	(71)	(0.13)
35,014	Keywords Studios	(36)	(0.07)
(465,947)	Lloyds Banking	-	-
(98,564)	Marks & Spencer	3	0.01
(143,602)	McCarthy & Stone	(12)	(0.02)
(9,434)	Mondi	(6)	(0.01)
(148,121)	NewRiver REIT	(4)	(0.01)
(7,691)	Next	8	0.01
(5,304)	NMC Health	(5)	(0.01)
(118,124)	Pearson	(24)	(0.04)
251,362	Premier Oil	(15)	(0.03)
55,100	Prudential	46	0.08
62,059	RELX	(4)	(0.01)
242,119	Rentokil Initial	(19)	(0.03)
(87,564)	Restaurant	3	0.01
6,412	Rhi Magnesita	14	0.03
45,866	Ricardo	(64)	(0.12)
(3,511)	Rightmove	9	0.02
11,266	Rio Tinto	3	0.01
(45,000)	Rolls-Royce	1	-
(168,342)	Rotork	(25)	(0.05)
(12,353)	Royal Dutch Shell 'A'	10	0.02
(40,159)	Sage	7	0.01
88,601	Sanne	12	0.02
(28,477)	Segro	2	-
134,619	Senior	29	0.05
(425,334)	Serco	(17)	(0.03)
4,594	Shire	1	-
49,152	Sky	11	0.02
(25,112)	Smart Metering Systems	15	0.03
(39,553)	Smiths	(10)	(0.02)
(12,169)	Spirax-Sarco Engineering	(17)	(0.03)
80,342	Spire Healthcare	2	-
46,630	SSE	(55)	(0.10)
98,847	Standard Chartered	3	0.01
136,104	Synthomer	19	0.03
(301,825)	TalkTalk Telecom	(5)	(0.01)
(116,398)	TEN Entertainment	2	-
279,495	Tesco	13	0.02
25,983	Ultra Electronic	(11)	(0.02)
51,613	Vitec	(16)	(0.03)
399,451	Wm Morrison Supermarkets	19	0.03
11,817	Workspace	(1)	-
(99,430)	Xaar	19	0.03

Kames UK Equity Absolute Return Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Equities (31 July 2017: 0.90%)	2,525	4.59
	Consumer Services (31 July 2017: 0.56%)	-	-
	Electronic & Electrical Equipment (31 July 2017: 0.34%)	481	0.87
291,119	Strix	481	0.87
	Financials (31 July 2017: 0.00%)	1,342	2.44
70,911	Draper Esprit	408	0.74
195,350	Secure Income REIT	740	1.35
17,892	Workspace	194	0.35
	Technology (31 July 2017: 0.00%)	702	1.28
26,031	accesso Technology	702	1.28
	Futures (31 July 2017: 0.08%)	(7)	(0.01)
(8)	FTSE 100 Future Contract September 2018	(7)	(0.01)
	Portfolio of investments*	2,031	3.69
	Net other assets	52,950	96.31
	Total net assets attributable to shareholders	54,981	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	2,525	4.59
Derivatives	(494)	(0.90)
Portfolio of investments*	2,031	3.69
Net other assets	52,950	96.31
Total net assets attributable to shareholders	54,981	100.00

Analysis of underlying exposure futures and options

	Market Value £'000
Futures contracts	(7)
	(7)

The comparative percentage figures in brackets are at 31 July 2017.

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

*Includes investment liabilities.

Kames UK Equity Absolute Return Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(3,343)		(3,948)
Revenue	3	2,239		530	
Expenses	4	(980)		(4,109)	
Interest payable and similar charges	6	<u>(2,296)</u>		<u>(5)</u>	
Net expense before taxation		(1,037)		(3,584)	
Taxation	5	<u>-</u>		<u>-</u>	
Net expense after taxation			<u>(1,037)</u>		<u>(3,584)</u>
Total return before distributions			(4,380)		(7,532)
Distributions	6		<u>(1)</u>		<u>-</u>
Change in net assets attributable to shareholders from investment activities			(4,381)		(7,532)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		198,158		625,140
Amounts receivable on creation of shares	25,957		146,970	
Amounts payable on cancellation of shares	<u>(165,144)</u>		<u>(566,916)</u>	
		(139,187)		(419,946)
Dilution adjustment		391		496
Change in net assets attributable to shareholders from investment activities		<u>(4,381)</u>		<u>(7,532)</u>
Closing net assets attributable to shareholders		54,981		198,158

Kames UK Equity Absolute Return Fund

Balance Sheet as at 31 July 2018

	Note	£'000	2018 £'000	2017 £'000
Assets				
Fixed assets:				
Investments			3,068	103,263
Current assets:				
Debtors	7	210		478
Cash and cash equivalents	8	<u>56,954</u>		<u>112,585</u>
			<u>57,164</u>	<u>113,063</u>
Total assets			60,232	216,326
Liabilities				
Investment liabilities			1,037	3,002
Creditors				
Bank overdrafts	9	-		272
Other creditors	10	<u>4,214</u>		<u>14,894</u>
Total liabilities			<u>5,251</u>	<u>18,168</u>
Net assets attributable to shareholders			54,981	198,158

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital losses

Net capital losses comprise:

	2018	2017
	£'000	£'000
Gains/(losses) on non-derivative securities	392	(1,114)
Currency exchange losses	(9)	(169)
Losses on derivative securities	(3,725)	(2,664)
Transaction charges	(1)	(1)
Net capital losses	(3,343)	(3,948)

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	-	97
Overseas dividends	16	-
Property income from REITs	10	3
Interest on debt securities	67	413
Bank interest	262	595
Contracts for difference	1,884	(695)
Underwriting commission	-	117
Total revenue	2,239	530

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	929	3,930
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	31	146
Other expenses:		
Audit fee**	11	7
FT publishing fee	2	3
KIID fee	2	2
Printing cost	-	3
Registrar's fee	4	11
Safe custody charge	1	7
	20	33
Total expenses	980	4,109

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

**The audit fee (excluding VAT) incurred during the year was £8,655 (2017: £6,426).

5 Taxation

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

a) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net expense before taxation	(1,037)	(3,584)
Corporation tax 20% (2017: 20%)	(207)	(717)
Effects of:		
Movement in excess expenses	211	736
Revenue not subject to taxation	(4)	(19)
Total tax charge for the year	-	-

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £16,073,000 (2017: £15,022,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £3,215,000 (2017: £3,004,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	4	5
Dividends payable on contracts for difference	1,950	-
Interest payable on contracts for difference	342	-
Interest payable and similar charges	2,296	5

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	-	-
	-	-
Add: amounts deductible on cancellation of shares	1	-
Less: amounts receivable on creation of shares	-	-
Distributions	1	-

Details of the distributions are set out in the tables on page 84.

c) Movement between net expense and distribution

	2018	2017
	£'000	£'000
Net expense after taxation	(1,037)	(3,584)
Capital reimbursement of revenue deficit	1,038	3,584
Distributions	1	-

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	35	5
Amounts receivable for the issue of shares	175	473
Debtors	210	478

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	127	418
Cash and bank balances	4	-
Money market deposits	56,823	112,167
Cash and cash equivalents	56,954	112,585

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	-	272
Bank overdrafts	-	272

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	57	177
Accrued revenue	16	196
Amounts payable for cancellation of shares	4,092	12,816
Purchases awaiting settlement	49	1,705
Other creditors	4,214	14,894

*Includes accrued ACD's periodic charge of £42,000 (2017: £165,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £3,959,000 (2017: £12,507,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 11.46% (2017: 3.60%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	-	-	69,641	35.14
Rated bonds below investment grade	-	-	-	-
Unrated bonds	-	-	-	-
Non Bonds	2,031	3.69	30,620	15.46
Portfolio of investments	2,031	3.69	100,261	50.60
Net other assets	52,950	96.31	97,897	49.40
Total net assets attributable to shareholders	54,981	100.00	198,158	100.00

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

Currency exposure

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

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
Sterling	198,158
	198,158

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	-	-	3,278	3,278
Cash at bank				
Sterling	4	-	-	4
Cash at brokers				
Euro	4	-	-	4
Sterling	110	-	-	110
US Dollar	13	-	-	13
Cash on deposit				
Sterling	56,823	-	-	56,823
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(18)	(18)
Sterling	-	-	(5,233)	(5,233)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	-	69,641	34,100	103,741
Cash at brokers				
Sterling	418	-	-	418
Cash on deposit				
Sterling	112,167	-	-	112,167
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(17,896)	(17,896)
Cash at bank				
Sterling	(272)	-	-	(272)

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 3.50% (2017: 3.50%). As at the balance sheet date, the sub-fund's value at risk is 1.00% (2017: 1.10%).

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	0.62	1.92	1.02
31 July 2017	0.86	1.38	1.11

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 99.26% (2017: 88.92%).

Counterparty risk

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

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

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

At 31 July 2018, the market value of the exchange traded derivatives held by the sub-fund was £7,000 (2017: £149,000).

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

As at 31 July 2018

Counterparty	Futures Exposure £'000	Contracts for Difference Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Bank of America Merrill Lynch	-	(4,296)	-	-
Deutsche Bank	-	4,406	-	-
Goldman Sachs	-	1,414	-	210
UBS	(616)	-	-	-

As at 31 July 2017

Counterparty	Futures Exposure £'000	Contracts for Difference Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Bank of America Merrill Lynch	-	18,328	-	290
Deutsche Bank	-	18,692	-	(570)
Goldman Sachs	-	(29,969)	-	210
UBS	(8,626)	-	-	-

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

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

31 July 2017	Value £'000	Commissions £'000	Other Costs %	£'000	%
Bonds	560,217	-	-	-	-
Equities	22,551	26	0.12	59	0.26
Total	582,768	26		59	
Total purchases including transaction costs	582,853				

Sales

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

31 July 2017	Value £'000	Commissions £'000	Other Costs %	£'000	%
Bonds	735,419	-	-	-	-
Equities	25,308	(25)	0.10	-	-
Total	760,727	(25)		-	
Total sales net of transaction costs	760,702				

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.28% (2017: 0.17%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	2,525	(7)	99,560	-
Observable market data	543	(1,030)	3,703	(3,002)
Unobservable data	-	-	-	-
	3,068	(1,037)	103,263	(3,002)

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

16 Share classes

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

- A share class: 1.55%
- B share class: 0.80%
- D share class: 1.05%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 71 and 72. The distribution per share class is given in the distribution tables on page 84. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	2,614,350	146,696	(1,601,557)	(14,894)	1,144,595
Share class B Accumulation	165,707,871	22,213,719	(140,892,033)	11,973	47,041,530
Share class D Accumulation	903,630	7,174	(353,019)	2,330	560,115

Kames UK Equity Absolute Return Fund

Distribution Tables

Share Class A Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class B Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class D Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

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

Kames UK Smaller Companies Fund

Fund description

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

Risk profile

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

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

Performance

The Kames UK Smaller Companies Fund returned 16.08% compared to the peer group median return of 12.93%. The peer group is the Investment Association UK Smaller Companies sector.

Strategy review

UK equities performed well over the year as markets embraced the pro-growth environment. The Numis Smaller Company index increased by 5.07%. Despite ongoing concerns over Brexit investors chose to focus on the healthy earnings data coming through for UK companies. In particular those areas of the economy that are exposed to overseas growth tended to perform well, given they benefited from the weakness seen in sterling. In contrast, domestic economic growth remained relatively subdued. In November, the Bank of England increased interest rates for the first time in ten years, although much of its concerns about the level of inflation were due to the ongoing weakness in sterling and a stronger oil price. Another increase was expected in May but this was not delivered, which benefited the market.

The Fund's strong relative outperformance was due primarily to stock selection although sector allocation also contributed positively. The overweight exposure to chemicals, financial services, pharmaceuticals and some industrial sectors all added value. In contrast, the exposure to consumer services (retailers) and banks detracted.

Within stock selection, the exposure to Dechra Pharmaceuticals performed well, backed-up in particular by good results, positive trading updates and acquisition activity. Robert Walters, the specialist professional recruiter, delivered earnings upgrades after strong interim results. It remains one of our preferred recruitment picks given the opportunity for further earnings upside driven by fee growth and the prospect of an improving conversion ratio in resource solutions. Global industrial cyclical stocks, such as Victrex added value after it delivered strong results, which showed a strong organic pipeline indicating faster than market-level growth. GB Group, the global specialist in identity data intelligence, also performed well. The company showed continued trading momentum with double-digit underlying organic growth.

The Fund has a bias towards growth and positive earnings revisions. We continue, therefore, to focus on disciplined stock selection and investing in companies chosen for their growth potential and the ability to generate positive updates.

Kames UK Smaller Companies Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Hilton Food	6,318	Fever-Tree Drinks	11,417
Huntsworth	4,336	Paysafe	6,906
Gamma Communications	3,953	Card Factory	5,620
Grafton	3,914	Dechra Pharmaceuticals	4,940
Keywords Studios	3,833	Wizz Air	4,781
BlackRock World Mining	3,591	Crest Nicholson	4,626
Entertainment One	3,589	Dotdigital	3,761
Softcat	3,504	Sanne	3,481
Bovis Homes	3,497	SThree	3,411
Equiniti	3,221	On the Beach	3,391

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
Dechra Pharmaceuticals	4.63	FDM	4.08
GB Group	4.06	Dechra Pharmaceuticals	3.92
Workspace	3.81	Fever-Tree Drinks	3.85
FDM	3.57	Sanne	3.80
CLS	3.17	GB Group	3.72
Abcam	3.02	Workspace	3.51
Robert Walters	2.93	CLS	3.32
Sanne	2.92	Brewin Dolphin	3.02
Brewin Dolphin	2.66	Crest Nicholson	2.48
Victrex	2.56	Paysafe	2.30

Kames UK Smaller Companies Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	332.13	262.53	277.99
Return before operating charges	53.52	74.11	(11.30)
Operating charges	(5.47)	(4.51)	(4.16)
Return after operating charges	48.05	69.60	(15.46)
Distributions	(2.59)	(3.03)	(1.92)
Retained distributions on accumulation shares	2.59	3.03	1.92
Closing net asset value per share	380.18	332.13	262.53
after direct transaction costs of	1.33	1.00	0.93
Performance			
Return after charges	14.47%	26.51%	(5.56)%
Other information			
Closing net asset value (£'000)	19,508	18,172	14,572
Closing number of shares	5,131,193	5,471,354	5,550,541
Operating charges	1.54%	1.54%	1.55%
Direct transaction costs	0.37%	0.34%	0.35%
Prices			
Highest share price	385.16	329.77	286.42
Lowest share price	328.39	260.11	234.63

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	354.71	278.28	292.46
Return before operating charges	57.47	78.90	(11.93)
Operating charges	(3.10)	(2.47)	(2.25)
Return after operating charges	54.37	76.43	(14.18)
Distributions	(5.64)	(5.56)	(4.15)
Retained distributions on accumulation shares	5.64	5.56	4.15
Closing net asset value per share	409.08	354.71	278.28
after direct transaction costs of	1.46	1.07	0.97
Performance			
Return after charges	15.33%	27.47%	(4.85)%
Other information			
Closing net asset value (£'000)	298,245	284,768	258,051
Closing number of shares	72,906,431	80,282,722	92,732,350
Operating charges	0.79%	0.79%	0.80%
Direct transaction costs	0.37%	0.34%	0.35%
Prices			
Highest share price	414.05	351.74	302.27
Lowest share price	350.80	276.25	248.58

Kames UK Smaller Companies Fund

Performance Information (continued)

D Accumulation shares	2018 (p/share)	2017 (p/share)	2016 (p/share)
Change in net assets per share			
Opening net asset value per share	198.87	156.40	164.70
Return before operating charges	32.12	44.28	(6.63)
Operating charges	(2.22)	(1.81)	(1.67)
Return after operating charges	29.90	42.47	(8.30)
Distributions	(2.63)	(2.69)	(1.94)
Retained distributions on income shares	2.63	2.69	1.94
Closing net asset value per share	228.77	198.87	156.40
after direct transaction costs of	0.80	0.60	0.55
Performance			
Return after charges	15.03%	27.15%	(5.04)%
Other information			
Closing net asset value (£'000)	65	53	54
Closing number of shares	28,618	26,375	34,378
Operating charges	1.04%	1.04%	1.05%
Direct transaction costs	0.37%	0.34%	0.35%
Prices			
Highest share price	231.63	197.29	170.14
Lowest share price	196.66	155.17	139.74

Kames UK Smaller Companies Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 99.89%)	321,357	101.11
	Basic Materials (31 July 2017: 4.39%)	11,998	3.78
899,537	Elementis	2,339	0.74
286,447	Synthomer	1,514	0.48
258,398	Victrex	8,145	2.56
	Consumer Goods (31 July 2017: 8.66%)	27,255	8.58
507,461	Bovis Homes	5,851	1.84
1,312,198	Cairn Homes	1,990	0.63
647,138	Countryside Properties	2,165	0.68
695,129	Hilton Food	6,632	2.09
1,060,088	Hotel Chocolate	3,594	1.13
2,058,313	Springfield Properties	2,521	0.79
1,275,000	Sumo	2,250	0.71
850,000	Team17	2,252	0.71
	Consumer Services (31 July 2017: 13.55%)	31,036	9.76
129,119	4imprint	2,595	0.82
343,727	Ascential	1,443	0.44
1,130,222	City Pub	2,594	0.82
584,422	CVS	6,610	2.08
1,050,000	Entertainment One	3,761	1.18
200,665	Fuller Smith & Turner	1,962	0.62
226,598	Greggs	2,386	0.75
3,340,731	Huntsworth	3,875	1.22
510,243	On the Beach	2,260	0.71
754,263	Patisserie	3,262	1.03
318,017	Ten Lifestyle	288	0.09
	Electronic & Electrical Equipment (31 July 2017: 0.45%)	2,532	0.80
1,531,054	Strix	2,532	0.80
	Financials (31 July 2017: 20.99%)	69,047	21.72
576,208	Aquis Exchange	2,506	0.79
915,167	Arden Partners	355	0.11
2,410,698	Brewin Dolphin	8,457	2.66
147,437	Brooks Macdonald	2,728	0.86
4,557,341	CLS	10,072	3.17
1,141,969	IntegraFin	4,271	1.34
2,045,234	Just Retirement	2,213	0.70
536,748	Mortgage Advice Bureau	3,591	1.13
560,463	OneSavings Bank	2,437	0.77
718,406	Paragon	3,576	1.12
2,250,882	Premier Asset Management	6,438	2.03
882,707	Secure Income REIT	3,345	1.05
1,217,172	Tatton Asset Management	2,824	0.89
277,646	Unite	2,431	0.76
1,500,000	Urban Exposure	1,687	0.53
1,116,683	Workspace	12,116	3.81
	Health Care (31 July 2017: 8.09%)	27,063	8.52
649,787	Abcam	9,597	3.02
493,165	Dechra Pharmaceuticals	14,716	4.63
709,046	Medica	1,015	0.32
700,000	Spire Healthcare	1,735	0.55
	Industrials (31 July 2017: 28.44%)	87,822	27.63
636,097	Bodycote	6,355	2.00
2,005,515	Boku	2,607	0.82
138,837	Clarkson	3,533	1.11

Kames UK Smaller Companies Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (continued)		
406,026	Clipper Logistics	1,348	0.42
1,252,654	Forterra	3,727	1.17
557,583	Gordon Dadds	956	0.30
772,253	Grafton	5,912	1.86
334,708	Hill & Smith	5,041	1.59
365,026	Howden Joinery	1,741	0.55
260,775	Keywords Studios	4,757	1.50
720,229	Knights	1,253	0.40
881,706	Marshalls	3,816	1.20
278,814	Michael Page International	1,667	0.52
155,965	PayPoint	1,454	0.46
391,109	Polypipe	1,468	0.46
57,838	Renishaw	3,161	0.99
596,776	Ricardo	4,798	1.51
1,248,008	Robert Walters	9,310	2.93
522,702	RPS	1,281	0.40
1,317,488	Sanne	9,288	2.92
1,185,158	Senior	3,757	1.18
885,294	Simplybiz	1,647	0.52
65,771	TMO Fund Raising*	-	-
616,526	Trifast	1,418	0.45
115,000	Ultra Electronic	1,897	0.60
250,000	Vitec	3,025	0.95
966,445	Wincanton	2,605	0.82
	Oil & Gas (31 July 2017: 2.23%)	14,358	4.51
1,555,115	Cairn Energy	3,794	1.19
313,818	Great Eastern Energy GDR	238	0.08
659,259	Hunting	5,152	1.62
89,049	Indus Gas	282	0.09
2,792,587	Premier Oil	3,572	1.12
800,000	Tekmar	1,320	0.41
	Technology (31 July 2017: 13.09%)	45,987	14.47
104,641	accesso Technology	2,820	0.89
153,407	Aveva	4,032	1.27
142,107	Blue Prism	2,538	0.80
2,572,661	Dotdigital	2,426	0.76
1,194,341	FDM	11,358	3.57
80,707	Fidessa	3,107	0.98
2,391,876	GB Group	12,892	4.06
1,146,529	NCC	2,518	0.79
532,286	Softcat	4,296	1.35
	Telecommunications (31 July 2017: 0.00%)	4,259	1.34
543,192	Gamma Communications	4,259	1.34
	Portfolio of investments	321,357	101.11
	Net other liabilities	(3,539)	(1.11)
	Total net assets attributable to shareholders	317,818	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

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

Kames UK Smaller Companies Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		38,325		62,617
Revenue	3	7,128		7,463	
Expenses	4	(2,622)		(2,407)	
Interest payable and similar charges	6	(4)		(3)	
Net revenue before taxation		4,502		5,053	
Taxation	5	(5)		-	
Net revenue after taxation			4,497		5,053
Total return before distributions			42,822		67,670
Distributions	6		(4,497)		(5,053)
Change in net assets attributable to shareholders from investment activities			38,325		62,617

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		302,993		272,677
Amounts receivable on creation of shares	75,312		46,215	
Amounts payable on cancellation of shares	(104,310)		(83,735)	
		(28,998)		(37,520)
Dilution adjustment		1,251		586
Change in net assets attributable to shareholders from investment activities		38,325		62,617
Retained distribution on accumulation shares		4,247		4,633
Closing net assets attributable to shareholders		317,818		302,993

Kames UK Smaller Companies Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			321,357		302,651
Current assets:					
Debtors	7	899		2,613	
Cash and cash equivalents	8	<u>2,278</u>		<u>203</u>	
			<u>3,177</u>		<u>2,816</u>
Total assets			324,534		305,467
Liabilities					
Creditors					
Bank overdrafts	9	1		-	
Other creditors	10	<u>6,715</u>		<u>2,474</u>	
Total liabilities			<u>6,716</u>		<u>2,474</u>
Net assets attributable to shareholders			317,818		302,993

Kames UK Smaller Companies Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	38,313	62,622
Currency exchange gains	17	1
Transaction charges	(5)	(6)
Net capital gains	38,325	62,617

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	6,570	7,088
Overseas dividends	146	36
Property income from REITs	393	335
Bank interest	19	4
Total revenue	7,128	7,463

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,513	2,288
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	77	94
Other expenses:		
Audit fee**	11	5
FT publishing fee	3	3
KIID fee	2	1
Registrar's fee	3	7
Safe custody charge	13	9
	32	25
Total expenses	2,622	2,407

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

**The audit fee (excluding VAT) incurred during the year was £7,490 (2017: £5,559).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	5	-
Total tax charge for the year (see note 5 (b))	5	-

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	4,502	5,053
Corporation tax 20% (2017: 20%)	900	1,011
Effects of:		
Movement in excess expenses	443	414
Overseas tax suffered	5	-
Revenue not subject to taxation	(1,343)	(1,425)
Total tax charge for the year (see note 5 (a))	5	-

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £7,495,000 (2017: £5,282,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,499,000 (2017: £1,056,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	4	3
Interest payable and similar charges	4	3

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	4,247	4,633
	4,247	4,633
Add: amounts deductible on cancellation of shares	513	993
Less: amounts receivable on creation of shares	(263)	(573)
Distributions	4,497	5,053

Details of the distributions are set out in the tables on page 98.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	4,497	5,053
Equalisation on conversions	-	-
Distributions	4,497	5,053

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	441	489
Amounts receivable for the issue of shares	47	1,196
Sales awaiting settlement	396	922
Reclaimable overseas tax	13	6
UK Income tax recoverable	2	-
Debtors	899	2,613

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	-	203
Money market deposits	2,278	-
Cash and cash equivalents	2,278	203

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	1	-
Cash and cash equivalents	1	-

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	236	214
Amounts payable for cancellation of shares	6,342	887
Purchases awaiting settlement	137	1,373
Other creditors	6,715	2,474

*Includes accrued ACD's periodic charge of £221,000 (2017: £203,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £6,516,000 (2017: £108,000 due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 96.96% (2017: 96.41%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Currency exposure

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

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
Sterling	302,993
	302,993

Interest rate risk

At the year-end date, 0.72% (2017: 0.07%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.68% (2017: 7.59%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	3.10	5.03	4.48
31 July 2017	6.94	8.27	7.65

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	149,460	197	0.13	470	0.31
Total	149,460	197		470	
Total purchases including transaction costs	150,127				
31 July 2017					
Equities	160,361	182	0.11	523	0.33
Total	160,361	182		523	
Total purchases including transaction costs	161,066				

Sales

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Equities	170,226	(496)	0.29	(1)	-
Total	170,226	(496)		(1)	
Total sales net of transaction costs	169,729				
31 July 2017					
Equities	194,546	(282)	0.14	(1)	-
Total	194,546	(282)		(1)	
Total sales net of transaction costs	194,263				

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.34% (2017: 0.15%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Quoted prices	321,119	-	302,547	-
Observable market data	238	-	104	-
Unobservable data	-	-	-	-
	321,357	-	302,651	-

16 Share classes

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

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 87 and 88. The distribution per share class is given in the distribution tables on page 98. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	5,471,354	1,296,992	(1,635,806)	(1,347)	5,131,193
Share class B Accumulation	80,282,722	18,935,794	(26,312,085)	-	72,906,431
Share class D Accumulation	26,375	1,445	(1,444)	2,242	28,618

17 Post balance sheet event

Following the trading suspension of Patisserie Holdings Plc, "Patisserie" in the portfolio statement (page 89), please be advised that, as of 2 November 2018, the ACD has applied a fair value price of £0.50 to this asset.

Kames UK Smaller Companies Fund

Distribution Tables

Share Class A Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	2.5878	N/A	2.5878	100.00%	0.00%	3.0336
		Group 2	1.9242	0.6636				

Share Class B Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	5.6419	N/A	5.6419	100.00%	0.00%	5.5629
		Group 2	4.2963	1.3456				

Share Class D Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	2.6256	N/A	2.6256	100.00%	0.00%	2.6904
		Group 2	2.2010	0.4246				

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

Kames UK Opportunities Fund

Fund description

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

Risk profile

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

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

Performance

The Kames UK Opportunities Fund returned 7.57% compared with the peer group median return of 8.45%. The peer group is the Investment Association UK All Companies sector.

Strategy review

UK equities performed well over the year as markets embraced the pro-growth environment. The FTSE All Share index increased by 9.15% with large-cap stocks generally stronger than their smaller counterparts. Despite ongoing concerns over Brexit investors chose to focus on the healthy earnings data coming through for UK companies. In particular those areas of the economy that are exposed to overseas growth tended to perform well, given they benefited from the weakness seen in sterling. In contrast, domestic economic growth remained relatively weak. In November, the Bank of England increased interest rates for the first time in ten years, although much of its concerns about the level of inflation were due to the ongoing weakness in sterling and a stronger oil price. Investors expected another increase in May but this was not delivered, which benefited the market and large-cap stocks in particular.

The Fund benefited from strong contributions from its 'true' growth and thematic modules although this was offset by stock selection within our 'best ideas' module. Overall this was a challenging period for the Fund's growth, momentum and mid-cap style as big oil producers led the market higher. Stock selection overall though added value.

We held a number of stocks for their substantial medium-term growth potential. This included Dechra Pharmaceuticals (within our best ideas module) which performed particularly well, helped by good results. GB Group, the global specialist in identity data intelligence, was also a material contributor.

For much of the period we ran a thematic module in commodities reflecting our belief that tight supply conditions in commodity markets would be a major source of earnings momentum in the market. With portfolio construction unconstrained by index weights the fund had no holdings in the mega-cap oil stocks BP and Royal Dutch Shell and consequently was significantly underweight in the oil & gas sector. Our underweight positions in these names detracted from performance given the strength in the oil price. This was offset, however, by our exposure to Cairn Energy and Premier Oil as both of these names performed well.

Kames UK Opportunities Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
AstraZeneca	9,228	GlaxoSmithKline	6,162
Standard Life Aberdeen	5,891	Standard Life Aberdeen	5,938
Aveva	5,744	British American Tobacco	5,875
Weir	5,583	Royal Bank of Scotland	5,655
GlaxoSmithKline	5,552	Rio Tinto	5,427
Rio Tinto	5,254	Rentokil Initial	4,927
Just Retirement	4,847	BAE Systems	4,696
RELX	4,844	CRH	4,580
BAE Systems	4,690	Sage	4,571
Prudential	4,533	RELX	4,401

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
AstraZeneca	3.91	Prudential	5.23
Aveva	3.17	RELX	4.97
Prudential	3.07	Standard Chartered	4.23
Coca-Cola	3.04	British American Tobacco	3.83
Wm Morrison Supermarkets	3.03	CRH	3.77
DS Smith	3.01	RPC	3.40
Dechra Pharmaceuticals	2.94	Dechra Pharmaceuticals	3.19
Countryside Properties	2.70	Ferguson	3.16
Standard Chartered	2.69	St. James's Place	3.13
London Stock Exchange	2.64	Glencore	2.99

Kames UK Opportunities Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	187.79	167.37	171.90
Return before operating charges	15.28	23.25	(1.96)
Operating charges	(2.97)	(2.83)	(2.57)
Return after operating charges	12.31	20.42	(4.53)
Distributions	(1.53)	(1.96)	(1.97)
Retained distributions on accumulation shares	1.53	1.96	1.97
Closing net asset value per share	200.10	187.79	167.37
after direct transaction costs of	1.34	0.80	0.69
Performance			
Return after charges	6.56%	12.20%	(2.64)%
Other information			
Closing net asset value (£'000)	10,425	13,617	14,067
Closing number of shares	5,209,714	7,251,208	8,404,801
Operating charges	1.54%	1.57%	1.57%
Direct transaction costs	0.70%	0.45%	0.42%
Prices			
Highest share price	206.05	193.04	172.71
Lowest share price	180.72	165.51	148.17

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	200.05	176.97	180.39
Return before operating charges	16.36	24.65	(2.01)
Operating charges	(1.64)	(1.57)	(1.41)
Return after operating charges	14.72	23.08	(3.42)
Distributions	(3.19)	(3.52)	(3.36)
Retained distributions on accumulation shares	3.19	3.52	3.36
Closing net asset value per share	214.77	200.05	176.97
after direct transaction costs of	1.44	0.85	0.72
Performance			
Return after charges	7.36%	13.04%	(1.90)%
Other information			
Closing net asset value (£'000)	125,559	54,860	48,587
Closing number of shares	58,460,593	27,424,083	27,455,319
Operating charges	0.80%	0.82%	0.82%
Direct transaction costs	0.70%	0.45%	0.42%
Prices			
Highest share price	220.93	205.39	181.26
Lowest share price	193.28	175.01	156.12

Kames UK Opportunities Fund

Performance Information (continued)

D Accumulation shares	2018 (p/share)	2017 (p/share)	2016 (p/share)
Change in net assets per share			
Opening net asset value per share	161.08	142.86	145.96
Return before operating charges	13.16	19.88	(1.61)
Operating charges	(1.73)	(1.66)	(1.49)
Return after operating charges	11.43	18.22	(3.10)
Distributions	(2.15)	(2.45)	(2.37)
Retained distributions on accumulation shares	2.15	2.45	2.37
Closing net asset value per share	172.51	161.08	142.86
after direct transaction costs of	1.16	0.69	0.58
Performance			
Return after charges	7.10%	12.75%	(2.12)%
Other information			
Closing net asset value (£'000)	246	232	209
Closing number of shares	142,819	143,983	146,305
Operating charges	1.05%	1.07%	1.07%
Direct transaction costs	0.70%	0.45%	0.42%
Prices			
Highest share price	177.51	165.46	146.69
Lowest share price	155.43	141.27	126.18

Kames UK Opportunities Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 97.04%)	135,218	99.26
	Basic Materials (31 July 2017: 5.47%)	9,510	6.98
965,527	Glencore	3,229	2.37
81,680	Johnson Matthey	3,070	2.25
607,528	Synthomer	3,211	2.36
	Consumer Goods (31 July 2017: 11.41%)	16,834	12.36
1,918,687	Cairn Homes	2,909	2.14
151,724	Coca-Cola	4,147	3.04
1,098,862	Countryside Properties	3,677	2.70
87,998	Cranswick	2,879	2.11
950,481	Hotel Chocolate	3,222	2.37
	Consumer Services (31 July 2017: 15.25%)	26,801	19.67
700,000	Ascential	2,939	2.16
212,505	CVS	2,403	1.76
210,077	easyJet	3,400	2.49
725,000	Entertainment One	2,597	1.91
1,265,080	Huntsworth	1,468	1.08
232,328	Just Eat	1,842	1.35
353,506	Patisserie	1,529	1.12
211,570	RELX	3,516	2.58
1,144,411	Tesco	2,978	2.19
1,580,707	Wm Morrison Supermarkets	4,129	3.03
	Electronic & Electrical Equipment (31 July 2017: 0.46%)	-	-
	Financials (31 July 2017: 26.53%)	26,134	19.19
979,514	CLS	2,165	1.59
1,000,195	John Laing	2,915	2.14
1,863,716	Just Retirement	2,017	1.48
81,714	London Stock Exchange	3,592	2.64
305,100	Mortgage Advice Bureau	2,041	1.50
231,777	Prudential	4,182	3.07
734,710	Secure Income REIT	2,785	2.04
230,221	St James's Place	2,774	2.04
532,473	Standard Chartered	3,663	2.69
	Health Care (31 July 2017: 4.28%)	9,334	6.85
90,887	AstraZeneca	5,330	3.91
134,172	Dechra Pharmaceuticals	4,004	2.94
	Industrials (31 July 2017: 23.13%)	23,946	17.58
221,119	Bodycote	2,209	1.62
812,572	DS Smith	4,094	3.01
200,357	Hill & Smith Holdings	3,017	2.21
189,243	HomeServe	1,913	1.40
183,346	Keywords Studios	3,344	2.46
458,851	Sanne	3,235	2.38
241,986	Vitec	2,928	2.15
164,592	Weir	3,206	2.35
	Oil & Gas (31 July 2017: 2.69%)	5,862	4.30
1,362,265	Cairn Energy	3,324	2.44
1,984,151	Premier Oil	2,538	1.86

Kames UK Opportunities Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Technology (31 July 2017: 7.82%)	14,445	10.60
69,911	accesso Technology	1,884	1.38
164,202	Aveva	4,315	3.17
107,438	Blue Prism	1,919	1.41
317,922	FDM	3,023	2.22
613,044	GB Group	3,304	2.42
	Telecommunications (31 July 2017: 0.00%)	2,352	1.73
300,000	Gamma Communications	2,352	1.73
	Portfolio of investments	135,218	99.26
	Net other assets	1,012	0.74
	Total net assets attributable to shareholders	136,230	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

Kames UK Opportunities Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		6,612		6,478
Revenue	3	2,925		1,702	
Expenses	4	(1,053)		(628)	
Interest payable and similar charges	6	<u>(1)</u>		<u>(2)</u>	
Net revenue before taxation		1,871		1,072	
Taxation	5	<u>(3)</u>		<u>-</u>	
Net revenue after taxation			<u>1,868</u>		<u>1,072</u>
Total return before distributions			8,480		7,550
Distributions	6		<u>(1,868)</u>		<u>(1,072)</u>
Change in net assets attributable to shareholders from investment activities			6,612		6,478

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		68,709		62,863
Amounts transferred from Aegon Pension High Alpha UK Equity Fund	89,166		-	
Amounts receivable on creation of shares	13,736		16,997	
Amounts payable on cancellation of shares	<u>(44,057)</u>		<u>(18,802)</u>	
		58,845		(1,805)
Dilution adjustment		118		61
Change in net assets attributable to shareholders from investment activities		6,612		6,478
Retained distribution on accumulation shares		<u>1,946</u>		<u>1,112</u>
Closing net assets attributable to shareholders		136,230		68,709

Kames UK Opportunities Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			135,218		66,674
Current assets:					
Debtors	7	576		531	
Cash and cash equivalents	8	811		2,302	
			1,387		2,833
Total assets			136,605		69,507
Liabilities					
Creditors					
Other creditors	9	375		798	
Total liabilities			375		798
Net assets attributable to shareholders			136,230		68,709

Kames UK Opportunities Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	6,342	6,481
Gains on derivative securities	267	-
Currency exchange gains	6	-
Transaction charges	(3)	(3)
Net capital gains	6,612	6,478

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	2,702	1,485
Overseas dividends	177	190
Property income from REITs	39	26
Bank interest	7	1
Total revenue	2,925	1,702

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,001	585
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	30	27
Other expenses:		
Audit fee**	10	6
FT publishing fee	2	3
KIID fee	2	2
Registrar's fee	3	3
Safe custody charge	5	2
	22	16
Total expenses	1,053	628

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

**The audit fee (excluding VAT) incurred during the year was £7,490 (2017: £5,559).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	3	-
Total tax charge for the year (see note 5 (b))	3	-

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	1,871	1,072
Corporation tax 20% (2017: 20%)	374	214
Effects of:		
Movement in excess expenses	201	120
Overseas tax suffered	3	-
Revenue not subject to taxation	(575)	(334)
Total tax charge for the year (see note 5 (a))	3	-

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £7,069,000 (2017: £6,063,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,414,000 (2017: £1,213,000) has not been recognised.

6 Interest and distributions

a) Interest payable & similar charges

	2018	2017
	£'000	£'000
Interest	1	2
Total interest payable & similar charges	1	2

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	1,946	1,112
	1,946	1,112
Add: amounts deductible on cancellation of shares	401	147
Less: amounts receivable on creation of shares	(479)	(187)
Distributions	1,868	1,072

Details of the distributions are set out in the tables on page 112.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	1,868	1,072
Distributions	1,868	1,072

7 Debtors

	2018	2017
	£'000	£'000
Amounts receivable for the issue of shares	71	73
Sales awaiting settlement	351	444
Accrued revenue	151	14
Reclaimable overseas tax	3	-
Debtors	576	531

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	811	4
Money market deposits	-	2,298
Cash and cash equivalents	811	2,302

9 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	109	63
Amounts payable for cancellation of shares	266	416
Purchases awaiting settlement	-	319
Other creditors	375	798

*Includes accrued ACD's periodic charge of £94,000 (2017: £52,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £289,000 (2017: £395,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 96.42% (2017: 49.20%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

12 Financial instruments

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

Currency exposure

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

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total
	£'000
UK Sterling	68,709
	68,709

Interest rate risk

At the year-end date, 0.60% (2017: 3.35%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

12 Financial instruments (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.97% (2017: 8.49%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	3.95	5.63	5.04
31 July 2017	7.72	9.47	8.74

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000		Other Costs £'000	%
31 July 2018					
Equities	219,143	108	0.05	576	0.26
Total	<u>219,143</u>	<u>108</u>		<u>576</u>	
Total purchases including transaction costs	<u>219,827</u>				
31 July 2017					
Equities	53,614	38	0.07	203	0.38
Total	<u>53,614</u>	<u>38</u>		<u>203</u>	
Total purchases including transaction costs	<u>53,855</u>				

Sales

	Value £'000	Commissions £'000		Other Costs £'000	%
31 July 2018					
Equities	157,783	(158)	0.10	-	-
Total	<u>157,783</u>	<u>(158)</u>		<u>-</u>	
Total sales net of transaction costs	<u>157,625</u>				
31 July 2017					
Equities	55,340	(43)	0.08	-	-
Total	<u>55,340</u>	<u>(43)</u>		<u>-</u>	
Total sales net of transaction costs	<u>55,297</u>				

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.22% (2017: 0.10%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

14 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	135,218	-	66,674	-
Observable market data	-	-	-	-
Unobservable data	-	-	-	-
	135,218	-	66,674	-

15 Share classes

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

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 101 and 102. The distribution per share class is given in the distribution tables on page 112. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	7,251,208	304,423	(2,334,435)	(11,482)	5,209,714
Share class B Accumulation	27,424,083	50,671,792	(19,642,157)	6,875	58,460,593
Share class D Accumulation	143,983	3	(5,990)	4,823	142,819

16 Post balance sheet event

Following the trading suspension of Patisserie Holdings Plc, "Patisserie" in the portfolio statement (page 103), please be advised that, as of 2 November 2018, the ACD has applied a fair value price of £0.50 to this asset. Furthermore, please note that whilst the asset is included in the balance sheet as of 31 July 2018, it is no longer held by the sub fund.

Kames UK Opportunities Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	1.5331	N/A	1.5331	100.00%	0.00%	1.9646
		Group 2	0.7711	0.7620				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	3.1861	N/A	3.1861	100.00%	0.00%	3.5216
		Group 2	2.2449	0.9412				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	2.1479	N/A	2.1479	100.00%	0.00%	2.4541
		Group 2	0.7849	1.3630				

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

Kames Strategic Bond Fund

Fund description

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

Risk profile

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

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

Performance

The Kames Strategic Bond Fund returned 1.13% compared to the peer group median return of 0.07%. The peer group is the Investment Association Sterling Strategic Bond sector.

Strategy review

Bond markets were volatile over the period, with government bonds slightly outperforming their corporate bond counterparts. Overall returns were subdued although the high yield sector was the strongest performer as it benefited most from the ongoing strength in the global economy.

Throughout the year, global economic growth remained buoyant, particularly in the US. Bond markets had to contend with interest rate rises (in both the US and UK), but at other times (particularly as we moved through 2018), periods of risk aversion dominated markets. The main driver was an escalation in trade tariffs prompted by President Trump's protectionist policies.

In terms of interest rate risk (duration), we continued to retain a modest exposure although having less exposure would have been beneficial, particularly in the US. Within that positioning, however, we implemented short-term tactical trades as the backdrop for rates markets changed. Duration positioning had mixed results; as we moved through 2018 our exposure to the US came under pressure as US Treasury yields increased. In contrast, actively managing our exposure to the UK and European markets added some value. Throughout the period, we also implemented a number of regional cross-market trades, which aided relative returns.

In terms of yield curve positioning, we maintained a preference for flatter government bond curves in Europe and the UK. We did well from our flattening bias, particularly in December. This strong performance continued into 2018 and we decided to take profits in our UK and US positions, while increasing our position in Europe.

Within asset allocation, we continued to hold a clear preference for corporate bonds over their government bond counterparts. Our exposure to corporate bonds was primarily concentrated in the investment grade arena where we believed the most compelling risk-adjusted returns were to be found. This positioning generated positive excess returns in the first half of the period. As we entered 2018, we recognised the potential for an increase in volatility in corporate bond markets and, therefore, we implemented some derivative positions to help protect this part of the portfolio. Given, corporate bond markets sold-off somewhat during the first half of 2018, credit protection helped ensure the Fund avoided the worst of the volatility. Avoiding some of the markets that came under most pressure, such as Turkey and Argentina, was also beneficial. In other markets, our position in inflation-linked assets (index-linked bonds) contributed positively, as did our lack of exposure to emerging market risk.

Within sector selection, we maintained our preference for bonds issued by financial institutions (particularly subordinated bank debt) over non-financials. In non-financials, we retained a cautious approach, given stretched valuations and fundamentals. Within high yield bonds we held a bias towards BB and B-rated issues and avoided the higher-risk CCC-rated area. The Fund's overall positioning worked well in relative terms, although the performance of the financial sector was noticeably weaker as the backdrop became more volatile during 2018.

Kames Strategic Bond Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
US Treasury Inflation Indexed Bond 0.125% 15/04/2022	40,002	US Treasury Inflation Indexed Bond 0.125% 15/04/2022	55,920
US Treasury Bond 2.875% 15/05/2028	26,549	United Kingdom Gilt 5% 07/03/2018	22,380
US Treasury Inflation Indexed Bond 0.5% 15/01/2028	26,301	United Kingdom Gilt 4.5% 07/03/2019	18,767
United Kingdom Gilt 5% 07/03/2018	22,546	United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	18,491
United Kingdom Gilt 2% 22/07/2020	21,751	US Treasury Inflation Indexed Bond 0.5% 15/01/2028	15,861
United Kingdom Gilt 4.5% 07/03/2019	18,844	Canadian Government Bond 0.75% 01/08/2019	15,814
United Kingdom Gilt 1.25% 22/07/2027	18,711	US Treasury Bond 1.875% 31/12/2019	15,386
Canadian Government Bond 0.75% 01/08/2019	16,637	US Treasury Inflation Bond 1.25% 22/07/2018	14,011
US Treasury Inflation Indexed Bond 0.125% 15/04/2019	16,446	Canadian Government Bond 1.25% 01/02/2020	13,743
Japan Government Two Year Bond 0.1% 15/02/2019	15,651	United Kingdom Gilt 4.25% 07/12/2027	12,734

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
US Treasury Bond 2.875% 15/05/2028	8.35	United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	5.00
US Treasury Inflation Indexed Bond 0.125% 15/04/2019	5.37	Italy Buoni Poliennali Del Tesoro 0.45% 22/05/2023	2.72
Japan Government Two Year Bond 0.1% 15/02/2019	4.94	United Kingdom Gilt 1% 07/09/2017	1.97
United Kingdom Gilt 1.625% 22/10/2028	4.80	Morgan Stanley 4.75% 16/11/2018	1.86
United Kingdom Gilt 2% 22/07/2020	3.61	Kelda Finance No.3 5.75% 17/02/2020	1.75
United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	3.41	US Treasury Note Bond 2.25% 15/08/2046	1.66
US Treasury Inflation Indexed Bond 0.5% 15/01/2028	3.31	Health Care Real Estate Investment Trust 3.75% 15/03/2023	1.62
United Kingdom Gilt 1.75% 22/07/2019	3.18	APT Pipelines 2% 22/03/2027	1.48
United Kingdom Gilt 1.25% 22/07/2027	2.50	White City Property Finance 5.1202% 17/04/2035	1.38
Italy Buoni Poliennali Del Tesoro 1.45% 15/05/2025	2.06	AT&T 4.375% 14/09/2029	1.37

Kames Strategic Bond Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	191.85	183.95	180.73
Return before operating charges	3.24	10.75	6.36
Operating charges	(2.51)	(2.43)	(2.31)
Return after operating charges	0.73	8.32	4.05
Distributions	(3.21)	(3.88)	(4.15)
Retained distributions on accumulation shares	3.21	3.46	3.32
Closing net asset value per share	192.58	191.85	183.95
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.38%	4.52%	2.24%
Other information			
Closing net asset value (£'000)	57,068	78,244	99,176
Closing number of shares	29,632,538	40,782,996	53,913,971
Operating charges	1.30%	1.29%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	196.45	191.77	183.72
Lowest share price	191.32	183.52	169.93

A Income Shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	122.93	120.05	120.14
Return before operating charges	2.09	6.97	4.22
Operating charges	(1.60)	(1.57)	(1.51)
Return after operating charges	0.49	5.40	2.71
Distributions	(2.05)	(2.52)	(2.80)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	121.37	122.93	120.05
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.40%	4.50%	1.79%
Other information			
Closing net asset value (£'000)	1,828	3,271	4,585
Closing number of shares	1,505,822	2,660,489	3,819,559
Operating charges	1.30%	1.29%	1.28%
Direct transaction costs	-	-	-
Prices			
Highest share price	125.37	123.42	120.88
Lowest share price	121.22	119.26	111.91

Kames Strategic Bond Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.24	115.73	113.26
Return before operating charges	2.06	6.78	3.99
Operating charges	(0.98)	(0.94)	(0.89)
Return after operating charges	1.08	5.84	3.10
Distributions	(2.64)	(3.04)	(3.14)
Retained distributions on accumulation shares	2.64	2.71	2.51
Closing net asset value per share	122.32	121.24	115.73
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.89%	5.05%	2.74%
Other information			
Closing net asset value (£'000)	144,852	157,052	168,950
Closing number of shares	118,425,205	129,533,784	145,984,448
Operating charges	0.80%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	124.46	121.18	115.58
Lowest share price	120.98	115.53	106.72

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.62	118.78	118.88
Return before operating charges	2.06	6.89	4.10
Operating charges	(0.97)	(0.96)	(0.92)
Return after operating charges	1.09	5.93	3.18
Distributions	(2.63)	(3.09)	(3.28)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	120.08	121.62	118.78
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.90%	4.99%	2.12%
Other information			
Closing net asset value (£'000)	106,074	125,607	160,527
Closing number of shares	88,333,957	103,276,106	135,150,688
Operating charges	0.80%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	124.19	122.26	119.72
Lowest share price	119.98	118.02	110.74

Kames Strategic Bond Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	116.35	111.31	109.15
Return before operating charges	1.97	6.52	3.84
Operating charges	(1.23)	(1.19)	(1.12)
Return after operating charges	0.74	5.33	2.72
Distributions	(2.25)	(2.64)	(2.81)
Retained distributions on accumulation shares	2.25	2.35	2.25
Closing net asset value per share	117.09	116.35	111.31
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.64%	4.79%	2.49%
Other information			
Closing net asset value (£'000)	1,185	3,878	4,903
Closing number of shares	1,012,072	3,333,008	4,404,960
Operating charges	1.05%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	119.29	116.30	111.17
Lowest share price	116.07	111.12	102.73

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	106.03	103.55	103.64
Return before operating charges	1.80	6.02	3.59
Operating charges	(1.11)	(1.10)	(1.06)
Return after operating charges	0.69	4.92	2.53
Distributions	(2.03)	(2.44)	(2.62)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	104.69	106.03	103.55
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.65%	4.75%	1.93%
Other information			
Closing net asset value (£'000)	534	1,095	1,617
Closing number of shares	510,149	1,032,875	1,561,821
Operating charges	1.05%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	108.20	106.52	104.33
Lowest share price	104.58	102.88	96.54

Kames Strategic Bond Fund

Performance Information (continued)

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

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

*Share class launched on 22 May 2018.

Kames Strategic Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Australian Dollar Denominated Bonds (31 July 2017: 1.86%)	-	-
	Corporate Bonds (31 July 2017: 1.86%)	-	-
	Credit Default Swaps (31 July 2017: (0.56)%)	(730)	(0.23)
34,000,000	Goldman Sachs Buy Protection Itraxx EUR Main S29 5-yr June 2023	(638)	(0.20)
18,000,000	Goldman Sachs Sell Protection Itraxx EUR Main S29 10-yr June 2028	(92)	(0.03)
	Euro Denominated Bonds (31 July 2017: 16.44%)	63,748	20.09
	Corporate Bonds (31 July 2017: 12.85%)	53,494	16.86
1,700,000	Algeco Global Finance 6.5% 15/02/2023	1,569	0.49
1,400,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	1,292	0.41
1,400,000	Banco Bilbao Vizcaya Argentaria 8.875% Perpetual	1,417	0.45
2,100,000	Banco Santander 6.25% Perpetual	1,993	0.63
2,800,000	Bankia 3.375% 15/03/2027	2,579	0.81
2,800,000	Banque Federative du Credit Mutuel 1.875% 04/11/2026	2,437	0.77
2,900,000	Belfius Bank 1.625% 15/03/2028	2,527	0.80
1,900,000	BNP Paribas 6.125% Perpetual	1,895	0.60
1,000,000	Catalent Pharma Solutions 4.75% 15/12/2024	936	0.30
1,800,000	DKT Finance 7% 17/06/2023	1,686	0.53
1,600,000	Energizer Gamma Acquisition 4.625% 15/07/2026	1,457	0.46
1,600,000	Erste 6.5% Perpetual	1,569	0.49
1,000,000	Federal-Mogul 4.875% 15/04/2022	925	0.29
1,100,000	HSBC 6% Perpetual	1,110	0.35
1,400,000	Informa 1.5% 05/07/2023	1,257	0.40
2,100,000	ING Groep 1.625% 26/09/2029	1,820	0.57
1,800,000	InterXion 4.75% 15/06/2025	1,663	0.52
1,200,000	Iron Mountain 3% 15/01/2025	1,063	0.34
2,600,000	KBC 1.625% 18/09/2029	2,264	0.71
1,400,000	LHC3 4.125% 15/08/2024	1,238	0.39
1,400,000	LKQ Italia 3.875% 01/04/2024	1,312	0.41
2,000,000	Orange 5% Perpetual	1,998	0.63
1,900,000	Orsted 6.25% 26/06/3013	1,982	0.62
1,800,000	Platin 1426 5.375% 15/06/2023	1,531	0.48
2,200,000	Societe Generale 1.375% 23/02/2028	1,911	0.60
1,800,000	Societe Generale 6.75% Perpetual	1,746	0.55
1,900,000	Southern Power 1.85% 20/06/2026	1,751	0.55
1,600,000	SRLEV 9% 15/04/2041	1,693	0.53
1,700,000	UniCredit 4.375% 03/01/2027	1,574	0.50
2,200,000	UniCredit 5.75% 28/10/2025	2,087	0.66
1,100,000	UNIQA Insurance 6.875% 31/07/2043	1,162	0.37
2,300,000	Volkswagen International Finance 2.7% Perpetual	2,050	0.65
	Government Bonds (31 July 2017: 3.59%)	10,254	3.23
7,750,000	Italy Buoni Poliennali Del Tesoro 1.45% 15/05/2025	6,525	2.06
2,700,000	Kingdom of Belgium Government Bond 1.45% 22/06/2037	2,440	0.77
1,350,000	Kingdom of Belgium Government Bond 2.15% 22/06/2066	1,289	0.40

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Forward Foreign Exchange Contracts (31 July 2017: 0.93%)	(2,697)	(0.85)
	Bought GBP 443,561 Sold EUR 500,000	(3)	-
	Bought GBP 3,120,205 Sold EUR 3,500,000	(6)	-
	Bought GBP 1,327,148 Sold EUR 1,500,000	(13)	-
	Bought GBP 3,542,522 Sold EUR 4,000,000	(31)	(0.01)
	Bought GBP 4,431,165 Sold EUR 5,000,000	(35)	(0.01)
	Bought GBP 2,197,235 Sold EUR 2,500,000	(36)	(0.01)
	Bought GBP 4,593,148 Sold EUR 5,200,000	(52)	(0.02)
	Bought GBP 42,775,920 Sold EUR 48,400,000	(459)	(0.15)
	Bought GBP 15,394,038 Sold JPY 2,257,000,000	(72)	(0.02)
	Bought GBP 761,325 Sold USD 1,000,000	-	-
	Bought GBP 455,446 Sold USD 600,000	(1)	-
	Bought GBP 1,821,350 Sold USD 2,400,000	(5)	-
	Bought GBP 901,609 Sold USD 1,200,000	(11)	-
	Bought GBP 3,764,213 Sold USD 5,000,000	(40)	(0.01)
	Bought GBP 85,493,308 Sold USD 114,850,000	(1,894)	(0.60)
	Bought JPY 285,000,000 Sold GBP 1,939,382	4	-
	Bought USD 6,000,000 Sold GBP 4,520,285	45	0.01
	Bought USD 4,500,000 Sold GBP 3,418,715	6	-
	Bought USD 19,000,000 Sold GBP 14,550,353	(94)	(0.03)
	Futures Contracts (31 July 2017: 0.18%)	19	0.01
(120)	EURO BUXL 30 Year Bond Future Contract September 2018	39	0.02
17	EURO-BTP Bond Future Contract September 2018	1	-
(17)	EURO-BTP Bond Future Contract September 2018	19	0.01
(40)	EURO-OAT Future contract September 2018	10	-
(420)	Long Gilt Future Contract September 2018	(34)	(0.01)
(115)	Short Term EURO-BTP Future Contract September 2018	(18)	(0.01)
320	US 10 Year Ultra Future Contract September 2018	(176)	(0.06)
(160)	US Long Bond (CBT) Future Contract September 2018	342	0.11
55	US Ultra Bond (CBT) Future Contract September 2018	(164)	(0.05)
	Japanese Yen Denominated Bonds (31 July 2017: 0.00%)	15,682	4.94
	Government Bonds (31 July 2017: 0.00%)	15,682	4.94
2,300,000,000	Japan Government Two Year Bond 0.1% 15/02/2019	15,682	4.94
	Sterling Denominated Bonds (31 July 2017: 47.01%)	151,180	47.63
	Asset Backed Security (31 July 2017: 8.39%)	8,451	2.66
3,110,000	BL Superstores Finance 5.27% 04/10/2025	805	0.25
1,200,000	Dignity Finance 4.6956% 31/12/2049	1,149	0.36
3,100,000	Telereal Secured Finance 4.01% 10/12/2031	2,605	0.82
3,850,000	THPA Finance 7.127% 15/03/2024	2,292	0.72
3,600,000	Unique Pub Finance 6.542% 30/03/2021	1,600	0.51
	Corporate Bonds (31 July 2017: 31.65%)	77,195	24.32
1,100,000	Annington Funding 3.935% 12/07/2047	1,127	0.35
2,000,000	Arqiva Financing 5.34% 30/12/2030	2,331	0.73
1,500,000	AT&T 4.375% 14/09/2029	1,638	0.52
1,800,000	AXA 5.453% Perpetual	1,937	0.61
1,200,000	Bank of Scotland Capital Funding 7.754% Perpetual	1,329	0.42
1,000,000	Becton Dickinson 3.02% 24/05/2025	1,013	0.32

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
1,900,000	BPCE 5.25% 16/04/2029	2,154	0.68
1,300,000	British Telecom 5.75% 07/12/2028	1,599	0.50
1,300,000	Close Brothers 2.75% 26/04/2023	1,303	0.41
1,700,000	Cooperatieve Rabobank 6.91% Perpetual	2,472	0.78
2,000,000	CPUK Finance 4.25% 28/08/2022	1,989	0.63
1,350,000	CYBG 3.125% 22/06/2025	1,329	0.42
2,000,000	CYBG 5% 09/02/2026	2,056	0.65
2,000,000	Digital Stout 2.75% 19/07/2024	2,011	0.63
1,500,000	Direct Line Insurance 4.75% Perpetual	1,353	0.43
800,000	Direct Line Insurance 9.25% 27/04/2042	976	0.31
1,800,000	Drax Finco 4.25% 01/05/2022	1,819	0.57
1,900,000	Electricite de France 5.5% 27/03/2037	2,344	0.74
1,700,000	Enterprise Inns 6% 06/10/2023	1,837	0.58
1,900,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	2,493	0.78
1,585,000	HBOS Sterling Finance Jersey 7.881% Perpetual	2,292	0.72
1,900,000	Heathrow Funding 7.125% 14/02/2024	2,322	0.73
1,800,000	HSBC Capital 5.844% Perpetual	2,240	0.71
1,700,000	Juneau Investments 5.9% 22/02/2021	1,796	0.57
1,000,000	Legal & General 5.5% 27/06/2064	1,067	0.34
1,200,000	Liberty Living Finance 3.375% 28/11/2029	1,196	0.38
2,000,000	McKesson 3.125% 17/02/2029	1,973	0.62
1,900,000	Mclaren Finance 5% 01/08/2022	1,835	0.58
1,400,000	Miller Homes 5.5% 15/10/2024	1,399	0.44
1,700,000	Pennon 2.875% Perpetual	1,698	0.53
900,000	Phoenix 6.625% 18/12/2025	993	0.31
1,500,000	Pinnacle Bidco 6.375% 15/02/2025	1,518	0.48
1,100,000	Prudential 5% 20/07/2055	1,158	0.36
2,700,000	Prudential 11.375% 29/05/2039	2,915	0.92
1,300,000	Quilter 4.478% 28/02/2028	1,305	0.41
1,700,000	Sainsbury's Bank 6% 23/11/2027	1,763	0.56
1,550,000	SMFG Preferred Capital GBP 2 10.231% Perpetual	2,453	0.77
1,900,000	SP Manweb 4.875% 20/09/2027	2,251	0.71
2,700,000	SSE 3.875% Perpetual	2,751	0.87
1,400,000	TP ICAP 5.25% 26/01/2024	1,411	0.44
1,800,000	Wellcome Trust 2.517% 07/02/2118	1,691	0.53
1,200,000	Wells Fargo 5.25% 01/08/2023	1,352	0.43
2,400,000	Welltower 4.8% 20/11/2028	2,706	0.85
	Government Bonds (31 July 2017: 6.97%)	65,534	20.65
8,000,000	United Kingdom Gilt 1.25% 22/07/2027	7,920	2.50
3,500,000	United Kingdom Gilt 1.5% 22/07//2047	3,287	1.04
15,000,000	United Kingdom Gilt 1.625% 22/10/2028	15,219	4.80
750,000	United Kingdom Gilt 1.625% 22/10/2071	759	0.24
10,000,000	United Kingdom Gilt 1.75% 22/07/2019	10,099	3.18
5,800,000	United Kingdom Gilt 1.75% 22/07/2057	5,950	1.87
11,200,000	United Kingdom Gilt 2% 22/07/2020	11,470	3.61
3,000,000	United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	10,830	3.41
	United States Dollar Denominated Bonds (31 July 2017: 31.01%)	71,627	22.57
	Asset Backed Security (31 July 2017: 6.39%)	1,134	0.36
2,100,000	Odebrecht Drilling Norbe VIII 6.35% 01/12/2021	1,134	0.36

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (31 July 2017: 21.94%)	16,449	5.18
3,300,000	Dell 5.45% 15/06/2023	2,640	0.83
2,200,000	FMG Resources August 2006 4.75% 15/05/2022	1,625	0.51
3,300,000	JPMorgan Chase 5.80888% Perpetual	2,540	0.80
550,000	MAF Global Securities 5.5% Perpetual	399	0.13
2,200,000	MGM Resorts International 4.625% 01/09/2026	1,572	0.49
2,100,000	Park Aerospace Holdings 5.25% 15/08/2022	1,602	0.50
2,400,000	Royal Bank of Scotland 7.648% Perpetual	2,280	0.72
1,500,000	Syngenta Finance 5.676% 24/04/2048	1,054	0.33
1,100,000	Tullow Oil 7% 01/03/2025	816	0.26
2,500,000	UBS 5.125% 15/05/2024	1,921	0.61
	Government Bonds (31 July 2017: 2.68%)	54,044	17.03
35,000,000	US Treasury Bond 2.875% 15/05/2028	26,498	8.35
21,000,000	US Treasury Inflation Indexed Bond 0.125% 15/04/2019	17,028	5.37
14,000,000	US Treasury Inflation Indexed Bond 0.5% 15/01/2028	10,518	3.31
	Portfolio of investments*	298,829	94.16
	Net other assets	18,541	5.84
	Total net assets attributable to shareholders	317,370	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	302,237	95.23
Derivatives	(3,408)	(1.07)
Portfolio of investments*	298,829	94.16
Net other assets	18,541	5.84
Total net assets attributable to shareholders	317,370	100.00

Analysis of underlying exposure futures and options

	Market value £'000
Futures Contracts	19
	19

The comparative percentage figures in brackets are at 31 July 2017.

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

*Includes investment liabilities.

Kames Strategic Bond Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(3,510)		9,195
Revenue	3	10,638		16,008	
Expenses	4	(2,783)		(3,703)	
Interest payable and similar charges	6	<u>(1,633)</u>		<u>(2,194)</u>	
Net revenue before taxation		6,222		10,111	
Taxation	5	<u>(14)</u>		<u>(75)</u>	
Net revenue after taxation			<u>6,208</u>		<u>10,036</u>
Total return before distributions			2,698		19,231
Distributions	6		<u>(6,208)</u>		<u>(10,038)</u>
Change in net assets attributable to shareholders from investment activities			(3,510)		9,193

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		369,147		439,758
Amounts receivable on creation of shares	141,376		59,292	
Amounts payable on cancellation of shares	<u>(193,946)</u>		<u>(144,884)</u>	
		(52,570)		(85,592)
Dilution adjustment		332		319
Compensation		-		1
Change in net assets attributable to shareholders from investment activities		(3,510)		9,193
Retained distribution on accumulation shares		3,971		5,467
Unclaimed distributions		<u>-</u>		<u>1</u>
Closing net assets attributable to shareholders		317,370		369,147

Kames Strategic Bond Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			302,703		363,754
Current assets:					
Debtors	7	4,404		6,485	
Cash and cash equivalents	8	16,922		10,181	
			21,326		16,666
Total assets			324,029		380,420
Liabilities					
Investment liabilities			3,874		6,169
Creditors					
Bank overdrafts	9	25		1,632	
Distribution payable		475		738	
Other creditors	10	2,285		2,734	
Total liabilities			6,659		11,273
Net assets attributable to shareholders			317,370		369,147

Kames Strategic Bond Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2018	2017
	£'000	£'000
(Losses)/gains on non-derivative securities	(6,964)	16,030
Losses on forward currency contracts	(147)	(8,474)
Currency exchange gains/(losses)	362	(428)
Gains on derivative securities	3,243	2,071
Transaction charges	(4)	(4)
Net capital (losses)/gains	(3,510)	9,195

3 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	10,581	15,912
Bank interest	57	96
Total revenue	10,638	16,008

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,647	3,524
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	71	114
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	5
KIID fee	3	3
Printing cost	-	(1)
Registrar's fee	33	28
Safe custody charge	15	23
	65	65
Total expenses	2,783	3,703

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

**The audit fee (excluding VAT) incurred during the year was £9,275 (2017: £6,885).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	14	75
Total tax charge for the year (see note 5 (b))	14	75

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	6,222	10,111
Corporation tax 20% (2017: 20%)	1,244	2,022
Effects of:		
Overseas tax suffered	14	75
Relief on overseas tax suffered	(3)	(15)
Tax deductible interest distributions	(1,216)	(1,952)
RDR conversion transfer from capital	-	1
UK indexation relief	(25)	(56)
Total tax charge for the year (see note 5 (a))	14	75

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

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	36	23
Futures expense	940	1,044
Swaps expense	657	1,127
Interest payable and similar charges	1,633	2,194

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	4,655	7,816
Final distribution	1,294	1,997
	5,949	9,813
Add: amounts deductible on cancellation of shares	528	400
Less: amounts receivable on creation of shares	(269)	(175)
Distributions	6,208	10,038

Details of the distributions are set out in the tables on pages 133 to 134.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	6,208	10,036
Equalisation on conversions	-	2
Distributions	6,208	10,038

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	2,955	3,676
Amounts receivable for the issue of shares	1,040	536
Sales awaiting settlement	409	2,273
Debtors	4,404	6,485

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	4,598	6,081
Cash and bank balances	805	2,064
Money market deposits	11,519	2,036
Cash and cash equivalents	16,922	10,181

9 Bank overdrafts

	2018	2017
	£'000	£'000
Cash overdrafts at broker	18	541
Bank overdrafts	7	1,091
Bank overdrafts	25	1,632

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	266	301
Amounts payable for cancellation of shares	2,019	1,552
Purchases awaiting settlement	-	881
Other creditors	2,285	2,734

*Includes accrued ACD's periodic charge of £228,000 (2017: £275,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £1,207,000 (2017: £1,292,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 6.04% (2017: 6.16%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	200,531	63.18	229,842	62.26
Rated bonds below investment grade	59,347	18.70	109,625	29.70
Unrated bonds	42,359	13.35	16,092	4.36
Derivatives	(3,408)	(1.07)	2,026	0.55
Portfolio of investments	298,829	94.16	357,585	96.87
Net other assets	18,541	5.84	11,562	3.13
Total net assets attributable to shareholders	317,370	100.00	369,147	100.00

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

Currency exposure

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

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

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

As at 31 July 2018

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

As at 31 July 2017

Currency	Total £'000
Australian Dollar	620
Canadian Dollar	73
Euro	2,226
Japanese Yen	16
Sterling	365,243
United States Dollar	969
	369,147

Interest rate risk

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

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

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

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	6,854	140	6,994
Euro	6,773	53,906	5,381	66,060
Sterling	32,997	140,533	193,777	367,307
United States Dollar	44,197	69,653	6,547	120,397
Cash at bank				
Australian Dollar	275	-	-	275
Canadian Dollar	497	-	-	497
Euro	1,267	-	-	1,267
Japanese Yen	16	-	-	16
United States Dollar	8	-	-	8
Cash at brokers				
Sterling	6,081	-	-	6,081
Cash on deposit				
United States Dollar	2,684	-	-	2,684
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(6,647)	(6,647)
Canadian Dollar	-	-	(1)	(1)
Euro	-	-	(65,101)	(65,101)
Sterling	-	-	(7,054)	(7,054)
United States Dollar	-	-	(122,005)	(122,005)
Cash at bank				
Sterling	(1,091)	-	-	(1,091)
Cash at brokers				
Australian Dollar	(2)	-	-	(2)
Canadian Dollar	(423)	-	-	(423)
United States Dollar	(115)	-	-	(115)

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

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 0.91% (2017: 0.91%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	0.81	1.47	1.13
31 July 2017	0.73	1.59	1.05

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 152.65% (2017: 140.68%).

Counterparty risk

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

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

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

At 31 July 2018, the market value of the exchange traded derivatives held by the sub-fund was £19,000 (2017: £668,000).

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

As at 31 July 2018

Counterparty	Futures Exposure £'000	Credit default swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Citigroup	-	-	2,697	2,460
Goldman Sachs International	-	52,000	-	670
UBS	(67,018)	-	-	-

As at 31 July 2017

Counterparty	Futures Exposure £'000	Credit default swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	100,000	-	-
Citigroup	-	40,000	3,429	-
JPMorgan	-	30,000	-	-
UBS	(132,485)	-	-	3,240

14 Portfolio transaction costs

Purchases

31 July 2018

	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	858,518	-	-	-	-
Total	858,518	-		-	
Total purchases including transaction costs	858,518				

31 July 2017

Bonds	323,931	-	-	-	-
Total	323,931	-		-	
Total purchases including transaction costs	323,931				

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

Sales

31 July 2018	Value	Commissions	Other Costs	
	£'000	£'000	%	£'000
Bonds	904,167	-	-	-
Total	904,167	-		
Total sales net of transaction costs	904,167			
31 July 2017				
Bonds	399,674	-	-	-
Total	399,674	-		
Total sales net of transaction costs	399,674			

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.36% (2017: 0.59%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Quoted prices	142,196	(392)	49,699	(134)
Observable market data	160,507	(3,482)	314,055	(6,035)
Unobservable data	-	-	-	-
	302,703	(3,874)	363,754	(6,169)

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

16 Share classes

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

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class: 0.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 115 to 118. The distribution per share class is given in the distribution tables on pages 133 and 134. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	40,782,996	2,567,443	(13,584,353)	(133,548)	29,632,538
Share class A Income	2,660,489	34,540	(1,089,632)	(99,575)	1,505,822
Share class B Accumulation	129,533,784	66,045,294	(77,324,379)	170,506	118,425,205
Share class B Income	103,276,106	41,445,402	(56,372,802)	(14,749)	88,333,957
Share class D Accumulation	3,333,008	47,141	(2,361,059)	(7,018)	1,012,072
Share class D Income	1,032,875	54,196	(554,408)	(22,514)	510,149
Share class S Accumulation*	-	3,773,532	-	-	3,773,532
Share class S Income*	-	1,826,821	-	219,543	2,046,364

*Share class launched on 22 May 2018.

Kames Strategic Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7784	N/A	0.7784	0.00%	100.00%	0.7840
		Group 2	0.3085	0.4699				
31/01/18	31/03/18	Group 1	0.9725	N/A	0.9725	0.00%	100.00%	0.9274
		Group 2	0.4576	0.5149				
30/04/18	30/06/18	Group 1	0.8660	N/A	0.8660	0.00%	100.00%	0.8951
		Group 2	0.3896	0.4764				
31/07/18	30/09/18	Group 1	0.5959	N/A	0.5959	0.00%	100.00%	0.8504
		Group 2	0.3150	0.2809				

Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.4987	N/A	0.4987	0.00%	100.00%	0.5104
		Group 2	0.2952	0.2035				
31/01/18	31/03/18	Group 1	0.6245	N/A	0.6245	0.00%	100.00%	0.6029
		Group 2	0.1130	0.5115				
30/04/18	30/06/18	Group 1	0.5501	N/A	0.5501	0.00%	100.00%	0.5792
		Group 2	0.1985	0.3516				
31/07/18	30/09/18	Group 1	0.3759	N/A	0.3759	0.00%	100.00%	0.5477
		Group 2	0.1157	0.2602				

Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6457	N/A	0.6457	0.00%	100.00%	0.6099
		Group 2	0.2705	0.3752				
31/01/18	31/03/18	Group 1	0.7711	N/A	0.7711	0.00%	100.00%	0.7023
		Group 2	0.3811	0.3900				
30/04/18	30/06/18	Group 1	0.6991	N/A	0.6991	0.00%	100.00%	0.7091
		Group 2	0.3453	0.3538				
31/07/18	30/09/18	Group 1	0.5284	N/A	0.5284	0.00%	100.00%	0.6890
		Group 2	0.3267	0.2017				

Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6477	N/A	0.6477	0.00%	100.00%	0.6266
		Group 2	0.3306	0.3171				
31/01/18	31/03/18	Group 1	0.7705	N/A	0.7705	0.00%	100.00%	0.7168
		Group 2	0.4670	0.3035				
30/04/18	30/06/18	Group 1	0.6934	N/A	0.6934	0.00%	100.00%	0.7195
		Group 2	0.2752	0.4182				
31/07/18	30/09/18	Group 1	0.5211	N/A	0.5211	0.00%	100.00%	0.6947
		Group 2	0.3297	0.1914				

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

Kames Strategic Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.5459	N/A	0.5459	0.00%	100.00%	0.5303
		Group 2	0.2153	0.3306				
31/01/18	31/03/18	Group 1	0.6672	N/A	0.6672	0.00%	100.00%	0.6183
		Group 2	0.3396	0.3276				
30/04/18	30/06/18	Group 1	0.5997	N/A	0.5997	0.00%	100.00%	0.6115
		Group 2	0.1489	0.4508				
31/07/18	30/09/18	Group 1	0.4368	N/A	0.4368	0.00%	100.00%	0.5900
		Group 2	0.1425	0.2943				

Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.4974	N/A	0.4974	0.00%	100.00%	0.4943
		Group 2	0.2123	0.2851				
31/01/18	31/03/18	Group 1	0.6033	N/A	0.6033	0.00%	100.00%	0.5726
		Group 2	0.2306	0.3727				
30/04/18	30/06/18	Group 1	0.5399	N/A	0.5399	0.00%	100.00%	0.5627
		Group 2	0.1847	0.3552				
31/07/18	30/09/18	Group 1	0.3910	N/A	0.3910	0.00%	100.00%	0.5415
		Group 2	0.2021	0.1889				

Share Class S Accumulation**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/07/18	30/09/18	Group 1	0.3300	N/A	0.3300	0.00%	100.00%	N/A
		Group 2	0.2087	0.1213				

Share Class S Income**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/07/18	30/09/18	Group 1	0.3306	N/A	0.3306	0.00%	100.00%	N/A
		Group 2	0.1568	0.1738				

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

**Share class launched on 22 May 2018.

Kames Global Equity Fund

Fund description

The primary investment objective is to provide capital growth by exploiting special investment situations and opportunities throughout the world by investing globally.

Risk profile

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

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

Performance

The Kames Global Equity Fund returned 19.74% compared to the peer group median return of 10.10%. The peer group is the Investment Association Global sector.

Strategy review

Global equities performed strongly over the period with the MSCI World index increasing by 13.05% in sterling terms. US equities were among the strongest areas, boosted by strong earnings data and President Trump's pro-growth policies. The UK market was more subdued but still posted meaningful gains. With sterling weakening over the period, industries with overseas earnings exposure were strong while the domestic economy remained weak. Europe and Japan also performed well over the year.

The Fund continued to benefit from strong stock picking. Among the best performing names was SKC Kolon. The Korean maker of Polyimide films has been benefiting on two fronts. Almost all mobile phone makers now require films around their batteries following the issues with the Samsung Note 7 exploding. The company also benefits from the expected move to foldable OLED screens, as seen by orders from key customer Samsung. Hua Hong was also a strong contributor. The Chinese semiconductor manufacturer continues to benefit from a strong overall market as well as the Chinese government's plans to have 50% of Chinese-used semiconductors supplied by local manufacturers by 2020.

The exposure to Insperity also contributed to performance. The US human resources and business solutions provider to smaller companies (less than 100 people) has seen improving sales and margins; this is driven by strong execution but also the improving economic trends in the US. Green Dot performed well, beating expectations over the period. Ansys also aided the Fund. The software engineering simulation and services company continues to grow ahead of expectations. The adjusted sales strategy and improved end-markets continue to drive growth. Other strong performers over the period included Anta Sports and PTT.

Less positive was our exposure to Coherent. Although surprising the market positively at times, the market didn't always reward the performance. We continue to see this area as one that will surprise the market in 2018. MarketAxess also suffered in the period as the market reacted negatively to trading volumes. Elite Material was also weak. The stock had been strong up to the end of the third quarter, but the Taiwan laminates play has been plagued by rumours of a loss in iPhone orders. We exited the position after it broke down technically.

Our focus will remain on stock selection, targeting solid fundamental businesses with attractive growth opportunities.

Kames Global Equity Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
T Rowe Price	3,403	Activision Blizzard	3,898
Burlington Stores	2,634	A.O. Smith	2,997
Ubisoft Entertainment	2,427	Koito Manufacturing	2,700
SVB Financial	2,251	Disco	2,659
BRP	2,158	Essent	2,442
Fox Factory	2,104	CNA Financial	2,240
Evercore	2,082	Topdanmark	2,086
Raven Industries	1,932	PTT	2,052
Marten Transport	1,865	Beauty Community	1,788
TS Tech	1,844	Fox Factory	1,758

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
Insperity	4.92	Coherent	5.52
Green Dot	4.66	Activision Blizzard	5.27
SKC Kolon PI	4.56	Ansys	4.41
T Rowe Price	4.53	MarketAxess	3.98
Burlington Stores	4.14	PTT Public	3.77
Ubisoft Entertainment	3.74	A.O. Smith	3.29
Amplifon	3.67	CNA Financial	3.22
Hua Hong Semiconductor	3.49	Nucor	3.19
Ansys	3.25	Anta Sports Products	3.08
BRP	3.10	Koito Manufacturing	3.05

Kames Global Equity Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	177.98	148.66	132.38
Return before operating charges	37.86	31.97	18.42
Operating charges	(3.13)	(2.65)	(2.14)
Return after operating charges	34.73	29.32	16.28
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	212.71	177.98	148.66
after direct transaction costs of	0.36	0.47	0.34
Performance			
Return after charges	19.51%	19.72%	12.30%
Other information			
Closing net asset value (£'000)	7,115	6,365	5,163
Closing number of shares	3,344,932	3,576,479	3,472,867
Operating charges	1.59%	1.61%	1.63%
Direct transaction costs	0.18%	0.29%	0.26%
Prices			
Highest share price	218.90	180.42	150.05
Lowest share price	177.76	146.90	118.00

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	203.71	168.87	149.25
Return before operating charges	43.53	36.45	20.92
Operating charges	(1.90)	(1.61)	(1.30)
Return after operating charges	41.63	34.84	19.62
Distributions	(1.67)	(0.90)	(1.06)
Retained distributions on accumulation shares	1.67	0.90	1.06
Closing net asset value per share	245.34	203.71	168.87
after direct transaction costs of	0.41	0.54	0.39
Performance			
Return after charges	20.44%	20.63%	13.15%
Other information			
Closing net asset value (£'000)	76,379	63,628	54,191
Closing number of shares	31,131,443	31,234,699	32,089,430
Operating charges	0.84%	0.86%	0.88%
Direct transaction costs	0.18%	0.29%	0.26%
Prices			
Highest share price	252.41	206.45	170.44
Lowest share price	203.47	166.89	133.58

Kames Global Equity Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	193.72	160.99	142.63
Return before operating charges	41.31	34.72	19.96
Operating charges	(2.34)	(1.99)	(1.60)
Return after operating charges	38.97	32.73	18.36
Distributions	(1.05)	(0.42)	(0.64)
Retained distributions on accumulation shares	1.05	0.42	0.64
Closing net asset value per share	232.69	193.72	160.99
after direct transaction costs of	0.39	0.51	0.37
Performance			
Return after charges	20.12%	20.33%	12.87%
Other information			
Closing net asset value (£'000)	81	58	30
Closing number of shares	34,987	29,776	18,811
Operating charges	1.08%	1.11%	1.13%
Direct transaction costs	0.18%	0.29%	0.26%
Prices			
Highest share price	239.45	196.35	162.49
Lowest share price	193.49	159.09	127.49

E Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	100.39	83.86	74.67
Return before operating charges	21.36	18.02	10.39
Operating charges	(1.76)	(1.49)	(1.20)
Return after operating charges	19.60	16.53	9.19
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	119.99	100.39	83.86
after direct transaction costs of	0.20	0.26	0.19
Performance			
Return after charges	19.52%	19.71%	12.31%
Other information			
Closing net asset value (£'000)	94	101	101
Closing number of shares	78,215	100,459	121,009
Operating charges	1.58%	1.61%	1.63%
Direct transaction costs	0.18%	0.29%	0.26%
Prices (Euros)	(c/share)	(c/share)	(c/share)
Highest share price	140.00	115.00	107.00
Lowest share price	111.00	97.00	86.00

Kames Global Equity Fund

Performance Information (continued)

S Accumulation shares*	2018
	(p/share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges	7.69
Operating charges	(0.31)
Return after operating charges	7.38
Distributions	(0.76)
Retained distributions on accumulation shares	0.76
Closing net asset value per share	107.38
after direct transaction costs of	0.12
Performance	
Return after charges	7.38%
Other information	
Closing net asset value (£'000)	1,635
Closing number of shares	1,522,500
Operating charges	0.49%
Direct transaction costs	0.18%
Prices	
Highest share price	110.49
Lowest share price	93.76

*Share class launched on 19 December 2017.

Kames Global Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 99.07%)	85,037	99.69
	Australia (31 July 2017: 1.84%)	-	-
	Belgium (31 July 2017: 1.50%)	895	1.05
12,619	Melexis	895	1.05
	Brazil (31 July 2017: 1.36%)	-	-
	Canada (31 July 2017: 1.46%)	5,504	6.45
75,809	Badger Daylighting	1,285	1.50
75,824	BRP	2,642	3.10
95,317	Canfor	1,577	1.85
	China (31 July 2017: 4.46%)	6,433	7.54
562,000	Anta Sports Products	2,178	2.55
1,115,000	Hua Hong Semiconductor	2,979	3.49
3,668,000	Lonking	1,276	1.50
	Denmark (31 July 2017: 2.42%)	-	-
	Finland (31 July 2017: 0.00%)	1,379	1.62
90,802	DNA	1,379	1.62
	France (31 July 2017: 0.00%)	3,190	3.74
37,880	Ubisoft Entertainment	3,190	3.74
	Germany (31 July 2017: 1.59%)	-	-
	Hong Kong (31 July 2017: 0.00%)	-	-
128,000	China High Precision Automation	-	-
	Italy (31 July 2017: 7.22%)	3,132	3.67
183,334	Amplifon	3,132	3.67
	Japan (31 July 2017: 10.20%)	5,640	6.61
40,900	Mandom	969	1.13
174,000	Systema	1,613	1.89
55,400	TS Tech	1,730	2.03
155,100	Zeon	1,328	1.56
	Mexico (31 July 2017: 0.00%)	3,570	4.19
1,231,071	Bolsa Mexicana de Valores	1,754	2.06
392,355	Grupo Aeroportuario del Centro Norte	1,816	2.13
	Norway (31 July 2017: 0.00%)	1,951	2.29
50,119	Salmar	1,951	2.29
	South Korea (31 July 2017: 2.94%)	3,888	4.56
111,869	SKC Kolon PI	3,888	4.56
	Spain (31 July 2017: 2.30%)	2,454	2.88
104,595	CIE Automotive	2,454	2.88
	Sweden (31 July 2017: 1.65%)	1,192	1.40
125,003	Granges	1,192	1.40

Kames Global Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Switzerland (31 July 2017: 2.88%)	1,877	2.20
2,368	Inficon	847	0.99
10,277	VAT	1,030	1.21
	Taiwan (31 July 2017: 6.17%)	530	0.62
77,328	Gourmet Master	530	0.62
	Thailand (31 July 2017: 5.11%)	2,017	2.36
1,718,000	PTT	2,017	2.36
	United Kingdom (31 July 2017: 5.26%)	4,361	5.11
430,044	Brewin Dolphin	1,509	1.77
494,965	Senior	1,569	1.84
242,852	Synthomer	1,283	1.50
68,000	TMO Renewables*	-	-
	United States (31 July 2017: 40.71%)	37,024	43.40
21,521	Ansys	2,771	3.25
30,299	Burlington Stores	3,530	4.14
20,103	Coherent	2,422	2.84
72,532	Continental Building Products	1,761	2.06
28,332	Evercore	2,440	2.86
65,811	Green Dot	3,979	4.66
57,948	Insperty	4,197	4.92
9,610	MarketAxess	1,420	1.66
112,782	Marten Transport	1,874	2.20
44,988	Novanta	2,138	2.51
44,397	Nucor	2,265	2.66
74,585	Raven Industries	2,203	2.58
9,185	SVB Financial	2,156	2.53
42,613	T Rowe Price	3,868	4.53
	Portfolio of investments	85,037	99.69
	Net other assets	267	0.31
	Total net assets attributable to shareholders	85,304	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

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

Kames Global Equity Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		14,144		11,943
Revenue	3	1,366		932	
Expenses	4	(714)		(609)	
Interest payable and similar charges	6	<u>(3)</u>		<u>(4)</u>	
Net revenue before taxation		649		319	
Taxation	5	<u>(112)</u>		<u>(49)</u>	
Net revenue after taxation			<u>537</u>		<u>270</u>
Total return before distributions			14,681		12,213
Distributions	6		<u>(540)</u>		<u>(285)</u>
Change in net assets attributable to shareholders from investment activities			14,141		11,928

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		70,152		59,485
Amounts receivable on creation of shares	13,565		6,648	
Amounts payable on cancellation of shares	<u>(13,097)</u>		<u>(8,195)</u>	
		468		(1,547)
Dilution adjustment		11		6
Change in net assets attributable to shareholders from investment activities		14,141		11,928
Retained distribution on accumulation shares		<u>532</u>		<u>280</u>
Closing net assets attributable to shareholders		85,304		70,152

Kames Global Equity Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			85,037		69,496
Current assets:					
Debtors	7	700		970	
Cash and cash equivalents	8	449		198	
			1,149		1,168
Total assets			86,186		70,664
Liabilities					
Creditors					
Bank overdrafts	9	-		145	
Other creditors	10	882		367	
Total liabilities			882		512
Net assets attributable to shareholders			85,304		70,152

Kames Global Equity Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	14,126	12,032
Currency exchange gains/(losses)	24	(55)
Losses on derivative securities	-	(24)
Transaction charges	(6)	(10)
Net capital gains	14,144	11,943

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	51	72
Overseas dividends	1,313	859
Bank interest	2	1
Total revenue	1,366	932

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	651	545
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	17	23
Other expenses:		
Audit fee**	11	7
FT publishing fee	2	1
KIID fee	-	2
Printing cost	-	(1)
Registrar's fee	20	23
Safe custody charge	13	9
	46	41
Total expenses	714	609

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

**The audit fee (excluding VAT) incurred during the year was £9,275 (2017: £6,885).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	112	49
Total tax charge for the year (see note 5 (b))	112	49

Kames Global Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	649	319
Corporation tax 20% (2017: 20%)	130	64
Effects of:		
Movement in excess expenses	144	118
Overseas tax suffered	112	49
Relief on overseas tax suffered	-	(1)
Revenue not subject to taxation	(274)	(181)
Total tax charge for the year (see note 5 (a))	112	49

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £5,779,000 (2017: £5,061,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,156,000 (2017: £1,012,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	3	4
Interest payable and similar charges	3	4

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	532	280
	532	280
Add: amounts deductible on cancellation of shares	39	7
Less: amounts receivable on creation of shares	(31)	(2)
Distributions	540	285

Details of the distributions are set out in the tables on page 149.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	537	270
Capital reimbursement of revenue deficit	3	15
Distributions	540	285

7 Debtors

	2018	2017
	£'000	£'000
Amounts receivable on issue of shares	87	14
Accrued revenue	12	17
Sales awaiting settlement	579	922
Reclaimable overseas tax	22	17
Debtors	700	970

Kames Global Equity Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	449	198
Cash and cash equivalents	449	198

9 Bank overdraft

	2018	2017
	£'000	£'000
Bank overdraft	-	145
Bank overdraft	-	145

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	86	65
Amounts payable for cancellation of shares	796	161
Purchases awaiting settlement	-	141
Other creditors	882	367

*Includes accrued ACD's periodic charge of £59,000 (2017: £48,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £768,000 (2017: £195,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 81.05% (2017: 85.37%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Currency exposure

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

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

As at 31 July 2018

Currency	Total
	£'000
Brazilian Real	3
Canadian Dollar	5,506
Euro	11,320
Hong Kong Dollar	6,433
Japanese Yen	5,640
Mexican Peso	3,570
Norwegian Krone	1,951
South Korean Won	3,888
Sterling	3,700
Swedish Krona	1,192
Swiss Franc	1,883
Taiwan Dollar	992
Thai Baht	2,017
US Dollar	37,209
	85,304

Kames Global Equity Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

As at 31 July 2017

Currency	Total £'000
Australian Dollar	1,291
Brazilian Real	959
Canadian Dollar	1,946
Danish Krone	1,696
Euro	8,703
Hong Kong Dollar	3,131
Japanese Yen	7,156
South Korean Won	2,063
Sterling	3,338
Swedish Krona	1,159
Swiss Franc	2,028
Taiwan Dollar	4,522
Thai Baht	3,582
US Dollar	28,578
	70,152

Interest rate risk

At the year-end date, 0.53% (2017: 0.08%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.50% (2017: 6.96%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	3.01	5.16	4.31
31 July 2017	6.65	7.92	7.27

14 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	67,353	47	0.07	33	0.05
Total	67,353	47		33	
Total purchases including transaction costs	67,433				
31 July 2017					
Equities	108,264	51	0.05	59	0.05
Total	108,264	51		59	
Total purchases including transaction costs	108,374				

Sales

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	66,082	(44)	0.07	(19)	0.03
Total	66,082	(44)		(19)	
Total sales net of transaction costs	66,019				
31 July 2017					
Equities	110,822	(57)	0.05	(21)	0.02
Total	110,822	(57)		(21)	
Total sales net of transaction costs	110,744				

Kames Global Equity Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.34% (2017: 0.17%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	85,037	-	69,496	-
Observable market data	-	-	-	-
Unobservable data	-	-	-	-
	85,037	-	69,496	-

16 Share classes

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

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

E share class: 1.50%

S share class: 0.40%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 137 to 139. The distribution per share class is given in the distribution tables on page 149. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	3,576,479	2,599,461	(2,821,827)	(9,181)	3,344,932
Share class B Accumulation	31,234,699	3,028,232	(3,139,490)	8,002	31,131,443
Share class D Accumulation	29,776	33,419	(28,208)	-	34,987
Share class E Accumulation	100,459	-	(22,244)	-	78,215
Share class S Accumulation*	-	1,522,500	-	-	1,522,500

*Share class launched on 19 December 2017.

Kames Global Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	1.6708	N/A	1.6708	100.00%	0.00%	0.8973
		Group 2	0.7281	0.9427				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	1.0490	N/A	1.0490	100.00%	0.00%	0.4173
		Group 2	0.9337	0.1153				

Share Class E Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class S Accumulation**

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017 Net Distribution
31/07/18	30/11/18	Group 1	0.7581	N/A	0.7581	100.00%	0.00%	N/A
		Group 2	0.3157	0.4424				

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

**Share class launched on 19 December 2017.

Kames High Yield Bond Fund

Fund description

The primary investment objective is to maximise total return (income plus capital) by investing in a portfolio of predominately high yield bonds, selected investment grade bonds and cash. The Fund may hold sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

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

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

Performance

The Kames High Yield Bond Fund returned 1.14% compared to the peer group median return of 1.22%. The peer group is the Investment Association Sterling High Yield sector.

Strategy review

Bond markets were volatile over the period, with government bonds slightly outperforming their corporate bond counterparts. Overall returns were subdued although the high yield sector was the strongest performer as it benefited most from the ongoing strength in the global economy.

During the first half of the period, the Fund lost some ground versus peers due to our lack of exposure to euro-denominated, CCC-rated credit and to emerging market credit. Each of these more volatile segments of the high yield market performed strongly in 2017 to the benefit of peer funds, many of which have significant allocations to these areas. We were comfortable, however, with the performance of the Fund at this point, having taken account of its risk exposure. A greater proportion of the Fund's return came from stock selection rather than having exposure to the general risk within the market.

Our slight defensive stance was validated during 2018 as volatility (caused mainly by geopolitics) returned to the market. Disciplined stock selection ensured that the Fund withstood the worst of the turbulent conditions, and performed well compared to many in the peer group.

Stock selection was the key driver of returns. Among the best performers were banking names Rabobank, which we view as one of Europe's safest banks, and Erste Bank, Austria's largest bank. Bonds issued by Unicredit and Royal Bank of Scotland also added to performance.

Away from financials, our exposure to LKQ, the market leading provider of auto parts to repair shops in the US and Europe, added value. Also in the auto sector, the holding in Federal-Mogul (automotive parts manufacturer) rallied strongly towards the end of the period after it agreed to be acquired by rival Tenneco. As the period came to an end, the Fund also benefited from a strong performance from US hospital operator HCA.

We also benefited from what we did not own. We avoided, for example, the high profile stock-specific implosions that occurred in 2017, such as Agrokor, New Look in Europe, and ToysRus and PetSmart in the US. During 2018, we also benefited from not owning troubled stocks such as Italian telecommunications operators Telecom Italia and WindTre.

Kames High Yield Bond Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Cheniere Energy 5.25% 01/10/2025	14,108	Access Midstream Partners 4.875% 15/03/2024	17,242
Equinix 2.875% 01/10/2025	13,576	Virgin Media Receivables Financing Notes I DAC 5.5% 15/09/2024	17,202
Arqiva Broadcast Finance 9.5% 31/03/2020	13,550	SFR Group 7.375% 01/05/2026	17,183
Bankinter 2.5% 06/04/2027	13,082	Arqiva Broadcast Finance 9.5% 31/03/2020	13,196
UniCredit 9.25% Perpetual	12,665	Bankinter 2.5% 06/04/2027	12,901
Pinnacle Bidco 6.375% 15/02/2025	12,124	CNH Industrial 4.5% 15/08/2023	12,234
Teva Pharmaceutical Finance 2.95% 18/12/2022	11,146	ING 6.875% Perpetual	12,027
Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	10,544	DEA Finance 7.5% 15/10/2022	11,923
Platin 1426 5.375% 15/06/2023	10,142	Fresenius US Finance II 4.5% 15/01/2023	11,825
Algeco Global Finance 6.5% 15/02/2023	10,067	Spectrum Brands 5.75% 15/07/2025	11,479

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
HCA 5.375% 01/02/2025	2.00	Unitymedia 6.125% 15/01/2025	1.85
Park Aerospace Holdings 5.25% 15/08/2022	1.95	SFR Group 7.375% 01/05/2026	1.85
Unitymedia 6.125% 15/01/2025	1.94	Access Midstream Partners 4.875% 15/03/2024	1.83
Catalent Pharma Solutions 4.75% 15/12/2024	1.93	Stichting AK Rabobank Certificaten 6.5% Perpetual	1.79
Stichting AK Rabobank Certificaten 6.5% Perpetual	1.86	Virgin Media Receivables Financing Notes I DAC 5.5% 15/09/2024	1.77
BlueLine Rental 9.25% 15/03/2024	1.78	Catalent Pharma Solutions 4.75% 15/12/2024	1.77
International Game Technology 6.25% 15/02/2022	1.74	Service International 4.5% 15/11/2020	1.66
Equinix 2.875% 01/10/2025	1.69	HCA 5.375% 01/02/2025	1.63
UniCredit 9.25% Perpetual	1.59	International Game Technology 6.25% 15/02/2022	1.58
Pinnacle Bidco 6.375% 15/02/2025	1.57	TalkTalk Telecom 5.375% 15/01/2022	1.55

Kames High Yield Bond Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	125.53	118.46	116.12
Return before operating charges	2.44	9.25	5.11
Operating charges	(1.62)	(1.57)	(1.47)
Return after operating charges	0.82	7.68	3.64
Distributions	(5.96)	(5.58)	(6.50)
Retained distributions on accumulation shares	5.96	4.97	5.20
Closing net asset value per share	126.35	125.53	118.46
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.65%	6.49%	3.13%
Other information			
Closing net asset value (£'000)	82,734	98,029	123,885
Closing number of shares	65,480,872	78,094,675	104,579,137
Operating charges	1.28%	1.29%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	127.27	125.58	118.90
Lowest share price	124.69	117.90	107.06

A Income Shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	52.68	52.04	53.39
Return before operating charges	1.01	4.05	2.25
Operating charges	(0.67)	(0.68)	(0.66)
Return after operating charges	0.34	3.37	1.59
Distributions	(2.45)	(2.73)	(2.94)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	50.57	52.68	52.04
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.65%	6.48%	1.87%
Other information			
Closing net asset value (£'000)	32,493	40,821	46,132
Closing number of shares	64,248,779	77,492,996	88,656,209
Operating charges	1.28%	1.29%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	52.86	52.96	53.74
Lowest share price	50.12	51.19	48.11

Kames High Yield Bond Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	270.10	253.63	247.43
Return before operating charges	5.27	19.85	10.91
Operating charges	(2.14)	(2.07)	(1.94)
Return after operating charges	3.13	17.78	8.97
Distributions	(12.86)	(11.98)	(13.86)
Retained distributions on accumulation shares	12.86	10.67	11.09
Closing net asset value per share	273.23	270.10	253.63
after direct transaction costs of	-	-	-
Performance			
Return after charges	1.16%	7.01%	3.63%
Other information			
Closing net asset value (£'000)	366,356	448,272	499,356
Closing number of shares	134,081,491	165,965,165	196,885,800
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	274.52	270.19	254.55
Lowest share price	268.69	252.80	228.68

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	99.95	98.23	100.31
Return before operating charges	1.93	7.68	4.20
Operating charges	(0.78)	(0.79)	(0.77)
Return after operating charges	1.15	6.89	3.43
Distributions	(4.66)	(5.17)	(5.51)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	96.44	99.95	98.23
after direct transaction costs of	-	-	-
Performance			
Return after charges	1.15%	7.01%	2.32%
Other information			
Closing net asset value (£'000)	284,612	394,527	479,619
Closing number of shares	295,123,392	394,739,290	488,236,957
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	100.43	100.44	100.96
Lowest share price	95.53	96.78	90.61

Kames High Yield Bond Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.25	114.13	111.62
Return before operating charges	2.36	8.93	4.90
Operating charges	(1.26)	(1.22)	(1.14)
Return after operating charges	1.10	7.71	3.76
Distributions	(5.77)	(5.38)	(6.25)
Retained distributions on accumulation shares	5.77	4.79	5.00
Closing net asset value per share	122.35	121.25	114.13
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.91%	6.75%	3.37%
Other information			
Closing net asset value (£'000)	1,882	3,140	4,420
Closing number of shares	1,538,372	2,589,675	3,872,765
Operating charges	1.03%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	123.08	121.29	114.55
Lowest share price	120.60	113.68	103.03

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	98.02	96.58	98.86
Return before operating charges	1.88	7.54	4.13
Operating charges	(1.00)	(1.02)	(0.99)
Return after operating charges	0.88	6.52	3.14
Distributions	(4.56)	(5.08)	(5.42)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	94.34	98.02	96.58
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.90%	6.75%	2.08%
Other information			
Closing net asset value (£'000)	3,252	4,890	6,621
Closing number of shares	3,447,206	4,988,962	6,854,946
Operating charges	1.03%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	98.43	98.53	99.50
Lowest share price	93.48	95.08	89.19

Kames High Yield Bond Fund

Performance Information (continued)

S Accumulation shares*	2018 (p/share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges	0.76
Operating charges	(0.36)
Return after operating charges	0.40
Distributions	(2.98)
Retained distributions on accumulation shares	2.98
Closing net asset value per share	100.40
after direct transaction costs of	-
Performance	
Return after charges	0.40%
Other information	
Closing net asset value (£'000)	34
Closing number of shares	33,253
Operating charges	0.53%
Direct transaction costs	-
Prices	
Highest share price	100.76
Lowest share price	99.03

S Income shares*	2018 (p/share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges	0.75
Operating charges	(0.35)
Return after operating charges	0.40
Distributions	(2.95)
Retained distributions on accumulation shares	-
Closing net asset value per share	97.45
after direct transaction costs of	-
Performance	
Return after charges	0.40%
Other information	
Closing net asset value (£'000)	51
Closing number of shares	52,096
Operating charges	0.53%
Direct transaction costs	-
Prices	
Highest share price	100.62
Lowest share price	96.52

*Share class launched on 19 December 2017.

Kames High Yield Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Canadian Dollar Denominated Bonds (31 July 2017: 0.73%)	6,732	0.87
	Corporate Bonds (31 July 2017: 0.73%)	6,732	0.87
10,800,000	Quebecor Media 6.625% 15/01/2023	6,732	0.87
	Credit Default Swaps (31 July 2017: 0.00%)	2,333	0.30
26,000,000	BNP Paribas Sell Protection Itraxx EUR Xover S29 5-yr June 2023	2,333	0.30
	Euro Denominated Bonds (31 July 2017: 23.70%)	265,063	34.36
	Corporate Bonds (31 July 2017: 23.70%)	265,063	34.36
11,500,000	Algeco Global Finance 6.5% 15/02/2023	10,612	1.38
7,700,000	Arena Luxembourg Finance 2.875% 01/11/2024	6,829	0.89
8,800,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	8,120	1.05
4,000,000	BNP Paribas 6.125% Perpetual	3,989	0.52
15,900,000	Catalent Pharma Solutions 4.75% 15/12/2024	14,887	1.93
10,300,000	CBR Fashion Finance 5.125% 01/10/2022	8,140	1.05
4,400,000	Crown European 2.25% 01/02/2023	3,969	0.51
4,550,000	CTC BondCo 5.25% 15/12/2025	3,970	0.51
6,200,000	DEA Finance 7.5% 15/10/2022	5,954	0.77
8,600,000	DKT Finance 7% 17/06/2023	8,053	1.04
9,000,000	Energizer Gamma Acquisition 4.625% 15/07/2026	8,198	1.06
15,000,000	Equinix 2.875% 01/10/2025	13,024	1.69
8,400,000	Erste 8.875% Perpetual	8,895	1.15
9,000,000	Federal-Mogul 4.875% 15/04/2022	8,325	1.08
9,500,000	Grifols 3.2% 01/05/2025	8,460	1.10
6,900,000	InterXion 4.75% 15/06/2025	6,375	0.83
7,500,000	Intrum Justitia 2.75% 15/07/2022	6,448	0.84
9,800,000	Iron Mountain 3% 15/01/2025	8,682	1.13
13,500,000	LHC3 4.125% 15/08/2024	11,941	1.55
10,900,000	LKQ European 3.625% 01/04/2026	9,755	1.26
10,200,000	MPT Operating Partnership 4% 19/08/2022	9,937	1.29
10,500,000	Nassa Topco 2.875% 06/04/2024	9,786	1.27
7,140,000	Origin Energy Finance 4% 16/09/2074	6,571	0.85
6,800,000	Paprec 4% 31/03/2025	6,083	0.79
11,600,000	Platin 1426 5.375% 15/06/2023	9,866	1.28
11,800,000	Quintiles IMS 3.25% 15/03/2025	10,549	1.37
5,100,000	RESIDOMO Sro 3.375% 15/10/2024	4,578	0.59
13,300,000	Stichting AK Rabobank Certificaten 6.5% Perpetual	14,372	1.86
7,000,000	Superior Industries International 6% 15/06/2025	6,134	0.80
12,100,000	UniCredit 9.25% Perpetual	12,284	1.59
8,800,000	Verisure Midholding 5.75% 01/12/2023	7,739	1.00
2,800,000	Volkswagen International Finance 4.625% Perpetual	2,538	0.33
	Forward Foreign Exchange Contracts (31 July 2017: 2.00%)	(11,399)	(1.48)
	Bought EUR 25,000,000 Sold GBP 21,914,700	418	0.05
	Bought EUR 2,000,000 Sold GBP 1,770,742	16	-
	Bought GBP 6,302,050 Sold CAD 11,000,000	(132)	(0.02)
	Bought GBP 4,447,490 Sold EUR 5,000,000	(19)	-
	Bought GBP 4,419,000 Sold EUR 5,000,000	(48)	(0.01)
	Bought GBP 282,816,000 Sold EUR 320,000,000	(3,036)	(0.39)
	Bought GBP 3,037,328 Sold USD 4,000,000	(6)	-
	Bought GBP 387,753,279 Sold USD 520,900,000	(8,592)	(1.11)
	Sterling Denominated Bonds (31 July 2017: 11.52%)	113,054	14.66
	Asset Backed Security (31 July 2017: 1.84%)	15,936	2.07
8,501,000	THPA Finance 8.241% 15/03/2028	9,490	1.23
14,500,000	Unique Pub Finance 6.542% 30/03/2021	6,446	0.84

Kames High Yield Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (31 July 2017: 9.68%)	97,118	12.59
3,800,000	Bracken 10.5% 15/11/2021	3,975	0.52
4,000,000	CPUK Finance 4.25% 28/08/2022	3,977	0.52
6,000,000	CPUK Finance 4.875% 28/08/2025	5,962	0.77
11,500,000	Drax Finco 4.25% 01/05/2022	11,624	1.51
12,300,000	McLaren Finance 5% 01/08/2022	11,878	1.54
8,200,000	Miller Homes 5.5% 15/10/2024	8,194	1.06
43,000	Nationwide Building Society 10.25% Perpetual	6,529	0.85
8,000,000	Ocado 4% 15/06/2024	8,003	1.04
12,000,000	Pinnacle Bidco 6.375% 15/02/2025	12,143	1.57
4,000,000	Stonegate Pub Co Financing 4.875% 15/03/2022	3,947	0.51
11,600,000	TalkTalk Telecom 5.375% 15/01/2022	11,588	1.50
9,700,000	Vantiv / Vanity Issuer 3.875% 15/11/2025	9,298	1.20
	United States Dollar Denominated Bonds (31 July 2017: 56.91%)	343,325	44.51
	Asset Backed Security (31 July 2017: 0.00%)	6,262	0.81
11,600,000	Odebrecht Drilling Norbe VIII 6.35% 01/12/2021	6,262	0.81
	Corporate Bonds (31 July 2017: 56.91%)	337,063	43.70
7,800,000	1011778 BC / New Red Finance 4.25% 15/05/2024	5,647	0.73
11,800,000	Aker 5.875% 31/03/2025	9,220	1.20
3,000,000	Algeco Global Finance 2 10% 15/08/2023	2,326	0.30
10,300,000	Ashtead Capital 4.125% 15/08/2025	7,469	0.97
11,500,000	Bank of America 5.125% Perpetual	8,855	1.15
17,100,000	BlueLine Rental 9.25% 15/03/2024	13,764	1.78
6,100,000	Centene 4.75% 15/01/2025	4,649	0.60
2,800,000	Centene 6.125% 15/02/2024	2,244	0.29
15,900,000	Cheniere Energy Partners 5.25% 01/10/2025	12,061	1.56
5,400,000	Coty 6.5% 15/04/2026	3,854	0.50
14,100,000	CSC Holdings 10.125% 15/01/2023	11,837	1.53
3,000,000	Drax Finco 6.625% 01/11/2025	2,300	0.30
1,900,000	Energizer Gamma Acquisition 6.375% 15/07/2026	1,489	0.19
4,000,000	Equinix 5.75% 01/01/2025	3,145	0.41
11,400,000	First Data 5% 15/01/2024	8,764	1.14
5,400,000	FMG Resources August 2006 4.75% 15/05/2022	3,989	0.52
6,000,000	Frontier Communications 8.5% 01/04/2026	4,391	0.57
16,800,000	Genesis Energy 5.625% 15/06/2024	11,955	1.55
1,450,000	GLP Capital 4.375% 15/04/2021	1,121	0.15
10,100,000	GLP Capital 4.875% 01/11/2020	7,825	1.01
6,100,000	GLP Capital 5.375% 01/11/2023	4,801	0.62
11,800,000	Goodyear Tire & Rubber 5.125% 15/11/2023	8,848	1.15
5,400,000	Greystar Real Estate Partners 5.75% 01/12/2025	3,993	0.52
20,000,000	HCA 5.375% 01/02/2025	15,437	2.00
1,100,000	HCA 7.5% 15/02/2022	924	0.12
17,050,000	International Game Technology 6.25% 15/02/2022	13,453	1.74
8,050,000	Jaguar Land Rover 3.5% 15/03/2020	6,072	0.79
5,450,000	KFC / Pizza Hut / Taco 5% 01/06/2024	4,103	0.53
13,000,000	Live Nation Entertainment 4.875% 01/11/2024	9,774	1.27
900,000	Mason Finance 6.875% 15/08/2023	686	0.09
7,600,000	MGM Resorts International 4.625% 01/09/2026	5,432	0.70
5,100,000	MGM Resorts International 6% 15/03/2023	4,033	0.52
4,000,000	MGM Resorts International 6.625% 15/12/2021	3,250	0.42
3,300,000	MPT Operating Partnership 5.25% 01/08/2026	2,480	0.32
2,700,000	MPT Operating Partnership 6.375% 01/03/2024	2,161	0.28
8,100,000	Neptune Energy 6.625% 15/05/2025	5,981	0.78
7,800,000	Owens-Brockway 5.875% 15/08/2023	6,035	0.78
10,500,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	8,065	1.05
19,700,000	Park Aerospace Holdings 5.25% 15/08/2022	15,027	1.95
6,500,000	Pilgrim's Pride 5.75% 15/03/2025	4,729	0.61
5,200,000	Prime Security Services Borrower 9.25% 15/05/2023	4,242	0.55

Kames High Yield Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
5,400,000	Reynolds 5.75% 15/10/2020	4,002	0.52
7,200,000	SBA Communications 4.875% 15/07/2022	5,461	0.71
6,100,000	Service International 4.5% 15/11/2020	4,653	0.60
3,000,000	Service International 5.375% 15/01/2022	2,310	0.30
3,300,000	Service International 5.375% 15/05/2024	2,548	0.33
5,400,000	Sirius XM Radio 5.375% 15/04/2025	4,091	0.53
150,000	Stars 7% 15/07/2026	118	0.02
17,000,000	Teva Pharmaceutical Finance 2.95% 18/12/2022	11,911	1.54
13,600,000	Tullow Oil 7% 01/03/2025	10,094	1.31
18,850,000	Unitymedia 6.125% 15/01/2025	14,943	1.94
13,000,000	Vermilion Energy 5.625% 15/03/2025	9,780	1.27
6,000,000	Williams Scotsman International 7.875% 15/12/2022	4,768	0.62
7,600,000	XPO Logistics 6.125% 01/09/2023	5,953	0.77
Portfolio of investments*		719,108	93.22
Net other assets		52,306	6.78
Total net assets attributable to shareholders		771,414	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Bonds	728,174	94.40
Derivatives	(9,066)	(1.18)
Portfolio of investments*	719,108	93.22
Net other assets	52,306	6.78
Total net assets attributable to shareholders	771,414	100.00

The comparative percentage figures in bracket are at 31 July 2017.

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

*Includes investment liabilities.

Kames High Yield Bond Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(24,141)		26,455
Revenue	3	41,521		57,208	
Expenses	4	(7,490)		(9,300)	
Interest payable and similar charges	6	<u>(353)</u>		<u>(538)</u>	
Net revenue before taxation		33,678		47,370	
Taxation	5	<u>(172)</u>		<u>(534)</u>	
Net revenue after taxation			<u>33,506</u>		<u>46,836</u>
Total return before distributions			9,365		73,291
Distributions	6		<u>(41,068)</u>		<u>(56,244)</u>
Change in net assets attributable to shareholders from investment activities			(31,703)		17,047

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		989,679		1,160,033
Amounts receivable on creation of shares	150,884		228,958	
Amounts payable on cancellation of shares	<u>(361,507)</u>		<u>(444,213)</u>	
		(210,623)		(215,255)
Dilution adjustment		635		631
Change in net assets attributable to shareholders from investment activities		(31,703)		17,047
Retained distribution on accumulation shares		23,426		27,222
Unclaimed distributions		<u>-</u>		<u>1</u>
Closing net assets attributable to shareholders		771,414		989,679

Kames High Yield Bond Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			730,941		942,610
Current assets:					
Debtors	7	34,648		15,271	
Cash and cash equivalents	8	41,817		50,264	
			76,465		65,535
Total assets			807,406		1,008,145
Liabilities					
Investment liabilities			11,833		3,770
Creditors					
Bank overdrafts	9	914		941	
Distribution payable		1,343		2,029	
Other creditors	10	21,902		11,726	
Total liabilities			35,992		18,466
Net assets attributable to shareholders			771,414		989,679

Kames High Yield Bond Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2018	2017
	£'000	£'000
(Losses)/gains on non-derivative securities	(22,503)	58,373
Losses on forward currency contracts	(3,079)	(32,701)
Currency exchange gains	459	1,302
Gains/(losses) on derivative securities	985	(514)
Transaction charges	(3)	(5)
Net capital (losses)/gains	(24,141)	26,455

3 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	40,383	56,008
Bank interest	274	473
Swaps revenue	864	727
Total revenue	41,521	57,208

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	7,192	8,880
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	152	255
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	5
KIID fee	3	3
Printing cost	-	(1)
Registrar's fee	91	100
Safe custody charge	38	51
	146	165
Total expenses	7,490	9,300

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

**The audit fee (excluding VAT) incurred during the year was £9,275 (2017: £6,885).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Corporation tax prior year adjustment	3	-
Overseas tax suffered	169	534
Total tax charge for the year (see note 5 (b))	172	534

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	33,678	47,370
Corporation tax 20% (2017: 20%)	6,736	9,474
Effects of:		
Corporation tax prior year adjustment	3	-
Overseas tax suffered	169	534
Relief on overseas tax suffered	(34)	(107)
Tax deductible interest distributions	(6,702)	(9,367)
Total tax charge for the year (see note 5 (a))	172	534

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

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £7,523,000 (2017: £7,523,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,505,000 (2017: £1,505,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	71	108
Futures expense	282	430
Interest payable and similar charges	353	538

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	37,338	51,233
Final distribution	3,225	4,556
	40,563	55,789
Add: amounts deductible on cancellation of shares	822	898
Less: amounts receivable on creation of shares	(317)	(443)
Distributions	41,068	56,244

Details of the distributions are set out in the tables on pages 169 to 171.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	33,506	46,836
Expenses transferred to capital	7,561	9,408
Undistributed revenue brought forward	1	1
Undistributed revenue carried forward	-	(1)
Distributions	41,068	56,244

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	10,206	10,806
Amounts receivable for the issue of shares	1,469	2,188
Sales awaiting settlement	22,973	2,277
Debtors	34,648	15,271

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	10,170	379
Cash and bank balances	871	308
Money market deposits	30,776	49,577
Cash and cash equivalents	41,817	50,264

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	914	941
Bank overdrafts	914	941

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	608	728
Amounts payable for cancellation of shares	20,608	2,675
Purchases awaiting settlement	686	8,323
Other creditors	21,902	11,726

*Includes accrued ACD's periodic charge of £557,000 (2017: £695,000).

11 Related Parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £19,696,000 (2017: £1,183,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 8.58% (2017: 7.19%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	84,073	10.90	115,170	11.63
Rated bonds below investment grade	610,230	79.11	786,174	79.44
Unrated bonds	33,871	4.39	17,751	1.79
Derivatives	(9,066)	(1.18)	19,745	2.00
Portfolio of investments	719,108	93.22	938,840	94.86
Net other assets	52,306	6.78	50,839	5.14
Total net assets attributable to shareholders	771,414	100.00	989,679	100.00

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

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Currency exposure

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

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

As at 31 July 2018

Currency	Total £'000
Canadian Dollar	932
Euro	(1,157)
Sterling	775,896
United States Dollar	(4,257)
	771,414

As at 31 July 2017

Currency	Total £'000
Canadian Dollar	792
Euro	3,373
Sterling	983,738
United States Dollar	1,776
	989,679

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian Dollar	-	6,732	-	6,732
Euro	-	265,063	28,331	293,394
Sterling	-	113,054	700,516	813,570
United States Dollar	8,855	334,470	21,027	364,352
Cash at bank				
Canadian Dollar	633	-	-	633
Euro	234	-	-	234
United States Dollar	4	-	-	4
Cash at brokers				
Sterling	10,170	-	-	10,170
Cash on deposit				
United States Dollar	30,776	-	-	30,776
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian Dollar	-	-	(6,433)	(6,433)
Euro	-	-	(294,785)	(294,785)
Sterling	-	-	(46,930)	(46,930)
United States Dollar	-	-	(399,389)	(399,389)
Cash at bank				
Sterling	(914)	-	-	(914)

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian Dollar	-	7,183	55	7,238
Euro	-	234,603	2,719	237,322
Sterling	-	114,025	898,924	1,012,949
United States Dollar	-	563,284	31,129	594,413
Cash at bank				
Canadian Dollar	220	-	-	220
Euro	84	-	-	84
United States Dollar	4	-	-	4
Cash at brokers				
Sterling	379	-	-	379
Cash on deposit				
United States Dollar	49,577	-	-	49,577
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian Dollar	-	-	(6,666)	(6,666)
Euro	-	-	(234,033)	(234,033)
Sterling	-	-	(28,649)	(28,649)
United States Dollar	-	-	(642,218)	(642,218)
Cash at bank				
Sterling	(941)	-	-	(941)

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

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.21% (2017: 1.22%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	1.11	1.58	1.30
31 July 2017	1.22	2.13	1.58

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 94.89% (2017: 114.38%).

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Counterparty risk

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

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

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

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

As at 31 July 2018

Counterparty	Futures Exposure £'000	Credit Default Swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
BNP Paribas	-	2,333	-	(2,400)
Citigroup	-	-	(11,399)	10,170

As at 31 July 2017

Counterparty	Futures Exposure £'000	Credit Default Swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Citigroup	-	-	19,754	-
UBS	(38,196)	-	-	-

14 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs £'000	%
31 July 2018				
Bonds	453,772	-	-	-
Total	453,772	-	-	-
Total purchases including transaction costs	453,772			
31 July 2017				
Bonds	641,615	-	-	-
Total	641,615	-	-	-
Total purchases including transaction costs	641,615			

Sales

	Value £'000	Commissions £'000	Other Costs £'000	%
31 July 2018				
Bonds	619,676	-	-	-
Total	619,676	-	-	-
Total sales net of transaction costs	619,676			
31 July 2017				
Bonds	777,831	-	-	-
Total	777,831	-	-	-
Total sales net of transaction costs	777,831			

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.60% (2017: 0.57%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation Technique	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	-	-	-	(9)
Observable market data	730,941	(11,833)	942,610	(3,761)
Unobservable data	-	-	-	-
	730,941	(11,833)	942,610	(3,770)

16 Share classes

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

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class*: 0.50%

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

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 153 to 155. The distribution per share class is given in the distribution tables on pages 169 to 171. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	78,094,675	3,638,431	(15,959,495)	(292,739)	65,480,872
Share class A Income	77,492,996	3,559,870	(14,241,226)	(2,562,861)	64,248,779
Share class B Accumulation	165,965,165	32,124,024	(64,133,476)	125,778	134,081,491
Share class B Income	394,739,290	57,093,976	(158,036,416)	1,326,542	295,123,392
Share class D Accumulation	2,589,675	146,642	(1,190,183)	(7,762)	1,538,372
Share class D Income	4,988,962	370,508	(1,897,532)	(14,732)	3,447,206
Share class S Accumulation**	-	16,011	(12,358)	29,600	33,253
Share class S Income**	-	12,318	-	39,778	52,096

**Share class launched on 19 December 2017.

Kames High Yield Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.5249	N/A	0.5249	0.00%	100.00%	0.4250
		Group 2	0.0531	0.4718				
30/09/17	31/10/17	Group 1	0.4493	N/A	0.4493	0.00%	100.00%	0.4580
		Group 2	0.2067	0.2426				
31/10/17	30/11/17	Group 1	0.4740	N/A	0.4740	0.00%	100.00%	0.5144
		Group 2	0.1265	0.3475				
30/11/17	31/12/17	Group 1	0.4587	N/A	0.4587	0.00%	100.00%	0.3827
		Group 2	0.2475	0.2112				
31/12/17	31/01/18	Group 1	0.4911	N/A	0.4911	0.00%	100.00%	0.4595
		Group 2	0.3141	0.1770				
31/01/18	28/02/18	Group 1	0.4317	N/A	0.4317	0.00%	100.00%	0.4168
		Group 2	0.1856	0.2461				
28/02/18	31/03/18	Group 1	0.4626	N/A	0.4626	0.00%	100.00%	0.4054
		Group 2	0.2490	0.2136				
31/03/18	30/04/18	Group 1	0.5424	N/A	0.5424	0.00%	100.00%	0.5148
		Group 2	0.0720	0.4704				
30/04/18	31/05/18	Group 1	0.4989	N/A	0.4989	0.00%	100.00%	0.4850
		Group 2	0.1411	0.3578				
31/05/18	30/06/18	Group 1	0.5395	N/A	0.5395	0.00%	100.00%	0.4767
		Group 2	0.2850	0.2545				
30/06/18	31/07/18	Group 1	0.5629	N/A	0.5629	0.00%	100.00%	0.4646
		Group 2	0.2770	0.2859				
31/07/18	31/08/18	Group 1	0.5273	N/A	0.5273	0.00%	100.00%	0.5767
		Group 2	0.2231	0.3042				

Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.2203	N/A	0.2203	0.00%	100.00%	0.1867
		Group 2	0.0917	0.1286				
30/09/17	31/10/17	Group 1	0.1877	N/A	0.1877	0.00%	100.00%	0.2005
		Group 2	0.0514	0.1363				
31/10/17	30/11/17	Group 1	0.1975	N/A	0.1975	0.00%	100.00%	0.2243
		Group 2	0.1277	0.0698				
30/11/17	31/12/17	Group 1	0.1903	N/A	0.1903	0.00%	100.00%	0.1662
		Group 2	0.0681	0.1222				
31/12/17	31/01/18	Group 1	0.2030	N/A	0.2030	0.00%	100.00%	0.1988
		Group 2	0.1201	0.0829				
31/01/18	28/02/18	Group 1	0.1778	N/A	0.1778	0.00%	100.00%	0.1798
		Group 2	0.1147	0.0631				
28/02/18	31/03/18	Group 1	0.1899	N/A	0.1899	0.00%	100.00%	0.1741
		Group 2	0.0962	0.0937				
31/03/18	30/04/18	Group 1	0.2218	N/A	0.2218	0.00%	100.00%	0.2206
		Group 2	0.1181	0.1037				
30/04/18	31/05/18	Group 1	0.2032	N/A	0.2032	0.00%	100.00%	0.2071
		Group 2	0.1205	0.0827				
31/05/18	30/06/18	Group 1	0.2188	N/A	0.2188	0.00%	100.00%	0.2025
		Group 2	0.1163	0.1025				
30/06/18	31/07/18	Group 1	0.2273	N/A	0.2273	0.00%	100.00%	0.1967
		Group 2	0.1328	0.0945				
31/07/18	31/08/18	Group 1	0.2120	N/A	0.2120	0.00%	100.00%	0.2432
		Group 2	0.0664	0.1456				

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

Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	1.1296	N/A	1.1296	0.00%	100.00%	0.9101
		Group 2	0.5965	0.5331				
30/09/17	31/10/17	Group 1	0.9674	N/A	0.9674	0.00%	100.00%	0.9812
		Group 2	0.4371	0.5303				
31/10/17	30/11/17	Group 1	1.0205	N/A	1.0205	0.00%	100.00%	1.1025
		Group 2	0.4700	0.5505				
30/11/17	31/12/17	Group 1	0.9885	N/A	0.9885	0.00%	100.00%	0.8203
		Group 2	0.4397	0.5488				
31/12/17	31/01/18	Group 1	1.0585	N/A	1.0585	0.00%	100.00%	0.9856
		Group 2	0.5998	0.4587				
31/01/18	28/02/18	Group 1	0.9308	N/A	0.9308	0.00%	100.00%	0.8944
		Group 2	0.4366	0.4942				
28/02/18	31/03/18	Group 1	0.9984	N/A	0.9984	0.00%	100.00%	0.8699
		Group 2	0.3966	0.6018				
31/03/18	30/04/18	Group 1	1.1705	N/A	1.1705	0.00%	100.00%	1.1057
		Group 2	0.4643	0.7062				
30/04/18	31/05/18	Group 1	1.0773	N/A	1.0773	0.00%	100.00%	1.0488
		Group 2	0.5752	0.5021				
31/05/18	30/06/18	Group 1	1.1655	N/A	1.1655	0.00%	100.00%	1.0247
		Group 2	0.5899	0.5756				
30/06/18	31/07/18	Group 1	1.2166	N/A	1.2166	0.00%	100.00%	0.9988
		Group 2	0.3975	0.8191				
31/07/18	31/08/18	Group 1	1.1398	N/A	1.1398	0.00%	100.00%	1.2407
		Group 2	0.6223	0.5175				

Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.4181	N/A	0.4181	0.00%	100.00%	0.3525
		Group 2	0.2428	0.1753				
30/09/17	31/10/17	Group 1	0.3565	N/A	0.3565	0.00%	100.00%	0.3786
		Group 2	0.2085	0.1480				
31/10/17	30/11/17	Group 1	0.3749	N/A	0.3749	0.00%	100.00%	0.4241
		Group 2	0.1956	0.1793				
30/11/17	31/12/17	Group 1	0.3616	N/A	0.3616	0.00%	100.00%	0.3141
		Group 2	0.1428	0.2188				
31/12/17	31/01/18	Group 1	0.3858	N/A	0.3858	0.00%	100.00%	0.3762
		Group 2	0.2183	0.1675				
31/01/18	28/02/18	Group 1	0.3381	N/A	0.3381	0.00%	100.00%	0.3401
		Group 2	0.1574	0.1807				
28/02/18	31/03/18	Group 1	0.3613	N/A	0.3613	0.00%	100.00%	0.3296
		Group 2	0.1556	0.2057				
31/03/18	30/04/18	Group 1	0.4222	N/A	0.4222	0.00%	100.00%	0.4177
		Group 2	0.2319	0.1903				
30/04/18	31/05/18	Group 1	0.3868	N/A	0.3868	0.00%	100.00%	0.3921
		Group 2	0.1307	0.2561				
31/05/18	30/06/18	Group 1	0.4166	N/A	0.4166	0.00%	100.00%	0.3840
		Group 2	0.1706	0.2460				
30/06/18	31/07/18	Group 1	0.4332	N/A	0.4332	0.00%	100.00%	0.3729
		Group 2	0.2354	0.1978				
31/07/18	31/08/18	Group 1	0.4043	N/A	0.4043	0.00%	100.00%	0.4613
		Group 2	0.1284	0.2759				

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Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.5071	N/A	0.5071	0.00%	100.00%	0.4096
		Group 2	0.3700	0.1371				
30/09/17	31/10/17	Group 1	0.4341	N/A	0.4341	0.00%	100.00%	0.4442
		Group 2	0.1668	0.2673				
31/10/17	30/11/17	Group 1	0.4579	N/A	0.4579	0.00%	100.00%	0.4960
		Group 2	0.3448	0.1131				
30/11/17	31/12/17	Group 1	0.4438	N/A	0.4438	0.00%	100.00%	0.3689
		Group 2	0.2963	0.1475				
31/12/17	31/01/18	Group 1	0.4748	N/A	0.4748	0.00%	100.00%	0.4431
		Group 2	0.1341	0.3407				
31/01/18	28/02/18	Group 1	0.4174	N/A	0.4174	0.00%	100.00%	0.4020
		Group 2	0.1508	0.2666				
28/02/18	31/03/18	Group 1	0.4476	N/A	0.4476	0.00%	100.00%	0.3909
		Group 2	0.1325	0.3151				
31/03/18	30/04/18	Group 1	0.5246	N/A	0.5246	0.00%	100.00%	0.4968
		Group 2	0.2053	0.3193				
30/04/18	31/05/18	Group 1	0.4827	N/A	0.4827	0.00%	100.00%	0.4678
		Group 2	0.2513	0.2314				
31/05/18	30/06/18	Group 1	0.5222	N/A	0.5222	0.00%	100.00%	0.4603
		Group 2	0.0808	0.4414				
30/06/18	31/07/18	Group 1	0.5449	N/A	0.5449	0.00%	100.00%	0.4486
		Group 2	0.3020	0.2429				
31/07/18	31/08/18	Group 1	0.5104	N/A	0.5104	0.00%	100.00%	0.5565
		Group 2	0.4410	0.0694				

Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.4099	N/A	0.4099	0.00%	100.00%	0.3464
		Group 2	0.2601	0.1498				
30/09/17	31/10/17	Group 1	0.3496	N/A	0.3496	0.00%	100.00%	0.3748
		Group 2	0.2222	0.1274				
31/10/17	30/11/17	Group 1	0.3676	N/A	0.3676	0.00%	100.00%	0.4167
		Group 2	0.1585	0.2091				
30/11/17	31/12/17	Group 1	0.3545	N/A	0.3545	0.00%	100.00%	0.3087
		Group 2	0.2314	0.1231				
31/12/17	31/01/18	Group 1	0.3782	N/A	0.3782	0.00%	100.00%	0.3695
		Group 2	0.2325	0.1457				
31/01/18	28/02/18	Group 1	0.3313	N/A	0.3313	0.00%	100.00%	0.3341
		Group 2	0.1572	0.1741				
28/02/18	31/03/18	Group 1	0.3539	N/A	0.3539	0.00%	100.00%	0.3236
		Group 2	0.0167	0.3372				
31/03/18	30/04/18	Group 1	0.4133	N/A	0.4133	0.00%	100.00%	0.4100
		Group 2	0.1879	0.2254				
30/04/18	31/05/18	Group 1	0.3788	N/A	0.3788	0.00%	100.00%	0.3859
		Group 2	0.1716	0.2072				
31/05/18	30/06/18	Group 1	0.4079	N/A	0.4079	0.00%	100.00%	0.3767
		Group 2	0.2928	0.1151				
30/06/18	31/07/18	Group 1	0.4239	N/A	0.4239	0.00%	100.00%	0.3660
		Group 2	0.2713	0.1526				
31/07/18	31/08/18	Group 1	0.3954	N/A	0.3954	0.00%	100.00%	0.4526
		Group 2	0.0990	0.2964				

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Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class S Accumulation**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/12/17	31/01/18	Group 1	0.1545	N/A	0.1545	0.00%	100.00%	N/A
		Group 2	0.1545	0.0000				
31/01/18	28/02/18	Group 1	0.3421	N/A	0.3421	0.00%	100.00%	N/A
		Group 2	0.3421	0.0000				
28/02/18	31/03/18	Group 1	0.3658	N/A	0.3658	0.00%	100.00%	N/A
		Group 2	0.3658	0.0000				
31/03/18	30/04/18	Group 1	0.4294	N/A	0.4294	0.00%	100.00%	N/A
		Group 2	0.1218	0.3076				
30/04/18	31/05/18	Group 1	0.3955	N/A	0.3955	0.00%	100.00%	N/A
		Group 2	0.3955	0.0000				
31/05/18	30/06/18	Group 1	0.4278	N/A	0.4278	0.00%	100.00%	N/A
		Group 2	0.2872	0.1406				
30/06/18	31/07/18	Group 1	0.4465	N/A	0.4465	0.00%	100.00%	N/A
		Group 2	0.1153	0.3312				
31/07/18	31/08/18	Group 1	0.4188	N/A	0.4188	0.00%	100.00%	N/A
		Group 2	0.2598	0.1590				

Share Class S Income**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/12/17	31/01/18	Group 1	0.1547	N/A	0.1547	0.00%	100.00%	N/A
		Group 2	0.1547	0.0000				
31/01/18	28/02/18	Group 1	0.3418	N/A	0.3418	0.00%	100.00%	N/A
		Group 2	0.1180	0.2238				
28/02/18	31/03/18	Group 1	0.3645	N/A	0.3645	0.00%	100.00%	N/A
		Group 2	0.1605	0.2040				
31/03/18	30/04/18	Group 1	0.4273	N/A	0.4273	0.00%	100.00%	N/A
		Group 2	0.1756	0.2517				
30/04/18	31/05/18	Group 1	0.3907	N/A	0.3907	0.00%	100.00%	N/A
		Group 2	0.1675	0.2232				
31/05/18	30/06/18	Group 1	0.4209	N/A	0.4209	0.00%	100.00%	N/A
		Group 2	0.1726	0.2483				
30/06/18	31/07/18	Group 1	0.4377	N/A	0.4377	0.00%	100.00%	N/A
		Group 2	0.1720	0.2657				
31/07/18	31/08/18	Group 1	0.4082	N/A	0.4082	0.00%	100.00%	N/A
		Group 2	0.1458	0.2624				

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**Share class launched on 19 December 2017.

Kames Investment Grade Bond Fund

Fund description

The primary investment objective is to maximise total return (income plus capital) by investing primarily in investment grade and government bonds denominated in sterling and other currencies. The Fund may hold a maximum of 20% in high yield bonds and may hold cash. A minimum of 80% of the Fund will be hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

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

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

Performance

The Kames Investment Grade Bond Fund returned 0.42% compared with the peer group median return of (0.05)%. The peer group is the Investment Association Sterling Corporate Bond sector.

Strategy review

Bond markets were volatile over the period, with government bonds slightly outperforming their corporate bond counterparts. Overall returns were subdued although the high yield sector was the strongest performer as it benefited most from the ongoing strength in the global economy.

Throughout the period, global economic growth remained buoyant, particularly in the US. Bond markets had to contend with interest rate rises (in both the US and UK), but at other times (particularly as we moved through 2018), periods of risk aversion dominated markets. The main driver was an escalation in trade tariffs prompted by President Trump's protectionist policies.

The Fund was well positioned to benefit from the positive market tone during the first half of the period, with our weighting to higher beta credit especially supportive. Initially, managing interest rate risk (duration) modestly benefited performance. We were generally happy to oppose the market at the extreme levels of the observable range in 10-year gilts. However, with little conviction around whether we would meaningfully break either end of this range, we were more comfortable using the Fund's risk budget to flex our credit allocation.

As we moved into 2018, an uptick in volatility across financial markets was evident, with a combination of geopolitics and renewed conjecture over the general direction of central bank policy stoking uncertainty across both government and corporate bond markets. The more turbulent conditions challenged the Fund's long corporate bond and short duration stance. We subsequently reduced our credit exposure slightly and altered our duration positioning, bringing it back to a broadly neutral stance. We continued, however, to actively manage the size of this positioning; our general bias was to use any short-term weakness in gilts to add interest rate risk. Over the period as a whole actively managing interest rate risk was a small positive contributor to performance.

Disciplined stock selection added some value to the Fund's outperformance over the period. Among the standout names was Tesco property bonds, which benefited from the company announcing another tender for conventional bonds.

Kames Investment Grade Bond Fund

Material portfolio changes

Top ten purchases	31 July 2018 £'000	Top ten sales	31 July 2018 £'000
GE Capital UK Funding Unlimited 5.875% 18/01/2033	29,725	LCR Finance 4.5% 07/12/2028	24,281
Prudential 5.7% 19/12/2063	21,216	Santander 3.625% 14/01/2026	19,564
Citigroup 6.8% 25/06/2038	20,362	Intesa Sanpaolo 7.75% Perpetual	18,022
Santander UK 3.875% 15/10/2029	20,226	Wells Fargo 2% 28/07/2025	17,459
AXA 5.453% Perpetual	19,541	Prudential 5.7% 19/12/2063	17,276
Bank of America 8.125% 02/06/2028	18,062	UniCredit 9.25% Perpetual	17,121
Intesa Sanpaolo 7.75% Perpetual	17,909	UniCredit 6.75% Perpetual	16,657
Phoenix Group Holdings 6.625% 18/12/2025	17,301	APT Pipelines 3.5% 22/03/2030	16,624
UniCredit 9.25% Perpetual	17,008	European Investment Bank 4.625% 12/10/2054	15,477
UniCredit 6.75% Perpetual	16,945	European Investment Bank 6% 07/12/2028	15,311

Top ten holdings	31 July 2018 %	Top ten holdings	31 July 2017 %
HSBC Capital 5.844% Perpetual	1.78	LCR Finance 4.5% 07/12/2028	1.70
Cooperatieve Rabobank UA 6.91% Perpetual	1.77	Rabobank Nederland 6.91% Perpetual	1.61
Goldman Sachs 6.875% 18/01/2038	1.68	Bank of Scotland 7.281% Perpetual	1.50
SMFG Preferred Capital GBP 2 10.231% Perpetual	1.50	SMFG Preferred Capital GBP 2 10.231% Perpetual	1.38
GE Capital UK Funding Unlimited 5.875% 18/01/2033	1.45	HSBC Capital 5.844% Perpetual	1.35
Aviva 4.375% 12/09/2049	1.43	Santander 3.625% 14/01/2026	1.32
Citigroup 6.8% 25/06/2038	1.31	European Investment Bank 6% 07/12/2028	1.09
Bank of America 8.125% 02/06/2028	1.18	Bank of Scotland Capital Funding 7.754% Perpetual	1.09
Welltower 4.8% 20/11/2028	1.17	Goldman Sachs 6.875% 18/01/2038	1.07
Anheuser-Busch InBev 2.85% 25/05/2037	1.16	AA 6.269% 31/07/2025	1.05

Kames Investment Grade Bond Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	176.53	170.31	157.99
Return before operating charges	2.44	8.44	15.34
Operating charges	(2.27)	(2.22)	(2.07)
Return after operating charges	0.17	6.22	13.27
Distributions	(3.85)	(4.14)	(4.76)
Retained distributions on accumulation shares	3.85	4.14	3.81
Closing net asset value per share	176.70	176.53	170.31
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.10%	3.65%	7.80%
Other information			
Closing net asset value (£'000)	158,997	158,761	132,816
Closing number of shares	89,978,966	89,935,758	77,983,062
Operating charges	1.27%	1.29%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	182.25	178.69	171.59
Lowest share price	176.67	166.90	156.58

A Income Shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	123.63	121.87	115.75
Return before operating charges	1.73	6.28	11.08
Operating charges	(1.58)	(1.58)	(1.50)
Return after operating charges	0.15	4.70	9.58
Distributions	(2.67)	(2.94)	(3.46)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	121.11	123.63	121.87
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.12%	3.86%	7.68%
Other information			
Closing net asset value (£'000)	19,081	22,441	30,252
Closing number of shares	15,755,081	18,151,770	24,822,334
Operating charges	1.27%	1.29%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	126.92	126.18	123.48
Lowest share price	122.23	118.80	113.39

Kames Investment Grade Bond Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	185.02	177.70	164.20
Return before operating charges	2.56	8.74	15.98
Operating charges	(1.45)	(1.42)	(1.32)
Return after operating charges	1.11	7.32	14.66
Distributions	(4.98)	(5.23)	(5.78)
Retained distributions on accumulation shares	4.98	5.23	4.62
Closing net asset value per share	186.13	185.02	177.70
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.60%	4.12%	8.22%
Other information			
Closing net asset value (£'000)	622,318	673,227	704,546
Closing number of shares	334,343,964	363,872,895	396,470,021
Operating charges	0.77%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	191.43	187.18	179.03
Lowest share price	185.67	174.40	162.83

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	123.74	121.98	115.85
Return before operating charges	1.73	6.29	11.09
Operating charges	(0.96)	(0.97)	(0.92)
Return after operating charges	0.77	5.32	10.17
Distributions	(3.30)	(3.56)	(4.04)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	121.21	123.74	121.98
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.62%	4.36%	8.08%
Other information			
Closing net asset value (£'000)	481,598	600,854	458,723
Closing number of shares	397,321,508	485,578,198	376,056,136
Operating charges	0.77%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	127.15	126.34	123.71
Lowest share price	122.41	118.96	113.51

Kames Investment Grade Bond Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	129.30	124.47	115.24
Return before operating charges	1.80	6.14	11.20
Operating charges	(1.34)	(1.31)	(1.22)
Return after operating charges	0.46	4.83	9.98
Distributions	(3.15)	(3.34)	(3.76)
Retained distributions on accumulation shares	3.15	3.34	3.01
Closing net asset value per share	129.76	129.30	124.47
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.36%	3.88%	8.01%
Other information			
Closing net asset value (£'000)	4,159	3,680	2,441
Closing number of shares	3,205,036	2,845,785	1,961,425
Operating charges	1.02%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	133.64	130.85	125.40
Lowest share price	129.58	122.06	114.24

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	114.14	112.52	106.86
Return before operating charges	1.59	5.79	10.23
Operating charges	(1.17)	(1.17)	(1.12)
Return after operating charges	0.42	4.62	9.11
Distributions	(2.75)	(3.00)	(3.45)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	111.81	114.14	112.52
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.37%	4.11%	7.88%
Other information			
Closing net asset value (£'000)	817	1,193	1,373
Closing number of shares	731,049	1,045,067	1,220,206
Operating charges	1.02%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	117.23	116.52	114.05
Lowest share price	112.88	109.71	104.69

Kames Investment Grade Bond Fund

Performance Information (continued)

S Accumulation shares*	2018
	(p/share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges	(1.53)
Operating charges	(0.34)
Return after operating charges	(1.87)
Distributions	(1.71)
Retained distributions on accumulation shares	1.71
Closing net asset value per share	98.13
after direct transaction costs of	-
Performance	
Return after charges	(1.87)%
Other information	
Closing net asset value (£'000)	19,236
Closing number of shares	19,603,337
Operating charges	0.52%
Direct transaction costs	-
Prices	
Highest share price	100.80
Lowest share price	97.79

S Income shares*	2018
	(p/share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges	(1.52)
Operating charges	(0.34)
Return after operating charges	(1.86)
Distributions	(1.70)
Retained distributions on accumulation shares	-
Closing net asset value per share	96.44
after direct transaction costs of	-
Performance	
Return after charges	(1.86)%
Other information	
Closing net asset value (£'000)	180,811
Closing number of shares	187,494,153
Operating charges	0.52%
Direct transaction costs	-
Prices	
Highest share price	100.80
Lowest share price	97.41

*Share class launched on 19 December 2017.

Kames Investment Grade Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2017: 3.81%)	37,172	2.50
	Corporate Bonds (31 July 2017: 3.81%)	37,172	2.50
12,800,000	AXA 3.25% 28/05/2049	11,315	0.76
13,000,000	Orange 5% Perpetual	12,987	0.87
10,500,000	Volkswagen International Finance 3.875% Perpetual	9,154	0.62
4,100,000	Volkswagen International Finance 4.625% Perpetual	3,716	0.25
	Forward Foreign Exchange Contracts (31 July 2017: 0.13%)	(1,456)	(0.10)
	Bought GBP 3,535,804 Sold EUR 4,000,000	(37)	-
	Bought GBP 3,523,643 Sold EUR 4,000,000	(50)	(0.01)
	Bought GBP 28,723,500 Sold EUR 32,500,000	(308)	(0.02)
	Bought GBP 45,854,486 Sold USD 61,600,000	(1,016)	(0.07)
	Bought USD 11,700,000 Sold GBP 8,946,914	(45)	-
	Futures Contracts (31 July 2017: 0.00%)	134	0.01
750	Long Gilt Future Contract September 2018	134	0.01
	Sterling Denominated Bonds (31 July 2017: 89.19%)	1,280,190	86.09
	Asset Backed Security (31 July 2017: 10.05%)	135,591	9.12
8,000,000	Arqiva Financing 4.882% 31/12/2032	8,577	0.58
9,000,000	Bishopsgate Asset Finance 4.808% 14/08/2044	7,973	0.54
13,500,000	BL Superstores Finance 5.27% 04/10/2025	3,495	0.23
17,000,000	Canary Wharf Finance II 6.8% 22/10/2030	13,407	0.90
6,000,000	Connect M77/GSO 5.404% 31/03/2034	4,916	0.33
8,000,000	Dignity Finance 4.6956% 31/12/2049	7,659	0.52
13,500,000	Longstone Finance 4.791% 19/04/2030	9,436	0.63
10,160,000	Meadowhall Finance 4.986% 12/07/2032	9,211	0.62
6,700,000	Mitchells & Butlers Finance 5.574% 15/12/2030	3,388	0.23
14,600,000	Nats En Route 5.25% 31/03/2026	10,597	0.71
11,800,000	Telereal Secured Finance 4.01% 10/12/2031	9,916	0.67
5,100,000	Telereal Secured Finance 5.9478% 10/12/2031	4,968	0.33
11,500,000	Tesco Property Finance No.2 6.0517% 13/10/2039	11,688	0.79
3,300,000	THPA Finance 7.127% 15/03/2024	1,965	0.13
5,900,000	Trafford Centre Finance 6.5% 28/07/2033	6,681	0.45
12,100,000	Unique Pub Finance 6.542% 30/03/2021	5,379	0.36
14,825,000	White City Property Finance 5.1202% 17/04/2035	16,335	1.10
	Corporate Bonds (31 July 2017: 79.14%)	1,144,599	76.97
14,800,000	American International 2.33575% 15/03/2067	13,690	0.92
3,000,000	AMP Group Finance Services 6.875% 23/08/2022	3,284	0.22
7,000,000	Anglian Water Services Financing 1.625% 10/08/2025	6,760	0.45
6,000,000	Anglian Water Services Financing 2.625% 15/06/2027	5,709	0.38
4,800,000	Anglian Water Services Financing 4.5% 22/02/2026	5,231	0.35
12,800,000	Anheuser-Busch InBev 2.25% 24/05/2029	12,245	0.82
18,000,000	Anheuser-Busch InBev 2.85% 25/05/2037	17,301	1.16
5,400,000	Annington Funding 3.184% 12/07/2029	5,358	0.36
6,400,000	APT Pipelines 3.5% 22/03/2030	6,576	0.44
12,200,000	Aroundtown 3.25% 18/07/2027	11,968	0.81
2,300,000	Arqiva Financing 5.34% 30/12/2030	2,680	0.18
21,700,000	Aviva 4.375% 12/09/2049	21,330	1.43
10,000,000	AXA 5.453% Perpetual	10,763	0.72
12,700,000	Bank of America 8.125% 02/06/2028	17,555	1.18
7,000,000	Bank of Nova Scotia 1.75% 23/12/2022	6,973	0.47
7,200,000	Bank of Scotland 7.281% Perpetual	8,456	0.57
13,700,000	Bank of Scotland Capital Funding 7.754% Perpetual	15,173	1.02
6,700,000	Barclays Bank 3.25% 17/01/2033	6,228	0.42
15,000,000	Barclays Bank 7.125% Perpetual	16,174	1.09
10,400,000	Bazalgette Finance 2.375% 29/11/2027	10,165	0.68
14,500,000	Becton Dickinson 3.02% 24/05/2025	14,683	0.99

Kames Investment Grade Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
6,100,000	BG Energy Capital 5% 04/11/2036	8,108	0.55
4,700,000	BG Energy Capital 5.125% 01/12/2025	5,685	0.38
7,500,000	BP Capital Markets 2.274% 03/07/2026	7,521	0.51
10,000,000	British Telecom 5.75% 07/12/2028	12,297	0.83
7,500,000	BUPA Finance 6.125% Perpetual	7,974	0.54
11,600,000	Cadent Finance PLC 2.625% 22/09/2038	10,574	0.71
8,500,000	Centrica 7% 19/09/2033	12,279	0.83
9,000,000	Chancellor Masters and Scholars of the University of Oxford 2.544% 08/12/2117	8,537	0.57
12,800,000	Citigroup 6.8% 25/06/2038	19,415	1.31
6,300,000	Close Brothers 2.75% 26/04/2023	6,317	0.42
18,067,000	Cooperatieve Rabobank UA 6.91% Perpetual	26,268	1.77
4,500,000	CPUK Finance 2.666% 28/02/2020	4,562	0.31
8,000,000	CPUK Finance 7.239% 28/02/2024	9,838	0.66
9,500,000	Credit Agricole 7.589 % Perpetual	10,151	0.68
7,000,000	Credit Agricole 8.125% Perpetual	7,439	0.50
11,900,000	Credit Suisse 2.125% 12/09/2025	11,393	0.77
9,850,000	CYBG 3.125% 22/06/2025	9,696	0.65
6,100,000	Deutsche Bank 1.875% 28/02/2020	6,072	0.41
7,000,000	Deutsche Telekom International Finance 7.375% 04/12/2019	7,553	0.51
12,700,000	Direct Line Insurance 4.75% Perpetual	11,456	0.77
6,000,000	E.ON International Finance 5.875% 30/10/2037	8,057	0.54
9,000,000	E.ON International Finance 6.375% 07/06/2032	12,218	0.82
9,000,000	Eastern Power Networks 4.75% 30/09/2021	9,853	0.66
5,000,000	ELM 6.3024% Perpetual	5,125	0.34
8,050,000	ENI 6.125% 17/12/2018	8,191	0.55
11,100,000	Enterprise Inns 6% 06/10/2023	11,993	0.81
7,700,000	Esure 6.75% 19/12/2024	8,869	0.60
10,000,000	European Investment Bank 1.5% 01/02/2019	10,040	0.68
4,500,000	Experian Finance 2.125% 27/09/2024	4,467	0.30
13,000,000	FCE 2.727% 03/06/2022	13,239	0.89
9,000,000	Firstgroup 6.875% 18/09/2024	10,812	0.73
16,400,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	21,521	1.45
17,800,000	Goldman Sachs 6.875% 18/01/2038	24,990	1.68
7,300,000	HJ Heinz Finance UK 6.25% 18/02/2030	9,045	0.61
6,000,000	HSBC 4.75% 24/03/2046	7,144	0.48
21,300,000	HSBC Capital 5.844% Perpetual	26,506	1.78
12,000,000	Imperial Brands Finance 4.875% 23/05/2032	13,762	0.93
9,600,000	Informa 3.125% 05/07/2026	9,580	0.64
5,800,000	InterContinental Hotels 2.125% 24/08/2026	5,469	0.37
9,200,000	Intu Metrocentre Finance 4.125% 06/12/2023	9,824	0.66
5,900,000	Investec 4.25% 24/07/2028	5,816	0.39
7,000,000	John Lewis 4.25% 18/12/2034	6,880	0.46
12,000,000	Juneau Investments 5.9% 22/02/2021	12,676	0.85
10,000,000	KBC 6.202% Perpetual	10,460	0.70
10,300,000	LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	9,688	0.65
5,300,000	Legal & General 5.5% 27/06/2064	5,657	0.38
4,200,000	Lunar Funding I 5.494% 29/07/2020	4,476	0.30
15,000,000	McKesson 3.125% 17/02/2029	14,800	1.00
13,100,000	Metro Bank 5.5% 26/06/2028	12,808	0.86
10,900,000	Motability Operations 2.375% 14/03/2032	10,485	0.71
9,300,000	National Express 2.5% 11/11/2023	9,197	0.62
7,150,000	Nationwide Building Society 5.769% Perpetual	7,654	0.51
3,000,000	Nationwide Building Society 7.859% Perpetual	3,719	0.25
8,000,000	Orsted A/S 4.875% 12/01/2032	9,700	0.65
2,600,000	Peel Land & Property Investments 8.375% 30/04/2040	3,826	0.26
7,000,000	Pennon 2.875% Perpetual	6,991	0.47
12,000,000	Pension Insurance 8% 23/11/2026	14,862	1.00
15,000,000	Phoenix Group Holdings 6.625% 18/12/2025	16,550	1.11
6,200,000	Phoenix Life 7.25% Perpetual	6,621	0.45
2,400,000	Places for People Homes 3.625% 22/11/2028	2,421	0.16
4,900,000	Provident Financial 7% 04/06/2023	4,992	0.34
15,300,000	Prudential 5% 20/07/2055	16,102	1.08

Kames Investment Grade Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
2,800,000	Prudential 5.7% 19/12/2063	3,211	0.22
7,400,000	Quilter 4.478% 28/02/2028	7,427	0.50
6,100,000	RAC Bond 4.87% 06/05/2026	6,178	0.42
8,000,000	Royal Bank of Scotland 2.875% 19/09/2026	7,881	0.53
7,000,000	Royal Bank of Scotland 6.2% Perpetual	7,697	0.52
7,800,000	RSA Insurance 5.125% 10/10/2045	8,428	0.57
7,900,000	Sainsbury's Bank 6% 23/11/2027	8,193	0.55
4,600,000	Santander 10.0625% Perpetual	7,504	0.50
12,331,000	Santander UK 3.875% 15/10/2029	13,570	0.91
6,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	5,872	0.40
7,000,000	Shaftesbury Chinatown 2.348% 30/09/2027	6,689	0.45
14,100,000	SMFG Preferred Capital GBP 2 10.231% Perpetual	22,313	1.50
8,800,000	Society of Lloyd's 4.75% 30/10/2024	9,453	0.64
7,000,000	Southern Gas Networks 2.5% 03/02/2025	7,060	0.47
4,000,000	Stagecoach 4% 29/09/2025	4,171	0.28
7,500,000	Swedbank 1.625% 28/12/2022	7,451	0.50
5,800,000	Telereal Secured Finance 4.0902% 10/12/2033	6,044	0.41
10,000,000	Thames Water Utilities Cayman Finance 2.625% 24/01/2032	9,451	0.64
10,000,000	Thames Water Utilities Finance 5.05% 30/06/2020	10,604	0.71
6,900,000	Total Capital International 1.75% 07/07/2025	6,817	0.46
14,800,000	TP ICAP 5.25% 26/01/2024	14,919	1.00
5,000,000	Transport for London 4% 07/04/2064	7,124	0.48
5,000,000	UBS Jersey 8.75% 18/12/2025	7,012	0.47
7,000,000	Verizon Communications 3.375% 27/10/2036	6,886	0.46
8,600,000	Walgreens 2.875% 20/11/2020	8,829	0.59
10,000,000	Wellcome Trust 2.517% 07/02/2118	9,394	0.63
15,400,000	Welltower 4.8% 20/11/2028	17,366	1.17
13,000,000	Western Power Distribution 3.625% 06/11/2023	13,623	0.92
10,700,000	Westfield America Management 2.625% 30/03/2029	10,459	0.70
10,800,000	Whitbread 3.375% 16/10/2025	10,893	0.73
18,000,000	Yorkshire Building Society 3.375% 13/09/2028	16,820	1.13
6,500,000	Yorkshire Water Services 3.75% 22/03/2046	6,737	0.45
	United States Dollar Denominated Bonds (31 July 2017: 4.70%)	31,577	2.13
	Corporate Bonds (31 July 2017: 4.70%)	31,577	2.13
10,000,000	JPMorgan Chase 5.80888% Perpetual	7,696	0.52
13,000,000	Royal Bank of Scotland 7.648% Perpetual	12,352	0.83
15,000,000	UBS 5.125% 15/05/2024	11,529	0.78
	Portfolio of investments*	1,347,617	90.63
	Net other assets	139,400	9.37
	Total net assets attributable to shareholders	1,487,017	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	1,348,939	90.72
Derivatives	(1,322)	(0.09)
Portfolio of investments	1,347,617	90.63
Net other assets	139,400	9.37
Total net assets attributable to shareholders	1,487,017	100.00

Comparative percentage figures in brackets are at 31 July 2017.

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

*Includes investment liabilities.

Kames Investment Grade Bond Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(30,993)		18,011
Revenue	3	50,305		52,220	
Expenses	4	(12,075)		(12,055)	
Interest payable and similar charges	6	(18)		(41)	
Net revenue before taxation		38,212		40,124	
Taxation	5	(40)		-	
Net revenue after taxation			38,172		40,124
Total return before distributions			7,179		58,135
Distributions	6		(37,942)		(40,124)
Change in net assets attributable to shareholders from investment activities			(30,763)		18,011

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,460,156		1,330,151
Amounts receivable on creation of shares	476,404		484,546	
Amounts payable on cancellation of shares	(440,527)		(394,799)	
		35,877		89,747
Dilution adjustment		1,181		929
Change in net assets attributable to shareholders from investment activities		(30,763)		18,011
Retained distribution on accumulation shares		20,566		21,318
Closing net assets attributable to shareholders		1,487,017		1,460,156

Kames Investment Grade Bond Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			1,349,073		1,429,116
Current assets:					
Debtors	7	39,150		25,316	
Cash and cash equivalents	8	112,453		46,329	
			151,603		71,645
Total assets			1,500,676		1,500,761
Liabilities					
Investment liabilities			1,456		660
Creditors					
Bank overdrafts	9	14		32	
Distribution payable		4,684		4,306	
Other creditors	10	7,505		35,607	
Total liabilities			13,659		40,605
Net assets attributable to shareholders			1,487,017		1,460,156

Kames Investment Grade Bond Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2018	2017
	£'000	£'000
(Losses)/gains on non-derivative securities	(31,449)	22,495
Losses on forward currency contracts	(1,803)	(2,437)
Currency exchange gains/(losses)	188	(54)
Gains/(losses) on derivative securities	2,074	(1,989)
Transaction charges	(3)	(4)
Net capital (losses)/gains	(30,993)	18,011

3 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	51,081	52,076
Bank interest	177	92
Futures (expenses)/revenue	(953)	52
Total revenue	50,305	52,220

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	11,718	11,551
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	232	356
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	5
KIID fee	3	3
Registrar's fee	24	31
Safe custody charge	84	102
	125	148
Total expenses	12,075	12,055

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

**The audit fee (excluding VAT) incurred during the year was £8,655 (2017: £6,426).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	40	-
Total tax charge for the year (see note 5 (b))	40	-

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	38,212	40,124
Corporation tax 20% (2017: 20%)	7,642	8,025
Effects of:		
Overseas tax suffered	40	-
Relief on overseas tax suffered	(8)	-
Tax deductible interest distributions	(7,588)	(8,025)
RDR conversion transfer from capital	(46)	-
Total tax charge for the year (see note 5 (a))	40	-

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

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	18	41
Interest payable and similar charges	18	41

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	28,350	30,724
Final distribution	9,892	9,866
	38,242	40,590
Add: amounts deductible on cancellation of shares	1,330	1,230
Less: amounts receivable on creation of shares	(1,630)	(1,696)
Distributions	37,942	40,124

Details of the distributions are set out in the tables on pages 190 and 191.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	38,172	40,124
Equalisation on conversions	(231)	1
Undistributed revenue brought forward	1	-
Undistributed revenue carried forward	-	(1)
Distributions	37,942	40,124

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	22,413	21,245
Amounts receivable for the issue of shares	3,535	4,063
Sales awaiting settlement	13,202	8
Debtors	39,150	25,316

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	2,018	-
Cash and bank balances	174	1,114
Money market deposits	110,261	45,215
Cash and cash equivalents	112,453	46,329

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	14	32
Bank overdrafts	14	32

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	1,014	1,033
Amounts payable for cancellation of shares	2,265	2,183
Purchases awaiting settlement	4,226	32,391
Other creditors	7,505	35,607

*Includes accrued ACD's periodic charge of £982,000 (2017: £1,004,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2018 is £288,000 (2017: £876,000* due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 2.88% (2017: 3.01%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

*Comparative figure restated.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	1,063,837	71.54	1,126,018	77.12
Rated bonds below investment grade	136,990	9.22	212,622	14.56
Unrated bonds	148,112	9.96	87,854	6.02
Derivatives	(1,322)	(0.09)	1,962	0.13
Portfolio of investments	1,347,617	90.63	1,428,456	97.83
Net other assets	139,400	9.37	31,700	2.17
Total net assets attributable to shareholders	1,487,017	100.00	1,460,156	100.00

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

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Currency exposure

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

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

As at 31 July 2018

Currency	Total £'000
Australian Dollar	1
Euro	1,673
Sterling	1,482,375
United States Dollar	2,968
	1,487,017

As at 31 July 2017

Currency	Total £'000
Australian Dollar	1
Euro	2,771
Sterling	1,455,408
United States Dollar	1,976
	1,460,156

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	37,172	609	37,781
Sterling	18,815	1,261,375	119,789	1,399,979
United States Dollar	7,696	23,881	9,427	41,004
Cash at bank				
Australian Dollar	1	-	-	1
Euro	70	-	-	70
United States Dollar	103	-	-	103
Cash at brokers				
Sterling	2,018	-	-	2,018
Cash on deposit				
Sterling	101,529	-	-	101,529
United States Dollar	8,732	-	-	8,732
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(36,178)	(36,178)
Sterling	-	-	(21,137)	(21,137)
United States Dollar	-	-	(46,871)	(46,871)
Cash at bank				
Sterling	(14)	-	-	(14)

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	7,368	48,210	330	55,908
Sterling	38,385	1,263,958	151,768	1,454,111
United States Dollar	-	68,573	840	69,413
Cash at bank				
Australian Dollar	1	-	-	1
Euro	1,108	-	-	1,108
United States Dollar	5	-	-	5
Cash on deposit				
Sterling	31,781	-	-	31,781
United States Dollar	13,434	-	-	13,434

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(54,245)	(54,245)
Sterling	-	-	(30,452)	(30,452)
United States Dollar	-	-	(80,876)	(80,876)
Cash at bank				
Sterling	(32)	-	-	(32)

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.10% (2017: 2.37%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	2.02	2.74	2.34
31 July 2017	2.02	2.55	2.24

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 date the average leverage was 11.78% (2017: 13.04%).

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Counterparty risk

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

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

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

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

As at 31 July 2018

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Collateral Pledge £'000
Citigroup	(1,456)	-	1,280
UBS Limited	-	92,033	-

As at 31 July 2017

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Collateral Pledge £'000
Citigroup	1,962	-	-

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	1,087,901	-	-	-	-
Total	1,087,901	-		-	
Total purchases including transaction costs	1,087,901				
31 July 2017					
Bonds	1,050,477	-	-	-	-
Total	1,050,477	-		-	
Total purchases including transaction costs	1,050,477				

Sales

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	1,124,994	-	-	-	-
Total	1,124,994	-		-	
Total sales net of transaction costs	1,124,994				
31 July 2017					
Bonds	951,741	-	-	-	-
Total	951,741	-		-	
Total sales net of transaction costs	951,741				

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.81% (2017: 0.78%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	134	-	-	-
Observable market data	1,348,939	(1,456)	1,429,116	(660)
Unobservable data	-	-	-	-
	1,349,073	(1,456)	1,429,116	(660)

16 Share classes

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

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class: 0.50%*

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

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 174 to 177. The distribution per share class is given in the distribution tables on pages 190 and 191. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	89,935,758	15,580,944	(15,276,553)	(261,183)	89,978,966
Share class A Income	18,151,770	711,637	(2,143,687)	(964,639)	15,755,081
Share class B Accumulation	363,872,895	109,479,061	(130,671,790)	(8,336,202)	334,343,964
Share class B Income	485,578,198	161,418,257	(118,276,637)	(131,398,310)	397,321,508
Share class D Accumulation	2,845,785	1,051,846	(665,060)	(27,535)	3,205,036
Share class D Income	1,045,067	60,882	(374,327)	(573)	731,049
Share class S Accumulation**	-	20,097,648	(494,311)	-	19,603,337
Share class S Income**	-	36,504,117	(18,448,762)	169,438,798	187,494,153

**Share class launched on 19 December 2017.

Kames Investment Grade Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.0004	N/A	1.0004	0.00%	100.00%	0.8833
		Group 2	0.3176	0.6828				
31/01/18	31/03/18	Group 1	0.9670	N/A	0.9670	0.00%	100.00%	0.8324
		Group 2	0.4189	0.5481				
30/04/18	30/06/18	Group 1	0.9165	N/A	0.9165	0.00%	100.00%	1.0004
		Group 2	0.4646	0.4519				
31/07/18	30/09/18	Group 1	0.9631	N/A	0.9631	0.00%	100.00%	0.9957
		Group 2	0.6251	0.3380				

Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7005	N/A	0.7005	0.00%	100.00%	0.6325
		Group 2	0.3125	0.3880				
31/01/18	31/03/18	Group 1	0.6738	N/A	0.6738	0.00%	100.00%	0.5935
		Group 2	0.3055	0.3683				
30/04/18	30/06/18	Group 1	0.6349	N/A	0.6349	0.00%	100.00%	0.7088
		Group 2	0.2810	0.3539				
31/07/18	30/09/18	Group 1	0.6637	N/A	0.6637	0.00%	100.00%	0.7015
		Group 2	0.2557	0.4080				

Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.2844	N/A	1.2844	0.00%	100.00%	1.1042
		Group 2	0.6435	0.6409				
31/01/18	31/03/18	Group 1	1.2538	N/A	1.2538	0.00%	100.00%	1.0476
		Group 2	0.6409	0.6129				
30/04/18	30/06/18	Group 1	1.1913	N/A	1.1913	0.00%	100.00%	1.2668
		Group 2	0.5193	0.6720				
31/07/18	30/09/18	Group 1	1.2491	N/A	1.2491	0.00%	100.00%	1.2758
		Group 2	0.6489	0.6002				

Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.8590	N/A	0.8590	0.00%	100.00%	0.7579
		Group 2	0.4492	0.4098				
31/01/18	31/03/18	Group 1	0.8328	N/A	0.8328	0.00%	100.00%	0.7144
		Group 2	0.4428	0.3900				
30/04/18	30/06/18	Group 1	0.7868	N/A	0.7868	0.00%	100.00%	0.8591
		Group 2	0.3589	0.4279				
31/07/18	30/09/18	Group 1	0.8187	N/A	0.8187	0.00%	100.00%	0.8589
		Group 2	0.3847	0.4340				

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

Kames Investment Grade Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.8152	N/A	0.8152	0.00%	100.00%	0.7094
		Group 2	0.5659	0.2493				
31/01/18	31/03/18	Group 1	0.7922	N/A	0.7922	0.00%	100.00%	0.6711
		Group 2	0.3113	0.4809				
30/04/18	30/06/18	Group 1	0.7520	N/A	0.7520	0.00%	100.00%	0.8092
		Group 2	0.2934	0.4586				
31/07/18	30/09/18	Group 1	0.7888	N/A	0.7888	0.00%	100.00%	0.8094
		Group 2	0.3177	0.4711				

Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7195	N/A	0.7195	0.00%	100.00%	0.6424
		Group 2	0.2178	0.5017				
31/01/18	31/03/18	Group 1	0.6950	N/A	0.6950	0.00%	100.00%	0.6031
		Group 2	0.4863	0.2087				
30/04/18	30/06/18	Group 1	0.6557	N/A	0.6557	0.00%	100.00%	0.7234
		Group 2	0.1864	0.4693				
31/07/18	30/09/18	Group 1	0.6841	N/A	0.6841	0.00%	100.00%	0.7200
		Group 2	0.5083	0.1758				

Share Class S Accumulation**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2016/7 Net Distribution
31/01/18	31/03/18	Group 1	0.3268	N/A	0.3268	0.00%	100.00%	N/A
		Group 2	0.3268	0.0000				
30/04/18	30/06/18	Group 1	0.6710	N/A	0.6710	0.00%	100.00%	N/A
		Group 2	0.2018	0.4692				
31/07/18	30/09/18	Group 1	0.7110	N/A	0.7110	0.00%	100.00%	N/A
		Group 2	0.3581	0.3529				

Share Class S Income**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2016/7 Net Distribution
31/01/18	31/03/18	Group 1	0.3264	N/A	0.3264	0.00%	100.00%	N/A
		Group 2	0.1242	0.2022				
30/04/18	30/06/18	Group 1	0.6717	N/A	0.6717	0.00%	100.00%	N/A
		Group 2	0.2887	0.3830				
31/07/18	30/09/18	Group 1	0.7050	N/A	0.7050	0.00%	100.00%	N/A
		Group 2	0.2015	0.5035				

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

**Share class launched on 19 December 2017.

Kames Ethical Corporate Bond Fund

Fund description

The primary investment objective is to maximise total return (income plus capital) by investing in sterling denominated bonds issued by a company or organisation that meets the Funds predefined ethical criteria. Investments may encompass investment grade bonds, cash and higher yield bonds up to 10% of the Fund.

Risk profile

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

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

Performance

The Kames Ethical Corporate Bond Fund returned 0.12% compared to the peer group median return of (0.05)%. The peer group is the Investment Association Sterling Corporate Bond sector.

Strategy review

Bond markets were volatile over the period, with government bonds slightly outperforming their corporate bond counterparts. Overall returns were subdued although the high yield sector was the strongest performer as it benefited most from the ongoing strength in the global economy.

Throughout the period, global economic growth remained buoyant, particularly in the US. Bond markets had to contend with interest rate rises (in both the US and UK), but at other times (particularly as we moved through 2018), periods of risk aversion dominated markets. The main driver was an escalation in trade tariffs prompted by President Trump's protectionist policies.

We actively managed interest rate risk (duration) throughout the period. Initially, duration was not a significant influence on the Fund's relative return, and we were generally happy to oppose the market at the extreme levels of the observable range in 10-year gilts. Throughout 2018, however, conditions were more volatile and we subsequently changed the size of our duration position as the outlook for the UK economy and the Bank of England's monetary policy changed.

Having added to our overall corporate bond risk position during the second half of 2017, the Fund was well-positioned to benefit from the positive tone to markets up to the end of the year. The backdrop changed, however, as we moved into 2018 as geopolitical concerns increased and the market contended with a heavy supply of new bonds. We therefore began to reduce our credit exposure and adopted a more defensive stance (also partly due to the ethical criteria). This position was beneficial as corporate bond markets weakened.

Overall, our exposure to subordinated financials bonds benefited relative performance, despite coming under pressure as we moved further into 2018. The weighting to the collateralised sector also added value over the period as a whole. Within issue selection, the exposure to Bank of Scotland, Santander and Rabobank were among the better performers. Our holdings in Sainsbury's Bank, Transport for London, Esure and Legal & General also added value. Detractors included bonds from Dignity and The AA.

We continue to manage our exposure to interest rate risk in accordance with market conditions. We retain our slightly defensive approach to corporate bond markets and continue to look for opportunities to add value as the market backdrop changes.

Kames Ethical Corporate Bond Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
LCR Finance 4.5% 07/12/2028	10,646	Network Rail Infrastructure Finance 4.375% 09/12/2030	11,810
Network Rail Infrastructure Finance 4.75% 29/11/2035	7,058	Network Rail Infrastructure Finance 4.75% 29/11/2035	6,470
Transport for London 5% 31/03/2035	6,915	KFW 5.75% 07/06/2032	5,976
Royal Bank of Scotland 2.875% 19/09/2026	5,764	Transport for London 4% 07/04/2064	5,164
Aviva 4.375% 12/09/2049	5,300	AA 6.269% 31/07/2025	4,895
KFW 6% 07/12/2028	4,881	Transport for London 1.25% 21/11/2017	4,800
Bank of Nova Scotia 1.75% 23/12/2022	4,589	Municipality Finance 1.125% 07/12/2017	4,501
Canary Wharf Finance II 6.8% 22/10/2030	4,587	International Bank for Reconstruction & Development 0.375% 15/06/2021	4,496
CYBG 3.125% 22/06/2025	4,549	Investec Bank 9.625% 17/02/2022	4,253
Sainsbury's Bank 6% 23/11/2027	4,531	Santander UK 6.75% Perpetual	3,834

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
LCR Finance 4.5% 07/12/2028	2.34	Network Rail Infrastructure Finance 4.375% 09/12/2030	2.56
KFW 6% 07/12/2028	1.87	KFW 5.75% 07/06/2032	1.61
KFW 5.5% 18/06/2025	1.52	International Bank for Reconstruction & Development 0.375% 15/06/2021	1.58
Transport for London 5% 31/03/2035	1.49	Dignity Finance 4.6956% 31/12/2049	1.56
Aviva 4.375% 12/09/2049	1.27	KFW 6% 07/12/2028	1.55
Royal Bank of Scotland 2.875% 19/09/2026	1.25	KFW 5.5% 18/06/2025	1.55
Dignity Finance 4.6956% 31/12/2049	1.24	Transport for London 3.875% 23/07/2042	1.21
Transport for London 3.875% 23/07/2042	1.22	NGG Finance 5.625% 18/06/2073	1.20
NGG Finance 5.625% 18/06/2073	1.20	AA 6.269% 31/07/2025	1.20
KFW 5.75% 07/06/2032	1.20	ABP Finance 6.25% 14/12/2026	1.09

Kames Ethical Corporate Bond Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	213.92	208.85	194.00
Return before operating charges	1.93	7.85	18.14
Operating charges	(2.24)	(2.21)	(2.08)
Return after operating charges	(0.31)	5.64	16.06
Distributions	(5.46)	(5.54)	(6.03)
Retained distributions on accumulation shares	5.46	4.97	4.82
Closing net asset value per share	213.61	213.92	208.85
after direct transaction costs of	-	-	-
Performance			
Return after charges	(0.14)%	2.70%	8.28%
Other information			
Closing net asset value (£'000)	106,595	107,478	139,854
Closing number of shares	49,901,321	50,241,372	66,963,410
Operating charges	1.04%	1.04%	1.05%
Direct transaction costs	-	-	-
Prices			
Highest share price	218.45	216.31	210.20
Lowest share price	212.13	205.50	193.21

A Income Shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	115.73	115.69	110.10
Return before operating charges	1.05	4.29	10.17
Operating charges	(1.20)	(1.21)	(1.16)
Return after operating charges	(0.15)	3.08	9.01
Distributions	(2.93)	(3.04)	(3.42)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	112.65	115.73	115.69
after direct transaction costs of	-	-	-
Performance			
Return after charges	(0.13)%	2.66%	7.56%
Other information			
Closing net asset value (£'000)	4,267	5,881	6,635
Closing number of shares	3,787,886	5,081,911	5,735,688
Operating charges	1.04%	1.04%	1.05%
Direct transaction costs	-	-	-
Prices			
Highest share price	118.18	119.77	117.09
Lowest share price	113.00	113.21	108.85

Kames Ethical Corporate Bond Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	187.06	181.81	168.22
Return before operating charges	1.68	6.83	15.75
Operating charges	(1.02)	(1.00)	(0.94)
Return after operating charges	0.66	5.83	14.81
Distributions	(5.73)	(5.75)	(6.07)
Retained distributions on accumulation shares	5.73	5.17	4.85
Closing net asset value per share	187.72	187.06	181.81
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.35%	3.21%	8.80%
Other information			
Closing net asset value (£'000)	183,557	200,233	202,034
Closing number of shares	97,780,411	107,042,937	111,126,285
Operating charges	0.54%	0.54%	0.55%
Direct transaction costs	-	-	-
Prices			
Highest share price	191.38	189.04	182.97
Lowest share price	186.00	179.15	167.73

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	103.80	103.76	98.75
Return before operating charges	0.94	3.86	9.09
Operating charges	(0.56)	(0.57)	(0.55)
Return after operating charges	0.38	3.29	8.54
Distributions	(3.14)	(3.25)	(3.53)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	101.04	103.80	103.76
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.37%	3.17%	7.93%
Other information			
Closing net asset value (£'000)	159,581	152,689	131,512
Closing number of shares	157,945,992	147,102,496	126,744,239
Operating charges	0.54%	0.54%	0.55%
Direct transaction costs	-	-	-
Prices			
Highest share price	106.05	107.46	105.12
Lowest share price	101.37	101.59	97.64

Kames Ethical Corporate Bond Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	123.15	119.96	111.22
Return before operating charges	1.11	4.51	10.39
Operating charges	(0.98)	(0.96)	(0.90)
Return after operating charges	0.13	3.55	9.49
Distributions	(3.46)	(3.49)	(3.73)
Retained distributions on accumulation shares	3.46	3.13	2.98
Closing net asset value per share	123.28	123.15	119.96
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.11%	2.96%	8.53%
Other information			
Closing net asset value (£'000)	2,246	2,739	3,352
Closing number of shares	1,822,023	2,223,808	2,793,964
Operating charges	0.79%	0.79%	0.80%
Direct transaction costs	-	-	-
Prices			
Highest share price	125.86	124.50	120.73
Lowest share price	122.29	118.12	110.83

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	107.97	107.93	102.72
Return before operating charges	0.97	4.01	9.46
Operating charges	(0.85)	(0.86)	(0.83)
Return after operating charges	0.12	3.15	8.63
Distributions	(3.00)	(3.11)	(3.42)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	105.09	107.97	107.93
after direct transaction costs of	-	-	-
Performance			
Return after charges	0.11%	2.92%	7.73%
Other information			
Closing net asset value (£'000)	1,178	1,747	1,627
Closing number of shares	1,120,351	1,617,867	1,507,775
Operating charges	0.79%	0.79%	0.80%
Direct transaction costs	-	-	-
Prices			
Highest share price	110.28	111.75	109.29
Lowest share price	105.43	105.64	101.55

Kames Ethical Corporate Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2017: 98.37%)	440,030	96.20
	Asset Backed Security (31 July 2017: 11.96%)	58,875	12.87
2,900,000	Alpha Schools Highland Project 4.792% 31/01/2036	2,624	0.57
3,250,000	Arqiva Financing 4.882% 31/12/2032	3,484	0.76
5,910,000	BL Superstores Finance 5.27% 04/10/2025	1,530	0.33
5,500,000	Canary Wharf Finance II 6.8% 22/4/2030	4,338	0.95
1,100,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,171	0.26
5,941,000	Dignity Finance 4.6956% 31/12/2049	5,688	1.24
2,400,000	Great Rolling Stock 6.875% 27/07/2035	2,359	0.52
1,500,000	Greater Gabbard 4.137% 29/11/2032	1,489	0.33
2,000,000	High Speed Rail Finance No.1 4.375% 01/11/2038	2,417	0.53
2,500,000	Meadowhall Finance 4.986% 12/01/2032	2,266	0.50
1,000,000	Paragon 3.625% 21/01/2047	1,061	0.23
2,500,000	Premier Transmission Financing 5.2022% 31/03/2030	1,841	0.40
2,000,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	2,240	0.49
1,400,000	Telereal Secured Finance 4.01% 10/12/2031	1,176	0.26
2,250,000	Telereal Secured Finance 5.9478% 10/12/2031	2,192	0.48
2,800,000	Telereal Secured Finance 6.1645% 10/12/2031	3,160	0.69
2,388,000	THPA Finance 8.241% 15/03/2028	2,666	0.58
3,000,000	Trafford Centre Finance 6.5% 28/07/2033	3,397	0.74
1,200,000	Trafford Centre Finance 7.03% 28/01/2029	846	0.18
5,300,000	Transport for London 5% 31/03/2035	6,835	1.49
4,300,000	White City Property Finance 5.1202% 17/04/2035	4,738	1.04
1,400,000	Wods Transmission 3.446 % 24/08/2034	1,357	0.30
	Corporate Bonds (31 July 2017: 83.87%)	378,312	82.71
1,000,000	ABN AMRO Bank 1% 30/06/2020	993	0.22
3,500,000	ABN AMRO Bank 2.5% 18/12/2018	3,519	0.77
4,000,000	ABP Finance 6.25% 14/12/2026	4,897	1.07
900,000	Affinity Water Programme Finance 4.5% 31/03/2036	1,117	0.24
3,600,000	American International 2.33575% 15/03/2067	3,330	0.73
4,000,000	American International 5% 26/04/2023	4,484	0.98
2,500,000	AMP Group Finance Services 6.88% 23/08/2022	2,737	0.60
4,000,000	Anglian Water 5% 30/04/2023	4,056	0.89
3,000,000	Anglian Water Services Financing 1.625% 10/08/2025	2,897	0.63
1,000,000	Anglian Water Services Financing Inflation Linked 3.07% 30/07/2032	2,359	0.52
1,200,000	APT Pipelines 3.5% 22/03/2030	1,233	0.27
4,000,000	APT Pipelines 4.25% 26/11/2024	4,370	0.96
1,500,000	Arqiva Financing 5.34% 30/06/2030	1,748	0.38
5,900,000	Aviva 4.375% 12/09/2049	5,799	1.27
950,000	Aviva 6.875% 20/05/2058	1,172	0.26
3,000,000	AXA 5.625% 16/01/2054	3,263	0.71
1,800,000	AXA 7.125% 15/12/2020	2,023	0.44
3,500,000	Bank of Montreal 1.625% 21/06/2022	3,489	0.76
3,500,000	Bank of Nova Scotia 0.75% 14/09/2021	3,435	0.75
4,600,000	Bank of Nova Scotia 1.75% 23/12/2022	4,583	1.00
1,600,000	Bank of Scotland 7.281% Perpetual	1,879	0.41
3,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	3,322	0.73
3,500,000	Bazalgette Finance 2.375% 29/11/2027	3,421	0.75
2,400,000	BPCE 5.25% 16/04/2029	2,721	0.59
2,500,000	British Land 5.357% 31/03/2028	2,993	0.65
1,400,000	Circle Anglia Social Housing 7.25% 12/11/2038	2,277	0.50
2,700,000	Close Brothers 2.75% 26/04/2023	2,707	0.59
1,000,000	Close Brothers Finance 2.75% 19/10/2026	995	0.22
3,400,000	Coventry Building Society 1.875% 24/10/2023	3,350	0.73
1,675,000	Coventry Building Society 5.875% 28/09/2022	1,945	0.43
1,200,000	CPUK Finance 4.25% 28/08/2022	1,193	0.26
3,700,000	CPUK Finance 7.239% 28/02/2024	4,550	0.99
2,500,000	CRH Finance 4.125% 02/12/2029	2,788	0.61
4,500,000	CYBG 3.125% 22/06/2025	4,430	0.97

Kames Ethical Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
1,500,000	Deutsche Bahn Finance 2.75% 20/06/2022	1,575	0.34
2,300,000	Deutsche Telekom International Finance 7.625% 15/06/2030	3,367	0.74
3,500,000	Direct Line Insurance 4.75% Perpetual	3,157	0.69
2,500,000	DONG Energy 4.875% 12/01/2032	3,031	0.66
1,900,000	Esure 6.75% 19/12/2024	2,188	0.48
1,645,000	Firstgroup 8.75% 08/04/2021	1,908	0.42
3,000,000	Freshwater Finance 4.607% 17/10/2036	3,736	0.82
1,500,000	GLH Hotels 7.875% 20/06/2022	1,659	0.36
2,000,000	Great Places Housing 4.75% 22/10/2042	2,492	0.54
1,300,000	Grosvenor UK Finance 6.5% 29/09/2026	1,672	0.37
3,900,000	Intu Metrocentre Finance 4.125% 06/12/2023	4,164	0.91
3,900,000	Investec 4.25% 24/07/2028	3,844	0.84
4,000,000	Kelda Finance No.3 5.75% 17/02/2020	4,128	0.90
5,500,000	KFW 5.5% 18/06/2025	6,946	1.52
3,700,000	KFW 5.75% 07/06/2032	5,484	1.20
6,100,000	KFW 6% 07/12/2028	8,570	1.87
3,600,000	Land Securities Capital Markets 1.974% 08/02/2024	3,602	0.79
8,500,000	LCR Finance 4.5% 07/12/2028	10,710	2.34
3,500,000	Legal & General 5.5% 27/06/2064	4,250	0.93
2,500,000	Legal & General 10% 23/07/2041	2,668	0.58
2,600,000	Liberty Living Finance 3.375% 28/11/2029	2,591	0.57
1,600,000	Lloyds Bank 6.5% 17/09/2040	2,396	0.52
3,100,000	Lloyds Banking 2.25% 16/10/2024	3,013	0.66
2,300,000	Lunar Funding I 5.75% 18/10/2033	3,144	0.69
2,000,000	Martlet Homes 3% 09/05/2052	1,883	0.41
3,000,000	Metro Bank 5.5% 26/06/2028	2,933	0.64
1,100,000	Motability Operations 2.375% 14/03/2032	1,058	0.23
2,030,000	Motability Operations 3.625% 10/03/2036	2,254	0.49
2,000,000	Muenchener Rueckversicherungs 6.625% 26/05/2042	2,287	0.50
1,800,000	National Express 2.5% 11/11/2023	1,780	0.39
3,100,000	National Grid Gas Finance 2.125% 22/09/2028	2,915	0.64
3,000,000	National Grid Gas Finance 2.625% 22/09/2038	2,735	0.60
2,200,000	Nationwide Building Society 3% 06/05/2026	2,280	0.50
2,500,000	Nationwide Building Society 5.769% Perpetual	2,676	0.59
3,300,000	Nationwide Building Society 6.875% Perpetual	3,397	0.74
2,600,000	Natwest Markets 6.875% 17/05//2025	3,283	0.72
2,400,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	3,386	0.74
5,000,000	NGG Finance 5.625% 18/06/2073	5,488	1.20
4,100,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	4,849	1.06
1,700,000	Northern Powergrid Yorkshire 9.25% 17/01/2020	1,888	0.41
1,900,000	Notting Hill Housing Trust 3.75% 20/12/2032	2,046	0.45
1,400,000	Orange 5.75% Perpetual	1,516	0.33
1,300,000	Penarian Housing Finance 3.212% 07/06/2052	1,266	0.28
1,400,000	Pennon 2.875% Perpetual	1,398	0.31
3,000,000	PGH Capital 4.125% 20/07/2022	3,069	0.67
2,800,000	Phoenix Life 7.25% Perpetual	2,990	0.65
2,400,000	Places for People Homes 3.625% 22/11/2028	2,421	0.53
2,400,000	Pohjola Bank 2.5% 20/05/2022	2,481	0.54
2,400,000	Porterbrook Rail Finance 6.5% 20/10/2020	2,641	0.58
3,434,000	Prudential 11.375% 29/05/2039	3,708	0.81
1,800,000	Rabobank Nederland 4% 19/09/2022	1,973	0.43
2,500,000	Rabobank Nederland 5.25% 14/09/2027	2,878	0.63
1,900,000	Rabobank Nederland 6.91% Perpetual	2,762	0.60
2,200,000	RAC Bond 4.87% 06/05/2026	2,228	0.49
1,400,000	RL Finance No.2 6.125% 30/11/2043	1,555	0.34
5,800,000	Royal Bank of Scotland 2.875% 19/09/2026	5,713	1.25
1,325,000	RSA Insurance 9.375% 20/05/2039	1,407	0.31
4,500,000	Sainsbury's Bank 6% 23/11/2027	4,667	1.02
2,000,000	Santander 3.625% 14/01/2026	3,263	0.71
3,300,000	Santander 10.0625% Perpetual	3,901	0.85
2,500,000	Santander UK 5.875% 14/08/2031	2,607	0.57
3,200,000	Scentre Management 2.375% 08/04/2022	3,266	0.71

Kames Ethical Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
2,300,000	Segro 2.875% 11/10/2037	2,195	0.48
2,500,000	Severn Trent Utilities Finance 1.125% 07/09/2021	2,466	0.54
3,000,000	Severn Trent Utilities Finance 3.625% 16/01/2026	3,200	0.70
4,300,000	Skandinaviska Enskilda Banken 1.25% 05/08/2022	4,230	0.92
3,100,000	Skipton Building Society 1.75% 30/06/2022	3,050	0.67
1,000,000	South East Water Finance 5.6577% 30/09/2019	1,045	0.23
2,000,000	South East Water Finance Inflation Linked 2.5329% 03/06/2041	4,104	0.90
600,000	Southern Gas Networks 2.5% 03/02/2025	605	0.13
3,000,000	Southern Gas Networks 4.875% 05/10/2023	3,423	0.75
4,000,000	SSE 3.875% Perpetual	4,076	0.89
4,000,000	Stagecoach 4% 29/09/2025	4,171	0.91
1,800,000	Swan Housing 3.625% 05/03/2048	1,874	0.41
2,300,000	Swedbank 1.625% 15/04/2019	2,311	0.50
1,600,000	Thames Water Utilities Cayman Finance 2.625% 24/01/2032	1,512	0.33
1,400,000	Thames Water Utilities Cayman Finance 3.5% 25/02/2028	1,476	0.32
4,500,000	Transport for London 3.875% 23/07/2042	5,592	1.22
1,700,000	UNITE USAF II 3.921% 30/06/2025	1,874	0.41
2,400,000	Vantiv / Vanity Issuer 3.875% 15/11/2025	2,300	0.50
3,000,000	Vicinity Centres 3.375% 07/04/2026	3,132	0.68
1,900,000	Virgin Money 2.25% 21/04/2020	1,912	0.42
4,300,000	Vodafone 3% 12/08/2056	3,733	0.82
2,500,000	Vodafone 8.125% 26/11/2018	2,552	0.56
1,100,000	Wales & West Utilities Finance 3% 03/08/2038	1,096	0.24
1,250,000	Wales & West Utilities Finance 4.625% 13/12/2023	1,417	0.31
2,080,000	Wales & West Utilities Finance 6.25% 30/11/2021	2,389	0.52
2,700,000	Welltower 4.8% 20/11/2028	3,045	0.67
2,000,000	Wessex Water Services Finance 4% 24/09/2021	2,141	0.47
3,000,000	Whitbread 3.375% 16/10/2025	3,026	0.66
1,000,000	WM Treasury 4.625% 03/12/2042	1,222	0.27
3,400,000	Yorkshire Building Society 3.5% 21/04/2026	3,549	0.78
1,250,000	Yorkshire Water Services 3.625% 01/08/2029	1,370	0.30
2,900,000	Yorkshire Water Services 3.75% 22/03/2046	3,006	0.66
Government Bonds (31 July 2017: 2.54%)		2,843	0.62
2,900,000	International Bank for Reconstruction & Development 0.375% 15/06/2021	2,843	0.62
Portfolio of investments		440,030	96.20
Net other assets		17,394	3.80
Total net assets attributable to shareholders		457,424	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Bonds	440,030	96.20
Portfolio of investments	440,030	96.20
Net other assets	17,394	3.80
Total net assets attributable to shareholders	457,424	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

Kames Ethical Corporate Bond Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(12,312)		(333)
Revenue	3	16,582		18,061	
Expenses	4	(3,064)		(3,392)	
Interest payable and similar charges	6	<u>(1)</u>		<u>(1)</u>	
Net revenue before taxation		13,517		14,668	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>13,517</u>		<u>14,668</u>
Total return before distributions			1,205		14,335
Distributions	6		<u>(13,518)</u>		<u>(14,668)</u>
Change in net assets attributable to shareholders from investment activities			(12,313)		(333)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		470,767		485,014
Amounts receivable on creation of shares	114,949		121,547	
Amounts payable on cancellation of shares	<u>(124,451)</u>		<u>(144,391)</u>	
		(9,502)		(22,844)
Dilution adjustment		61		140
Change in net assets attributable to shareholders from investment activities		(12,313)		(333)
Retained distribution on accumulation shares		<u>8,411</u>		<u>8,790</u>
Closing net assets attributable to shareholders		457,424		470,767

Kames Ethical Corporate Bond Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			440,030		463,088
Current assets:					
Debtors	7	8,939		9,677	
Cash and cash equivalents	8	<u>12,033</u>		<u>4,802</u>	
			<u>20,972</u>		<u>14,479</u>
Total assets			461,002		477,567
Liabilities					
Creditors					
Distribution payable		1,286		1,215	
Other creditors	9	<u>2,292</u>		<u>5,585</u>	
Total liabilities			<u>3,578</u>		<u>6,800</u>
Net assets attributable to shareholders			457,424		470,767

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital losses

Net capital losses comprise:

	2018	2017
	£'000	£'000
Losses on non-derivative securities	(12,311)	(332)
Transaction charges	(1)	(1)
Net capital losses	(12,312)	(333)

3 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	16,543	18,028
Bank interest	39	33
Total revenue	16,582	18,061

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,887	3,173
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	104	143
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	5
KIID fee	3	3
Printing cost	-	(1)
Registrar's fee	29	27
Safe custody charge	27	35
	73	76
Total expenses	3,064	3,392

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

**The audit fee (excluding VAT) incurred during the year was £8,655 (2017: £6,426).

5 Taxation

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

Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	13,517	14,668
Corporation tax 20% (2017: 20%)	2,703	2,933
Effects of:		
Tax deductible interest distributions	(2,703)	(2,933)
Total tax charge for the year	-	-

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

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	1	1
Interest payable and similar charges	1	1

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	10,056	11,125
Final distribution	3,420	3,431
	13,476	14,556
Add: amounts deductible on cancellation of shares	456	535
Less: amounts receivable on creation of shares	(414)	(423)
Distributions	13,518	14,668

Details of the distributions are set out in the tables on pages 207 and 208.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	13,517	14,668
Equalisation on conversions	1	-
Distributions	13,518	14,668

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	5,926	6,427
Amounts receivable for the issue of shares	3,013	872
Sales awaiting settlement	-	2,378
Debtors	8,939	9,677

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	125	29
Money market deposits	11,908	4,773
Cash and cash equivalents	12,033	4,802

9 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	268	279
Amounts payable for cancellation of shares	928	2,322
Purchases awaiting settlement	1,096	2,984
Other creditors	2,292	5,585

*Includes accrued ACD's periodic charge of £243,000 (2017: £258,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2018 is £1,842,000 (2017: £1,708,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 15.18% (2017: 13.57%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

12 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value £'000	Value of investments %	Market value £'000	Value of investments %
Rated bonds at investment grade	373,770	81.72	401,036	85.19
Rated bonds below investment grade	34,462	7.53	39,682	8.43
Unrated bonds	31,798	6.95	22,370	4.75
Portfolio of investments	440,030	96.20	463,088	98.37
Net other assets	17,394	3.80	7,679	1.63
Total net assets attributable to shareholders	457,424	100.00	470,767	100.00

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

Currency exposure

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

There was no cash or investments held in foreign currency as at 31 July 2018 (2017: Nil).

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	11,842	428,188	8,939	448,969
Cash at bank				
Sterling	125	-	-	125
Cash on deposit				
Sterling	11,908	-	-	11,908
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(3,578)	(3,578)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	41,988	421,100	9,677	472,765
Cash at bank				
Sterling	29	-	-	29
Cash on deposit				
Sterling	4,773	-	-	4,773
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(6,800)	(6,800)

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

12 Financial instruments (continued)

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95% (2017: 95%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.95% (2017: 4.60%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	1.94	2.44	2.19
31 July 2017	3.09	4.87	4.44

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Bonds	130,606	-	-	-	-
Total	130,606	-	-	-	-
Total purchases including transaction costs	130,606				
31 July 2017					
Bonds	111,666	-	-	-	-
Total	111,666	-	-	-	-
Total purchases including transaction costs	111,666				

Sales

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Bonds	137,380	-	-	-	-
Total	137,380	-	-	-	-
Total sales net of transaction costs	137,380				
31 July 2017					
Bonds	89,925	-	-	-	-
Total	89,925	-	-	-	-
Total sales net of transaction costs	89,925				

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Portfolio transaction costs (continued)

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.78% (2017: 0.81%), being the difference between the respective bid and offer prices for the sub-fund's investments.

14 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	10,710	-	4,868	-
Observable market data	429,320	-	458,220	-
Unobservable data	-	-	-	-
	440,030	-	463,088	-

15 Share classes

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

A share class: 1.00%

B share class: 0.50%

D share class: 0.75%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 194 to 196. The distribution per share class is given in the distribution tables on pages 207 and 208. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	50,241,372	11,001,154	(11,246,745)	(94,460)	49,901,321
Share class A Income	5,081,911	238,940	(688,670)	(844,295)	3,787,886
Share class B Accumulation	107,042,937	21,789,198	(30,997,767)	(53,957)	97,780,411
Share class B Income	147,102,496	48,037,345	(39,046,642)	1,852,793	157,945,992
Share class D Accumulation	2,223,808	393,818	(788,818)	(6,785)	1,822,023
Share class D Income	1,617,867	284,699	(197,187)	(585,028)	1,120,351

Kames Ethical Corporate Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.3715	N/A	1.3715	0.00%	100.00%	1.1226
		Group 2	0.6921	0.6794				
31/01/18	31/03/18	Group 1	1.3878	N/A	1.3878	0.00%	100.00%	1.1467
		Group 2	0.6804	0.7074				
30/04/18	30/06/18	Group 1	1.3104	N/A	1.3104	0.00%	100.00%	1.3514
		Group 2	0.8879	0.4225				
31/07/18	30/09/18	Group 1	1.3899	N/A	1.3899	0.00%	100.00%	1.3517
		Group 2	0.7385	0.6514				

Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7420	N/A	0.7420	0.00%	100.00%	0.6220
		Group 2	0.4786	0.2634				
31/01/18	31/03/18	Group 1	0.7463	N/A	0.7463	0.00%	100.00%	0.6327
		Group 2	0.4679	0.2784				
30/04/18	30/06/18	Group 1	0.7002	N/A	0.7002	0.00%	100.00%	0.7403
		Group 2	0.2396	0.4606				
31/07/18	30/09/18	Group 1	0.7379	N/A	0.7379	0.00%	100.00%	0.7361
		Group 2	0.1973	0.5406				

Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.4377	N/A	1.4377	0.00%	100.00%	1.1641
		Group 2	0.6969	0.7408				
31/01/18	31/03/18	Group 1	1.4556	N/A	1.4556	0.00%	100.00%	1.1814
		Group 2	0.7688	0.6868				
30/04/18	30/06/18	Group 1	1.3786	N/A	1.3786	0.00%	100.00%	1.4042
		Group 2	0.6639	0.7147				
31/07/18	30/09/18	Group 1	1.4578	N/A	1.4578	0.00%	100.00%	1.4172
		Group 2	0.6588	0.7990				

Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7978	N/A	0.7978	0.00%	100.00%	0.6644
		Group 2	0.3737	0.4241				
31/01/18	31/03/18	Group 1	0.8015	N/A	0.8015	0.00%	100.00%	0.6699
		Group 2	0.4354	0.3661				
30/04/18	30/06/18	Group 1	0.7533	N/A	0.7533	0.00%	100.00%	0.7910
		Group 2	0.3515	0.4018				
31/07/18	30/09/18	Group 1	0.7909	N/A	0.7909	0.00%	100.00%	0.7924
		Group 2	0.4283	0.3626				

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

Kames Ethical Corporate Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.8680	N/A	0.8680	0.00%	100.00%	0.7065
		Group 2	0.4208	0.4472				
31/01/18	31/03/18	Group 1	0.8788	N/A	0.8788	0.00%	100.00%	0.7193
		Group 2	0.6076	0.2712				
30/04/18	30/06/18	Group 1	0.8309	N/A	0.8309	0.00%	100.00%	0.8513
		Group 2	0.4186	0.4123				
31/07/18	30/09/18	Group 1	0.8796	N/A	0.8796	0.00%	100.00%	0.8560
		Group 2	0.5202	0.3594				

Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7610	N/A	0.7610	0.00%	100.00%	0.6359
		Group 2	0.4887	0.2723				
31/01/18	31/03/18	Group 1	0.7655	N/A	0.7655	0.00%	100.00%	0.6425
		Group 2	0.2053	0.5602				
30/04/18	30/06/18	Group 1	0.7182	N/A	0.7182	0.00%	100.00%	0.7567
		Group 2	0.6034	0.1148				
31/07/18	30/09/18	Group 1	0.7555	N/A	0.7555	0.00%	100.00%	0.7553
		Group 2	0.4011	0.3544				

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

Kames Ethical Equity Fund

Fund description

The primary investment objective is to maximise total return by investment in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed in the UK stock market, which meets the Fund's predefined ethical criteria.

Risk profile

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

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

Performance

The Kames Ethical Equity Fund returned 7.00% compared to the peer group median return of 8.45%. The peer group is the Investment Association UK All Companies sector.

Strategy review

UK equities performed well over the year as markets embraced the pro-growth environment. The FTSE All Share index increased by 9.15% with large-cap stocks generally stronger than their smaller counterparts. Despite ongoing concerns over Brexit, investors chose to focus on the healthy earnings data coming through for UK companies. In particular those areas of the economy that are exposed to overseas growth tended to perform well, given they benefited from the weakness seen in sterling. In contrast, domestic economic growth remained relatively weak. In November, the Bank of England increased interest rates for the first time in ten years, although much of its concerns about the level of inflation were due to the ongoing weakness in sterling and a stronger oil price. Investors expected another increase in May but this was not delivered, which benefited the market and large-cap stocks in particular.

The Fund benefited from strong stock selection while sector allocation detracted. In sector terms, the Fund's limited exposure (driven by the ethical constraints) to resource-related sectors such as oil & gas producers and mining, was detrimental as these areas of the market rallied over the period. Having no exposure to pharmaceuticals and food & drug retailers (given our ethical criteria) was also a relative performance headwind. At the same time, the Fund gained from its lack of exposure to some of the traditional defensive areas of the market such as tobacco and multi-utilities, which lagged. Within financials, the banks underweight proved a relative gain, but this was offset by the headwind from being overweight financial services and life insurance.

Within stock selection, holdings that performed particularly well included many global industrial cyclical stocks, such as Victrex and Aveva, both of which re-assured on trading, with Victrex upgrading earnings expectations and cash returns. Aveva announced its third attempt at a merger with Schneider Electric, which was well received by the market. Elsewhere, Robert Walters, the specialist global professional recruiter, also delivered earnings upgrades after with strong interim results. It remains one of our preferred recruitment picks given the opportunity for further earnings upside driven by fee growth and the prospect of an improving conversion ratio in resource solutions. US-exposed name Ferguson was also a positive contributor as was Fidessa, the software and services business, which was subject to a bid.

Given our proprietary ethical criteria, the Fund was not invested in oil majors RD Shell and BP. Both of these names performed well over the period and therefore had an adverse impact on the Fund's relative performance. Performance was also impacted by holdings in Dignity (funeral services operator), Standard Life Aberdeen and Just Group. The position in Dignity was reduced in November 2017, given our concerns regarding the competitive landscape. We completely sold our holding in January 2018 as the company warned on profits as it amended its product pricing strategy to address those competitive pressures. Despite these outcomes stock selection overall was the main contributor to the Fund's relative performance in the period.

Kames Ethical Equity Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Just Eat	13,580	Sage	18,045
Standard Life Aberdeen	12,249	WPP	13,809
Mondi	11,590	Vodafone	12,495
Coca-Cola	8,484	RPC	11,994
Countryside Properties	8,476	CRH	10,407
Ascential	8,149	RELX	9,769
Aveva	7,573	Paysafe	8,014
John Laing	7,353	Just Eat	7,977
Grafton	7,130	Lloyds Banking	7,345
Bellway	6,951	Merlin Entertainment	6,782

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
Prudential	4.11	Prudential	5.19
Ferguson	3.51	RELX	5.01
RELX	3.36	Vodafone	4.25
DS Smith	3.00	CRH	3.42
Victrex	2.97	Sage	3.13
Aveva	2.87	Ferguson	2.87
Coca-Cola	2.59	Lloyds Banking	2.47
Hargreaves Lansdown	2.13	WPP	2.30
Robert Walters	2.06	Aviva	2.20
Mondi	1.94	RPC	2.19

Kames Ethical Equity Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	191.61	173.47	179.92
Return before operating charges	13.92	20.94	(3.78)
Operating charges	(3.04)	(2.80)	(2.67)
Return after operating charges	10.88	18.14	(6.45)
Distributions	(2.62)	(2.67)	(2.61)
Retained distributions on accumulation shares	2.62	2.67	2.61
Closing net asset value per share	202.49	191.61	173.47
after direct transaction costs of	0.45	0.32	0.43
Performance			
Return after charges	5.68%	10.46%	(3.58)%
Other information			
Closing net asset value (£'000)	121,889	124,493	124,973
Closing number of shares	60,196,349	64,970,178	72,043,128
Operating charges	1.53%	1.54%	1.54%
Direct transaction costs	0.23%	0.18%	0.25%
Prices			
Highest share price	208.33	195.01	182.92
Lowest share price	187.42	171.38	153.97

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	218.88	196.68	202.46
Return before operating charges	15.94	23.84	(4.24)
Operating charges	(1.78)	(1.64)	(1.54)
Return after operating charges	14.16	22.20	(5.78)
Distributions	(4.72)	(4.59)	(4.41)
Retained distributions on accumulation shares	4.72	4.59	4.41
Closing net asset value per share	233.04	218.88	196.68
after direct transaction costs of	0.51	0.37	0.48
Performance			
Return after charges	6.47%	11.29%	(2.85)%
Other information			
Closing net asset value (£'000)	432,279	421,315	395,487
Closing number of shares	185,493,249	192,483,103	201,086,153
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.23%	0.18%	0.25%
Prices			
Highest share price	239.43	222.49	206.36
Lowest share price	214.95	194.69	174.44

Kames Ethical Equity Fund

Performance Information (continued)

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	157.31	144.38	152.04
Return before operating charges	11.47	17.50	(3.20)
Operating charges	(1.28)	(1.20)	(1.15)
Return after operating charges	10.19	16.30	(4.35)
Distributions	(3.39)	(3.37)	(3.31)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	164.11	157.31	144.38
after direct transaction costs of	0.37	0.27	0.36
Performance			
Return after charges	6.48%	11.29%	(2.86)%
Other information			
Closing net asset value (£'000)	49,954	41,853	30,287
Closing number of shares	30,439,886	26,605,574	20,976,606
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.23%	0.18%	0.25%
Prices			
Highest share price	172.08	163.33	154.97
Lowest share price	154.48	142.92	131.00

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	167.82	151.16	156.02
Return before operating charges	12.21	18.31	(3.30)
Operating charges	(1.80)	(1.65)	(1.56)
Return after operating charges	10.41	16.66	(4.86)
Distributions	(3.18)	(3.13)	(3.02)
Retained distributions on accumulation shares	3.18	3.13	3.02
Closing net asset value per share	178.23	167.82	151.16
after direct transaction costs of	0.39	0.28	0.37
Performance			
Return after charges	6.20%	11.02%	(3.11)%
Other information			
Closing net asset value (£'000)	3,735	3,737	4,169
Closing number of shares	2,095,527	2,226,708	2,757,990
Operating charges	1.03%	1.04%	1.04%
Direct transaction costs	0.23%	0.18%	0.25%
Prices			
Highest share price	183.20	170.65	158.88
Lowest share price	164.58	149.55	134.11

Kames Ethical Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2017: 96.85%)	590,382	97.13
	Basic Materials (31 July 2017: 2.06%)	29,838	4.91
563,000	Mondi	11,800	1.94
572,276	Victrex	18,038	2.97
	Consumer Goods (31 July 2017: 3.30%)	41,089	6.76
484,591	A.G.Barr	3,276	0.54
278,178	Bellway	8,112	1.33
4,050,000	Cairn Homes	6,141	1.01
575,000	Coca-Cola	15,715	2.59
2,344,554	Countryside Properties	7,845	1.29
	Consumer Services (31 July 2017: 20.93%)	81,918	13.48
1,865,233	Ascential	7,830	1.29
1,659,554	Autotrader	7,056	1.16
2,229,622	Dixons Carphone	3,943	0.65
656,930	easyJet	10,632	1.75
2,000,000	Entertainment One	7,164	1.18
4,070,000	Huntsworth	4,721	0.78
1,073,506	Informa	8,472	1.39
1,264,350	Just Eat	10,024	1.65
317,690	Millennium & Copthorne Hotels	1,649	0.27
1,229,076	RELX	20,427	3.36
	Electronic & Electrical Equipment (31 July 2017: 0.15%)	2,341	0.39
1,415,469	Strix	2,341	0.39
	Financials (31 July 2017: 30.89%)	170,854	28.11
1,195,000	Ashmore	4,355	0.72
2,314,381	Aviva	11,567	1.90
1,689,881	Brewin Dolphin	5,928	0.98
302,606	Derwent London	9,447	1.55
3,277,181	Hansteen	3,602	0.59
622,402	Hargreaves Lansdown	12,915	2.13
1,573,731	Impax Environmental Markets	4,328	0.71
2,600,000	John Laing	7,576	1.25
5,843,842	Just Retirement	6,323	1.04
2,405,142	Legal & General	6,316	1.04
10,750,000	Lloyds Banking	6,705	1.10
917,720	Phoenix	6,319	1.04
1,382,862	Prudential	24,954	4.11
180,129	Rathbone Brothers	4,420	0.73
3,340,000	Royal Bank of Scotland	8,527	1.40
1,190,000	RSA Insurance	7,664	1.26
291,705	Schroders	9,078	1.49
1,779,155	Secure Income REIT	6,743	1.11
598,454	St James's Place	7,211	1.19
2,850,000	Standard Life Aberdeen	8,898	1.46
911,291	Unite	7,978	1.31
	Health Care (31 July 2017: 0.64%)	9,865	1.62
1,535,576	Advanced Medical Solutions	5,528	0.91
1,750,000	Spire Healthcare	4,337	0.71

Kames Ethical Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (31 July 2017: 22.73%)	144,549	23.78
415,000	Ashtead	9,711	1.60
204,325	Clarkson	5,200	0.86
352,000	CRH	9,194	1.51
355,000	Diploma	4,668	0.77
3,624,509	DS Smith	18,260	3.00
354,888	Ferguson	21,325	3.51
1,977,358	Forterra	5,883	0.97
1,275,000	Grafton	9,760	1.61
441,569	HomeServe	4,464	0.73
427,994	Keywords Studios	7,807	1.28
336,718	Oxford Instruments	3,209	0.53
248,188	PayPoint	2,313	0.38
978,366	Polypipe	3,673	0.60
114,858	Renishaw	6,277	1.03
1,676,116	Robert Walters	12,504	2.06
1,268,472	RPS	3,108	0.51
1,536,054	Sanne	10,829	1.78
275,000	Spectris	6,364	1.05
710,400	TMO Fund Raising*	-	-
	Oil & Gas (31 July 2017: 1.69%)	20,171	3.32
3,600,000	Cairn Energy	8,784	1.44
382,322	Great Eastern Energy GDR	291	0.05
3,800,000	Premier Oil	4,860	0.80
960,000	Wood (John)	6,236	1.03
	Technology (31 July 2017: 9.39%)	64,584	10.62
240,000	accesso Technology	6,468	1.06
665,000	Aveva	17,476	2.87
200,000	Blue Prism	3,572	0.59
958,733	FDM	9,118	1.50
249,492	Fidessa	9,605	1.58
1,633,922	GB Group	8,807	1.45
2,220,871	NCC	4,877	0.80
577,557	Softcat	4,661	0.77
	Telecommunications (31 July 2017: 4.25%)	16,550	2.72
875,000	Gamma Communications	6,860	1.13
5,210,231	Vodafone	9,690	1.59
	Utilities (31 July 2017: 0.82%)	8,623	1.42
690,146	SSE	8,623	1.42
	Portfolio of investments	590,382	97.13
	Net other assets	17,475	2.87
	Total net assets attributable to shareholders	607,857	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

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

Kames Ethical Equity Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		25,440		48,717
Revenue	3	17,251		17,251	
Expenses	4	(5,661)		(5,481)	
Interest payable and similar charges	6	-		(3)	
Net revenue before taxation		11,590		11,767	
Taxation	5	-		(26)	
Net revenue after taxation			11,590		11,741
Total return before distributions			37,030		60,458
Distributions	6		(11,598)		(11,748)
Change in net assets attributable to shareholders from investment activities			25,432		48,710

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		591,398		554,916
Amounts receivable on creation of shares	91,369		79,581	
Amounts payable on cancellation of shares	(110,756)		(102,325)	
		(19,387)		(22,744)
Dilution adjustment		20		(129)
Change in net assets attributable to shareholders from investment activities		25,432		48,710
Retained distribution on accumulation shares		10,394		10,645
Closing net assets attributable to shareholders		607,857		591,398

Kames Ethical Equity Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			590,382		572,752
Current assets:					
Debtors	7	2,914		3,202	
Cash and cash equivalents	8	17,210		21,230	
			20,124		24,432
Total assets			610,506		597,184
Liabilities					
Creditors					
Bank overdrafts	9	5		8	
Distribution payable		1,032		897	
Other creditors	10	1,612		4,881	
Total liabilities			2,649		5,786
Net assets attributable to shareholders			607,857		591,398

Kames Ethical Equity Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	25,423	48,725
Currency exchange gains/(losses)	21	(4)
Transaction charges	(4)	(4)
Net capital gains	25,440	48,717

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	15,506	15,717
Overseas dividends	1,091	1,193
Property income from REITs	588	327
Bank interest	66	14
Total revenue	17,251	17,251

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	5,478	5,264
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	125	162
Other expenses:		
Audit fee**	9	7
FT publishing fee	2	3
KIID fee	2	2
Printing cost	-	(2)
Registrar's fee	21	28
Safe custody charge	24	17
	58	55
Total expenses	5,661	5,481

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

**The audit fee (excluding VAT) incurred during the year was £7,490 (2017: £5,559).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
Overseas tax suffered	-	26
Total tax charge for the year (see note 5 (b))	-	26

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	11,590	11,767
Corporation tax 20% (2017: 20%)	2,318	2,353
Effects of:		
Movement in excess expenses	1,008	1,021
Overseas tax suffered	-	26
Revenue not subject to taxation	(3,326)	(3,374)
Total tax charge for the year (see note 5 (a))	-	26

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £45,040,000 (2017: £40,001,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £9,008,000 (2017: £8,000,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	-	3
Interest payable and similar charges	-	3

b) Distributions

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

	2018	2017
	£'000	£'000
Final distribution	11,426	11,542
	11,426	11,542
Add: amounts deductible on cancellation of shares	977	1,062
Less: amounts receivable on creation of shares	(805)	(856)
Distributions	11,598	11,748

Details of the distributions are set out in the tables on page 222.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	11,590	11,741
Equalisation on conversions	8	7
Distributions	11,598	11,748

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	1,266	1,394
Amounts receivable for the issue of shares	1,084	848
Sales awaiting settlement	534	906
Reclaimable overseas tax	20	54
UK Income tax recoverable	10	-
Debtors	2,914	3,202

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	253	118
Money market deposits	16,957	21,112
Cash and cash equivalents	17,210	21,230

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	5	8
Bank overdrafts	5	8

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	489	470
Amounts payable for cancellation of shares	1,123	1,915
Purchases awaiting settlement	-	2,496
Other creditors	1,612	4,881

*Includes accrued ACD's periodic charge of £468,000 (2017: £452,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £507,000 (2017: £1,519,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 13.81% (2017: 14.80%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Currency exposure

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

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

As at 31 July 2018

Currency	Total
	£'000
Euro	6,414
Sterling	601,443
	607,857

As at 31 July 2017

Currency	Total
	£'000
Euro	1,187
Sterling	590,211
	591,398

Interest rate risk

At the year-end date, 2.83% (2017: 3.59%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 4.63% (2017: 8.50%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	3.89	5.48	4.77
31 July 2017	8.18	9.26	8.69

14 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	238,174	204	0.09	975	0.41
Total	<u>238,174</u>	<u>204</u>		<u>975</u>	
Total purchases including transaction costs	<u>239,353</u>				
31 July 2017					
Equities	203,654	150	0.07	704	0.35
Total	<u>203,654</u>	<u>150</u>		<u>704</u>	
Total purchases including transaction costs	<u>204,508</u>				

Sales

	Value £'000	Commissions £'000	Other Costs %	£'000	%
31 July 2018					
Equities	247,326	(179)	0.07	-	-
Total	<u>247,326</u>	<u>(179)</u>		<u>-</u>	
Total sales net of transaction costs	<u>247,147</u>				
31 July 2017					
Equities	215,258	(165)	0.08	-	-
Total	<u>215,258</u>	<u>(165)</u>		<u>-</u>	
Total sales net of transaction costs	<u>215,093</u>				

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.17% (2017: 0.10%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	590,382	-	568,944	-
Observable market data	-	-	3,808	-
Unobservable data	-	-	-	-
	590,382	-	572,752	-

16 Share classes

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

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 211 and 212. The distribution per share class is given in the distribution tables on page 222. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	64,970,178	8,176,314	(11,740,377)	(1,209,766)	60,196,349
Share class B Accumulation	192,483,103	26,833,193	(34,439,730)	616,683	185,493,249
Share class B Income	26,605,574	9,174,776	(6,014,966)	674,502	30,439,886
Share class D Accumulation	2,226,708	263,600	(334,123)	(60,658)	2,095,527

Kames Ethical Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	2.6240	N/A	2.6240	100.00%	0.00%	2.6674
		Group 2	1.7140	0.9100				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	4.7162	N/A	4.7162	100.00%	0.00%	4.5936
		Group 2	2.4650	2.2512				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	3.3895	N/A	3.3895	100.00%	0.00%	3.3728
		Group 2	1.8398	1.5497				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming		2017 Net Distribution
						Franked	Unfranked	
31/07/18	30/11/18	Group 1	3.1756	N/A	3.1756	100.00%	0.00%	3.1281
		Group 2	1.8786	1.2970				

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

Kames Ethical Cautious Managed Fund

Fund description

To provide a combination of income and long-term capital growth by investing in a diversified range of UK equities, bonds and cash, which meet the Fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the portfolio value at all times.

Risk profile

The Fund is designed for retail and institutional investors seeking pooled exposure to a mixture of UK equities and sterling fixed income securities, while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.

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

Performance

The Kames Ethical Cautious Managed Fund returned 3.19% compared to the peer group median return of 3.21%. The peer group is the Investment Association Mixed Investment 20-60% Shares sector.

Strategy review

Throughout the period we held an overweight position in equities. At the end of the period, approximately 56% of the assets were held in equities compared to around 40% in fixed income and the remainder in cash.

UK equities performed well over the year as markets embraced the pro-growth environment. The FTSE All Share index increased by 9.15% with large-cap stocks generally stronger than their smaller counterparts. Bond markets were volatile but also finished in positive territory, with government bonds slightly outperforming their corporate bond counterparts.

The equity portfolio generated robust absolute returns with stock selection the key driver. Among the strongest names were global industrial cyclical stocks, such as Victrex and Aveva, both of which re-assured on trading, with Victrex upgrading earnings expectations and cash returns. Aveva announced its third attempt at a merger with Schneider Electric, which was well received by the market. Elsewhere, Robert Walters, the specialist global professional recruiter, also delivered earnings upgrades after strong interim results. US exposed name Ferguson was also a positive contributor, with online trading in line with expectations.

Sector allocation was more challenging; the Fund's limited exposure (driven by the ethical constraints) to resource-related sectors such as oil & gas producers and mining, was detrimental as these areas rallied over the period in response to the higher oil price.

Within the fixed income element of the Fund, we actively managed interest rate risk throughout the period. Duration was not a significant influence on relative returns in the first half of the period. Throughout 2018, however, conditions were more volatile and we subsequently changed the size of our duration position as the outlook for the UK economy and the Bank of England's monetary policy changed.

Within credit, our exposure to subordinated financials bonds continued to benefit relative performance, as did the weighting to the collateralised sector. The main driver of performance, however, was issue selection, with the exposure to Bank of Scotland, Santander and Rabobank among the better performers. Our holdings in Sainsbury's Bank, Transport for London, Esure and Legal & General also added value. Detractors included bonds from Dignity and the AA.

Kames Ethical Cautious Managed Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
Just Eat	6,587	Sage	8,932
Standard Life Aberdeen	6,553	WPP	8,192
Mondi	6,182	Vodafone	7,129
Countryside Properties	4,023	RPC	6,760
Coca-Cola	4,008	CRH	5,730
John Laing	3,748	RELX	4,951
Ascential	3,706	Paysafe	4,836
Cairn Homes	3,513	Lloyds Banking	4,359
Entertainment One	3,419	Just Eat	4,272
Bellway	3,202	Merlin Entertainment	4,060

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
Prudential	2.23	Prudential	2.84
Ferguson	2.13	RELX	2.67
RELX	1.89	Vodafone	2.39
Victrex	1.65	CRH	1.83
DS Smith	1.63	Sage	1.65
Network Rail Infrastructure Finance 3% 07/09/2023	1.57	Ferguson	1.60
Aveva	1.55	Network Rail Infrastructure Finance 3% 07/09/2023	1.53
Coca-Cola	1.43	WPP	1.38
Hargreaves Lansdown	1.24	Lloyds Banking	1.36
Robert Walters	1.19	Aviva	1.30

Kames Ethical Cautious Managed Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	179.96	169.18	167.18
Return before operating charges	7.51	13.02	4.14
Operating charges	(2.36)	(2.24)	(2.14)
Return after operating charges	5.15	10.78	2.00
Distributions	(2.99)	(2.77)	(2.74)
Retained distributions on accumulation shares	2.99	2.77	2.74
Closing net asset value per share	185.11	179.96	169.18
after direct transaction costs of	0.20	0.18	0.32
Performance			
Return after charges	2.86%	6.37%	1.20%
Other information			
Closing net asset value (£'000)	35,787	39,780	46,287
Closing number of shares	19,333,210	22,105,061	27,360,186
Operating charges	1.28%	1.29%	1.29%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	187.78	181.93	170.58
Lowest share price	176.89	167.00	156.42

A Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	144.13	137.66	138.31
Return before operating charges	6.00	10.53	3.36
Operating charges	(1.88)	(1.82)	(1.75)
Return after operating charges	4.12	8.71	1.61
Distributions	(2.38)	(2.24)	(2.26)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	145.87	144.13	137.66
after direct transaction costs of	0.16	0.15	0.27
Performance			
Return after charges	2.86%	6.33%	1.16%
Other information			
Closing net asset value (£'000)	2,632	2,985	3,602
Closing number of shares	1,804,345	2,071,174	2,617,048
Operating charges	1.28%	1.29%	1.29%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	149.75	146.29	139.95
Lowest share price	140.80	135.31	128.60

Kames Ethical Cautious Managed Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	132.61	124.17	122.21
Return before operating charges	5.41	9.45	2.92
Operating charges	(1.06)	(1.01)	(0.96)
Return after operating charges	4.35	8.44	1.96
Distributions	(2.75)	(2.55)	(2.49)
Retained distributions on accumulation shares	2.75	2.55	2.49
Closing net asset value per share	136.96	132.61	124.17
after direct transaction costs of	0.15	0.14	0.24
Performance			
Return after charges	3.28%	6.80%	1.60%
Other information			
Closing net asset value (£'000)	434,378	458,936	449,897
Closing number of shares	317,167,194	346,071,028	362,321,596
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	138.67	133.98	125.19
Lowest share price	130.63	122.74	114.59

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.37	115.92	116.47
Return before operating charges	4.94	8.75	2.70
Operating charges	(0.97)	(0.94)	(0.90)
Return after operating charges	3.97	7.81	1.80
Distributions	(2.50)	(2.36)	(2.35)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	122.84	121.37	115.92
after direct transaction costs of	0.14	0.13	0.22
Performance			
Return after charges	3.27%	6.74%	1.55%
Other information			
Closing net asset value (£'000)	74,127	76,618	77,687
Closing number of shares	60,343,763	63,126,915	67,016,957
Operating charges	0.78%	0.79%	0.79%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	126.20	123.24	117.90
Lowest share price	118.58	113.98	108.31

Kames Ethical Cautious Managed Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	147.57	138.45	136.53
Return before operating charges	6.09	10.60	3.32
Operating charges	(1.56)	(1.48)	(1.40)
Return after operating charges	4.53	9.12	1.92
Distributions	(2.75)	(2.56)	(2.51)
Retained distributions on accumulation shares	2.75	2.56	2.51
Closing net asset value per share	152.10	147.57	138.45
after direct transaction costs of	0.17	0.15	0.26
Performance			
Return after charges	3.07%	6.59%	1.41%
Other information			
Closing net asset value (£'000)	4,431	4,754	6,942
Closing number of shares	2,913,024	3,221,792	5,014,338
Operating charges	1.03%	1.04%	1.04%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	154.12	149.14	139.60
Lowest share price	145.21	136.76	127.89

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	134.99	128.93	129.53
Return before operating charges	5.56	9.80	3.09
Operating charges	(1.42)	(1.37)	(1.32)
Return after operating charges	4.14	8.43	1.77
Distributions	(2.50)	(2.37)	(2.37)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	136.63	134.99	128.93
after direct transaction costs of	0.15	0.14	0.23
Performance			
Return after charges	3.07%	6.54%	1.37%
Other information			
Closing net asset value (£'000)	1,115	1,279	2,051
Closing number of shares	815,805	947,194	1,591,095
Operating charges	1.03%	1.04%	1.04%
Direct transaction costs	0.11%	0.11%	0.20%
Prices			
Highest share price	140.31	137.05	131.11
Lowest share price	131.88	126.75	120.46

Kames Ethical Cautious Managed Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2017: 39.56%)	214,062	38.74
	Asset Backed Security (31 July 2017: 4.40%)	23,002	4.16
240,000	Alpha Schools Highland Project 4.792% 31/01/2036	217	0.04
1,700,000	Arqiva Financing 4.882% 31/12/2032	1,823	0.33
1,370,000	Bishopsgate Asset Finance 4.808% 14/08/2044	1,214	0.22
2,410,000	BL Superstores Finance 5.27% 04/10/2025	624	0.11
152,000	Dignity Finance 3.5456% 31/12/2034	138	0.02
1,700,000	Dignity Finance 4.6956% 31/12/2049	1,628	0.30
1,350,000	Greater Gabbard 4.137% 29/11/2032	1,340	0.24
1,500,000	High Speed Rail Finance No.1 4.375% 01/11/2038	1,813	0.33
2,100,000	Meadowhall Finance 4.986% 12/01/2032	1,904	0.34
400,000	Paragon 3.625% 21/01/2047	424	0.08
360,000	Places for People Homes 8.625% 26/09/2020	386	0.07
1,800,000	Quadrant Housing Finance 7.93% 10/02/2033	2,496	0.45
400,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	448	0.08
1,500,000	Telereal Secured Finance 4.01% 10/12/2031	1,261	0.23
800,000	Telereal Secured Finance 4.9741% 10/09/2027	604	0.11
160,000	Telereal Secured Finance 6.1645% 10/12/2031	181	0.03
1,900,000	THPA Finance 7.127% 15/03/2024	1,131	0.21
700,000	Trafford Centre Finance 6.5% 28/07/2033	793	0.14
720,000	Trafford Centre Finance 7.03% 28/01/2029	507	0.09
2,550,000	White City Property Finance 5.1202% 17/04/2035	2,810	0.51
1,300,000	Wods Transmission 3.446 % 24/08/2034	1,260	0.23
	Corporate Bonds (31 July 2017: 34.99%)	191,060	34.58
900,000	ABN AMRO Bank 1% 30/06/2020	894	0.16
1,800,000	ABN AMRO Bank 2.375% 07/12/2021	1,841	0.33
2,100,000	ABP Finance 6.25% 14/12/2026	2,571	0.46
1,200,000	Affinity Water Programme Finance 4.5% 31/03/2036	1,490	0.27
600,000	Affinity Water Programme Finance 5.875% 13/07/2026	754	0.14
1,200,000	American International 2.33575% 15/03/2067	1,110	0.20
1,000,000	American International 5% 26/04/2023	1,121	0.20
650,000	AMP Group Finance Services 6.88% 23/08/2022	712	0.13
700,000	APT Pipelines 3.5% 22/03/2030	719	0.13
800,000	APT Pipelines 4.25% 26/11/2024	874	0.16
600,000	ASIF II 6.375% 05/10/2020	659	0.12
600,000	Aviva 4.375% 12/09/2049	590	0.11
150,000	Aviva 5.9021% Perpetual	158	0.03
1,000,000	Aviva 6.125% Perpetual	1,098	0.20
300,000	Aviva 6.875% 20/05/2058	370	0.07
1,600,000	AXA 5.625% 16/01/2054	1,740	0.32
2,800,000	Bank of Montreal 1.625% 21/06/2022	2,791	0.50
1,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	1,107	0.20
1,000,000	Bazalgette Finance 2.375% 29/11/2027	977	0.18
1,700,000	BPCE 5.25% 16/04/2029	1,927	0.35
1,490,000	BPHA Finance 4.816% 11/04/2044	1,911	0.35
400,000	British Land 5.264% 24/09/2035	503	0.09
488,000	British Land 5.357% 31/03/2028	584	0.11
800,000	Close Brothers Finance 2.75% 19/10/2026	796	0.14
800,000	CNP Assurances 7.375% 30/09/2041	900	0.16
900,000	Coventry Building Society 1.875% 24/10/2023	887	0.16
1,500,000	Coventry Building Society 5.875% 28/09/2022	1,742	0.31
500,000	Coventry Building Society 6.375% Perpetual	513	0.09
500,000	CPUK Finance 2.666% 28/02/2020	507	0.09
1,400,000	CPUK Finance 7.239% 28/02/2024	1,722	0.31
700,000	CRH Finance 4.125% 02/12/2029	781	0.14
2,200,000	CYBG 3.125% 22/06/2025	2,166	0.39

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
Corporate Bonds (continued)			
2,300,000	Deutsche Bahn Finance 2.75% 20/06/2022	2,415	0.44
4,100,000	Deutsche Bahn Finance 3.125% 24/07/2026	4,480	0.81
650,000	Deutsche Telekom International Finance 6.5% 08/04/2022	759	0.14
656,000	Deutsche Telekom International Finance 7.625% 15/06/2030	960	0.17
2,400,000	Digital Stout 4.75% 13/10/2023	2,649	0.48
2,500,000	Direct Line Insurance 4.75% Perpetual	2,255	0.41
246,000	Direct Line Insurance 9.25% 27/04/2042	300	0.05
700,000	DONG Energy 4.875% 12/01/2032	849	0.15
1,000,000	DONG Energy 5.75% 09/04/2040	1,404	0.25
800,000	Electricity North West 8.875% 25/03/2026	1,151	0.21
2,000,000	EMH Treasury 4.5% 29/01/2044	2,410	0.44
800,000	Esure 6.75% 19/12/2024	921	0.17
1,200,000	Freshwater Finance 4.607% 17/10/2036	1,494	0.27
550,000	GLH Hotels 7.875% 20/06/2022	608	0.11
1,800,000	Great Places Housing 4.75% 22/10/2042	2,243	0.41
1,800,000	Hammerson 3.5% 27/10/2025	1,852	0.33
2,000,000	International Bank for Reconstruction & Development 5.4% 07/06/2021	2,240	0.41
200,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	296	0.05
2,400,000	Intu Metrocentre Finance 4.125% 06/12/2023	2,563	0.46
1,200,000	Investec 4.25% 24/07/2028	1,183	0.21
1,000,000	Kelda Finance No.3 5.75% 17/02/2020	1,032	0.19
4,200,000	KFW 0.875% 15/03/2022	4,153	0.75
200,000	KFW 4.875% 15/03/2037	294	0.05
1,000,000	KFW 5% 10/09/2024	1,210	0.22
3,000,000	KFW 5.55% 07/06/2021	3,372	0.61
2,500,000	KFW 6% 07/12/2028	3,512	0.64
1,800,000	Land Securities Capital Markets 1.974% 08/02/2024	1,801	0.33
1,000,000	Legal & General 5.5% 27/06/2064	1,067	0.19
700,000	Legal & General 10% 23/07/2041	850	0.15
1,300,000	Liberty Living Finance 3.375% 28/11/2029	1,296	0.23
2,200,000	Lloyds Banking 2.25% 16/10/2024	2,138	0.39
812,000	Lunar Funding I 5.75% 18/10/2033	1,110	0.20
900,000	Martlet Homes 3% 09/05/2052	847	0.15
1,700,000	Metro Bank 5.5% 26/06/2028	1,662	0.30
700,000	Motability Operations 3.625% 10/03/2036	777	0.14
1,200,000	Motability Operations 5.375% 28/06/2022	1,375	0.25
1,400,000	Muenchener Rueckversicherungs 6.625% 26/05/2042	1,601	0.29
600,000	Myriad Capital 4.75% 20/12/2043	753	0.14
1,100,000	National Express 2.5% 11/11/2023	1,088	0.20
1,200,000	National Grid Gas Finance 2.625% 22/09/2038	1,094	0.20
2,800,000	National Grid North America 1.875% 06/08/2018	2,800	0.51
2,100,000	Nationwide Building Society 6.875% Perpetual	2,162	0.39
8,000,000	Network Rail Infrastructure Finance 3% 07/09/2023	8,672	1.57
4,900,000	Network Rail Infrastructure Finance 4.625% 21/07/2020	5,248	0.95
1,250,000	Northern Powergrid Yorkshire 2.5% 01/04/2025	1,276	0.23
400,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	473	0.09
1,600,000	Orange 5.75% Perpetual	1,733	0.31
800,000	Pennon 2.875% Perpetual	799	0.14
3,000,000	PGH Capital 4.125% 20/07/2022	3,069	0.56
900,000	Places for People Homes 3.625% 22/11/2028	908	0.16
600,000	Pohjola Bank 2.5% 20/05/2022	620	0.11
400,000	Porterbrook Rail Finance 4.625% 04/04/2029	450	0.08
500,000	Porterbrook Rail Finance 6.5% 20/10/2020	550	0.10
300,000	Prudential 5% 20/07/2055	316	0.06
500,000	Prudential 5.7% 19/12/2063	573	0.10
600,000	Prudential 5.875% 11/05/2029	827	0.15

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
150,000	Rabobank Capital Funding Trust IV 5.556% Perpetual	155	0.03
300,000	Rabobank Nederland 4.625% 13/01/2021	323	0.06
900,000	Rabobank Nederland 5.25% 14/09/2027	1,036	0.19
500,000	Rabobank Nederland 6.91% Perpetual	727	0.13
1,600,000	RAC Bond 4.87% 06/05/2026	1,620	0.29
900,000	RL Finance No.2 6.125% 30/11/2043	1,000	0.18
2,800,000	Royal Bank of Scotland 2.875% 19/09/2026	2,758	0.50
1,500,000	Sainsbury's Bank 6% 23/11/2027	1,556	0.28
2,000,000	Santander 3.625% 14/01/2026	2,086	0.38
550,000	Santander 10.0625% Perpetual	897	0.16
1,600,000	Scentre Management 2.375% 08/04/2022	1,633	0.30
1,700,000	Severn Trent Utilities Finance 3.625% 16/01/2026	1,813	0.33
1,900,000	Skipton Building Society 1.75% 30/06/2022	1,869	0.34
600,000	South East Water Finance 5.6577% 30/09/2019	627	0.11
800,000	Southern Gas Networks 2.5% 03/02/2025	807	0.15
900,000	Southern Gas Networks 4.875% 05/10/2023	1,027	0.19
1,800,000	SSE 3.875% Perpetual	1,834	0.33
2,400,000	Stagecoach 4% 29/09/2025	2,503	0.45
1,900,000	Swedbank 1.625% 15/04/2019	1,909	0.35
600,000	Thames Water Utilities Cayman Finance 3.5% 25/02/2028	632	0.11
1,200,000	Thames Water Utilities Cayman Finance 5.875% 15/07/2022	1,268	0.23
1,000,000	THFC Funding No.3 5.2% 11/10/2043	1,318	0.24
6,200,000	Transport for London 2.215% 24/04/2025	6,299	1.14
4,500,000	Transport for London 2.25% 09/08/2022	4,633	0.84
1,900,000	Transport for London 3.875% 23/07/2042	2,361	0.43
600,000	UNITE USAF II 3.921% 30/06/2025	662	0.12
2,100,000	Vicinity Centres 3.375% 07/04/2026	2,192	0.40
2,400,000	Virgin Money 2.25% 21/04/2020	2,415	0.44
500,000	Vodafone 8.125% 26/11/2018	510	0.09
500,000	Wales & West Utilities Finance 3% 03/08/2038	498	0.09
800,000	Wales & West Utilities Finance 4.625% 13/12/2023	907	0.16
1,100,000	Wales & West Utilities Finance 6.25% 30/11/2021	1,263	0.23
1,500,000	Welltower 4.8% 20/11/2028	1,692	0.31
1,600,000	Wessex Water Services Finance 4% 24/09/2021	1,713	0.31
1,700,000	Whitbread 3.375% 16/10/2025	1,715	0.31
2,100,000	Yorkshire Building Society 3.5% 21/04/2026	2,192	0.40
1,500,000	Yorkshire Water Services 3.75% 22/03/2046	1,555	0.28
	Government Bonds (31 July 2017: 0.17%)	-	-
	Equities (31 July 2017: 56.09%)	304,110	55.05
	Basic Materials (31 July 2017: 1.17%)	15,430	2.79
300,000	Mondi	6,288	1.14
290,032	Victrex	9,142	1.65
	Consumer Goods (31 July 2017: 1.90%)	20,618	3.73
258,305	A.G.Barr	1,746	0.32
135,512	Bellway	3,952	0.71
2,150,000	Cairn Homes	3,260	0.59
290,000	Coca-Cola	7,926	1.43
1,116,023	Countryside Properties	3,734	0.68
	Consumer Services (31 July 2017: 11.87%)	41,483	7.51
850,000	Ascential	3,568	0.64
962,968	Autotrader	4,095	0.74
1,161,262	Dixons Carphone	2,054	0.37
319,847	easyJet	5,177	0.94
1,000,000	Entertainment One	3,582	0.65

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Consumer Services (continued)		
2,035,000	Huntsworth	2,361	0.43
599,521	Informa	4,731	0.86
630,615	Just Eat	4,999	0.90
92,240	Millennium & Copthorne Hotels	479	0.09
627,998	RELX	10,437	1.89
	Electronic & Electrical Equipment (31 July 2017: 0.13%)	1,914	0.35
1,157,379	Strix	1,914	0.35
	Financials (31 July 2017: 17.94%)	91,407	16.55
770,000	Ashmore	2,806	0.51
1,253,855	Aviva	6,267	1.13
713,532	Brewin Dolphin	2,503	0.45
140,894	Derwent London	4,399	0.80
646,900	Esure	1,318	0.24
1,629,535	Hansteen	1,791	0.32
329,503	Hargreaves Lansdown	6,837	1.24
324,843	Impax Environmental Markets	893	0.16
1,325,000	John Laing	3,861	0.70
2,886,062	Just Retirement	3,123	0.57
1,194,094	Legal & General	3,136	0.57
5,300,000	Lloyds Banking	3,306	0.60
492,078	Phoenix	3,388	0.61
684,198	Prudential	12,346	2.23
107,941	Rathbone Brothers	2,649	0.48
1,675,000	Royal Bank of Scotland	4,276	0.77
690,000	RSA Insurance	4,444	0.80
171,342	Schroders	5,332	0.97
933,788	Secure Income REIT	3,539	0.64
332,651	St James's Place	4,008	0.73
1,525,000	Standard Life Aberdeen	4,761	0.86
1,250,000	Tatton Asset Management	2,900	0.53
402,516	Unite	3,524	0.64
	Health Care (31 July 2017: 0.34%)	4,879	0.88
770,169	Advanced Medical Solutions	2,773	0.50
850,000	Spire Healthcare	2,106	0.38
	Industrials (31 July 2017: 13.55%)	75,301	13.63
220,000	Ashtead	5,148	0.93
88,994	Clarkson	2,265	0.41
175,616	CRH	4,587	0.83
175,000	Diploma	2,301	0.42
1,791,218	DS Smith	9,024	1.63
195,830	Ferguson	11,767	2.13
1,023,752	Forterra	3,046	0.55
605,000	Grafton	4,631	0.84
220,783	HomeServe	2,232	0.40
189,481	Keywords Studios	3,456	0.63
205,928	Oxford Instruments	1,962	0.36
225,620	PayPoint	2,103	0.38
505,671	Polypipe	1,898	0.34
71,495	Renishaw	3,907	0.71
884,450	Robert Walters	6,598	1.19
675,877	RPS	1,656	0.30
787,171	Sanne	5,550	1.01
137,000	Spectris	3,170	0.57
22,000	TMO Renewables*	-	-

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Oil & Gas (31 July 2017: 1.16%)	10,474	1.90
1,900,000	Cairn Energy	4,636	0.84
2,000,000	Premier Oil	2,558	0.46
505,000	Wood (John)	3,280	0.60
	Technology (31 July 2017: 5.05%)	30,386	5.50
130,000	accesso Technology	3,503	0.63
327,000	Aveva	8,594	1.55
110,000	Blue Prism	1,965	0.36
456,415	FDM	4,340	0.79
96,390	Fidessa	3,711	0.67
744,067	GB Group	4,011	0.73
1,026,793	NCC	2,255	0.41
248,643	Softcat	2,007	0.36
	Telecommunications (31 July 2017: 2.39%)	8,203	1.48
420,000	Gamma Communications	3,293	0.59
2,639,840	Vodafone	4,910	0.89
	Utilities (31 July 2017: 0.59%)	4,015	0.73
321,295	SSE	4,015	0.73
	Portfolio of investments	518,172	93.79
	Net other assets	34,298	6.21
	Total net assets attributable to shareholders	552,470	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	214,062	38.74
Equities	304,110	55.05
Portfolio of investments	518,172	93.79
Net other assets	34,298	6.21
Total net assets attributable to shareholders	552,470	100.00

The comparative percentage figures in brackets are at 31 July 2017.

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

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

Kames Ethical Cautious Managed Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		6,816		26,910
Revenue	3	16,549		17,103	
Expenses	4	(4,662)		(4,930)	
Interest payable and similar charges	6	-		(2)	
Net revenue before taxation		11,887		12,171	
Taxation	5	(552)		(591)	
Net revenue after taxation			11,335		11,580
Total return before distributions			18,151		38,490
Distributions	6		(11,335)		(11,582)
Change in net assets attributable to shareholders from investment activities			6,816		26,908

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		584,352		586,467
Amounts receivable on creation of shares	88,677		116,727	
Amounts payable on cancellation of shares	(137,136)		(155,490)	
		(48,459)		(38,763)
Dilution adjustment		143		(133)
Change in net assets attributable to shareholders from investment activities		6,816		26,908
Retained distribution on accumulation shares		9,618		9,873
Closing net assets attributable to shareholders		552,470		584,352

Kames Ethical Cautious Managed Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			518,172		558,936
Current assets:					
Debtors	7	4,421		5,613	
Cash and cash equivalents	8	<u>32,706</u>		<u>24,910</u>	
			<u>37,127</u>		<u>30,523</u>
Total assets			555,299		589,459
Liabilities					
Creditors					
Bank overdrafts	9	4		6	
Distribution payable		381		410	
Other creditors	10	<u>2,444</u>		<u>4,691</u>	
Total liabilities			<u>2,829</u>		<u>5,107</u>
Net assets attributable to shareholders			552,470		584,352

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	6,809	26,915
Currency exchange gains/(losses)	11	(1)
Transaction charges	(4)	(4)
Net capital gains	6,816	26,910

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	8,509	8,689
Overseas dividends	604	646
Property income from REITs	318	160
Interest on debt securities	7,037	7,542
Bank interest	81	66
Total revenue	16,549	17,103

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	4,474	4,701
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	120	167
Other expenses:		
Audit fee**	11	7
FT publishing fee	3	5
KIID fee	3	3
Registrar's fee	24	20
Safe custody charge	27	27
	68	62
Total expenses	4,662	4,930

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

**The audit fee (excluding VAT) incurred during the year was £8,655 (2017: £6,426).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	552	572
	552	572
Double taxation relief	(5)	-
Income tax suffered on UK PID Income	5	-
Overseas tax suffered	-	19
Total tax charge for the year (see note 5 (b))	552	591

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	11,887	12,171
Corporation tax 20% (2017: 20%)	2,377	2,434
Effects of:		
Double taxation relief	(5)	-
Income tax suffered on UK PID income	5	-
Overseas tax suffered	-	19
Revenue not subject to taxation	(1,825)	(1,862)
Total tax charge for the year (see note 5 (a))	552	591

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

6 Interest and distributions

a) Interest payable & similar charges

	2018	2017
	£'000	£'000
Interest	-	2
Total interest payable & similar charges	-	2

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	8,531	8,561
Final distribution	2,670	2,932
	11,201	11,493
Add: amounts deductible on cancellation of shares	379	390
Less: amounts receivable on creation of shares	(245)	(301)
Distributions	11,335	11,582

Details of the distributions are set out in the tables on pages 241 to 242.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	11,335	11,580
Capitalised fees*	-	2
Distributions	11,335	11,582

*Overdraft Interest to be transferred to income.

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	3,449	3,786
Amounts receivable for the issue of shares	720	1,025
Sales awaiting settlement	237	771
Reclaimable overseas tax	15	31
Debtors	4,421	5,613

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	130	65
Money market deposits	32,576	24,845
Cash and cash equivalents	32,706	24,910

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	4	6
Bank overdrafts	4	6

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	396	411
Amounts payable for cancellation of shares	1,273	2,401
Corporation tax payable	281	277
Purchases awaiting settlement	494	1,602
Other creditors	2,444	4,691

*Includes accrued ACD's periodic charge of £373,000 (2017: £392,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2018 is £926,000 (2017: £1,767,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 0.00% (2017: 0.00%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	188,940	34.18	208,104	35.61
Rated bonds below investment grade	9,452	1.72	10,172	1.74
Unrated bonds	15,670	2.84	12,936	2.21
Equities	304,110	55.05	327,724	56.09
Portfolio of investments	518,172	93.79	558,936	95.65
Net other assets	34,298	6.21	25,416	4.35
Total net assets attributable to shareholders	552,470	100.00	584,352	100.00

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

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Currency exposure

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

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

As at 31 July 2018

Currency	Total £'000
Euro	3,405
Sterling	549,065
	552,470

As at 31 July 2017

Currency	Total £'000
Euro	660
Sterling	583,692
	584,352

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	-	3,275	3,275
Sterling	9,690	204,372	305,256	519,318
Cash at bank				
Euro	130	-	-	130
Cash on deposit				
Sterling	32,576	-	-	32,576
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(2,825)	(2,825)
Cash at bank				
Sterling	(4)	-	-	(4)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	-	595	595
Sterling	25,364	205,848	332,742	563,954
Cash at bank				
Euro	65	-	-	65
Cash on deposit				
Sterling	24,845	-	-	24,845
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(5,101)	(5,101)
Cash at bank				
Sterling	(6)	-	-	(6)

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

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.90% (2017: 4.44%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	2.49	3.49	3.09
31 July 2017	3.79	4.75	4.38

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Bonds	29,947	-	-	-	-
Equities	107,844	93	0.09	430	0.41
Total	137,791	93		430	
Total purchases including transaction costs	138,314				
31 July 2017					
Bonds	29,200	-	-	-	-
Equities	125,453	99	0.08	454	0.36
Total	154,653	99		454	
Total purchases including transaction costs	155,206				

Sales

31 July 2018	Value £'000	Commissions £'000	Other Costs %	£'000	%
Bonds	38,221	-	-	-	-
Equities	146,268	(107)	0.08	-	-
Total	184,489	(107)		-	
Total sales net of transaction costs	184,382				
31 July 2017					
Bonds	34,007	-	-	-	-
Equities	93,060	(73)	0.08	-	-
Total	127,067	(73)		-	
Total sales net of transaction costs	126,994				

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.37% (2017: 0.34%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	304,110	-	333,435	-
Observable market data	214,062	-	225,501	-
Unobservable data	-	-	-	-
	518,172	-	558,936	-

16 Share classes

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

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 225 to 227. The distribution per share class is given in the distribution tables on pages 241 to 242. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	22,105,061	1,818,465	(4,411,486)	(178,830)	19,333,210
Share class A Income	2,071,174	141,711	(337,347)	(71,193)	1,804,345
Share class B Accumulation	346,071,028	54,690,061	(83,787,006)	193,111	317,167,194
Share class B Income	63,126,915	8,859,015	(11,859,991)	217,824	60,343,763
Share class D Accumulation	3,221,792	282,096	(574,199)	(16,665)	2,913,024
Share class D Income	947,194	10,611	(89,187)	(52,813)	815,805

Kames Ethical Cautious Managed Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7962	N/A	0.7962	98.66%	1.34%	0.7151
		Group 2	0.2008	0.5954				
31/01/18	31/03/18	Group 1	0.3400	N/A	0.3400	100.00%	0.00%	0.2988
		Group 2	0.1586	0.1814				
30/04/18	30/06/18	Group 1	1.1298	N/A	1.1298	96.58%	3.42%	1.0212
		Group 2	0.7392	0.3906				
31/07/18	30/09/18	Group 1	0.7208	N/A	0.7208	99.19%	0.81%	0.7365
		Group 2	0.1599	0.5609				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6378	N/A	0.6378	98.61%	1.39%	0.5818
		Group 2	0.3073	0.3305				
31/01/18	31/03/18	Group 1	0.2710	N/A	0.2710	100.00%	0.00%	0.2419
		Group 2	0.0865	0.1845				
30/04/18	30/06/18	Group 1	0.8997	N/A	0.8997	96.61%	3.39%	0.8259
		Group 2	0.4872	0.4125				
31/07/18	30/09/18	Group 1	0.5700	N/A	0.5700	99.23%	0.77%	0.5922
		Group 2	0.0445	0.5255				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7224	N/A	0.7224	80.21%	19.79%	0.6531
		Group 2	0.2908	0.4316				
31/01/18	31/03/18	Group 1	0.3895	N/A	0.3895	67.95%	32.05%	0.3452
		Group 2	0.1622	0.2273				
30/04/18	30/06/18	Group 1	0.9647	N/A	0.9647	83.70%	16.30%	0.8772
		Group 2	0.5673	0.3974				
31/07/18	30/09/18	Group 1	0.6717	N/A	0.6717	78.76%	21.24%	0.6754
		Group 2	0.2366	0.4351				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6611	N/A	0.6611	80.17%	19.83%	0.6096
		Group 2	0.2533	0.4078				
31/01/18	31/03/18	Group 1	0.3543	N/A	0.3543	68.04%	31.96%	0.3206
		Group 2	0.1445	0.2098				
30/04/18	30/06/18	Group 1	0.8760	N/A	0.8760	83.71%	16.29%	0.8123
		Group 2	0.5080	0.3680				
31/07/18	30/09/18	Group 1	0.6054	N/A	0.6054	78.65%	21.35%	0.6212
		Group 2	0.2742	0.3312				

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

Kames Ethical Cautious Managed Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7285	N/A	0.7285	88.46%	11.54%	0.6567
		Group 2	0.2656	0.4629				
31/01/18	31/03/18	Group 1	0.3558	N/A	0.3558	82.77%	17.23%	0.3150
		Group 2	0.1166	0.2392				
30/04/18	30/06/18	Group 1	0.9999	N/A	0.9999	89.76%	10.24%	0.9068
		Group 2	0.3324	0.6675				
31/07/18	30/09/18	Group 1	0.6691	N/A	0.6691	87.79%	12.21%	0.6788
		Group 2	0.1854	0.4837				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.6673	N/A	0.6673	88.30%	11.70%	0.6127
		Group 2	0.1944	0.4729				
31/01/18	31/03/18	Group 1	0.3240	N/A	0.3240	82.74%	17.26%	0.2915
		Group 2	0.0962	0.2278				
30/04/18	30/06/18	Group 1	0.9085	N/A	0.9085	89.76%	10.24%	0.8387
		Group 2	0.5077	0.4008				
31/07/18	30/09/18	Group 1	0.6037	N/A	0.6037	87.79%	12.21%	0.6257
		Group 2	0.0772	0.5265				

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

Kames Diversified Growth Fund

Fund description

The investment objective is to maximise total return (income plus capital) and outperform the UK Retail Prices Index by at least 4% net of fees per annum over the medium term. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.

Risk profile

The Fund is designed for retail and institutional investors seeking to mitigate the effects of inflation over the longer term and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio including other assets e.g. bonds, other equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.

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

Performance

The Kames Diversified Growth Fund returned 5.30% compared to the benchmark return of 7.37%. The benchmark is the UK Retail Price index +4%.

Strategy review

Most strategies within the Fund provided positive returns over the period with our allocation to equities providing the strongest contribution. This was offset partially by negative returns from government bonds and currency positions.

Equity markets continued to rise strongly in the period. Our 'Global Equity Growth' allocation, which has attractive growth and quality characteristics, performed particularly strongly. Much of the positive momentum, however, came from US equities while other core markets were subdued in comparison. Japanese equities provided more modest positive returns, while the exposure to emerging market equities was flat. Strong performers in the global growth arena included Ansys, Anta Sports, Hua Hong Semiconductor and Insperty. Our 'Global Equity Value' allocation lagged the broader market, given the enthusiasm for growth stocks, and produced a negative return.

Within fixed Income markets government bonds were volatile and, ultimately, cost some performance. US Treasuries in particular came under pressure as the US Federal Reserve continued on its path of rate rises. Corporate bond performance was also volatile, but our exposure to this area of the market was positive, with our weighting to bank debt benefiting from attractive yields, an improving macroeconomic backdrop and generally improving bank balance-sheet metrics. Notable performers included Rabobank and Santander.

Amongst listed alternatives we favour investments which offer attractive risk/return characteristics, contractually backed income streams and a low correlation to other assets in the Fund. The exposure to infrastructure and renewable energy investments delivers this and also offers a degree of long-term direct inflation protection. Our allocation to mREITs, infrastructure, renewables and litigation finance added to performance. On the other hand, insurance-linked exposure detracted. In other areas, our options positions added value.

Overall we maintain a balanced portfolio but with a preparedness to adjust the risk tilt further should opportunities or threats emerge.

Kames Diversified Growth Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
iShare EM Local Government Bond	18,710	iShare EM Local Government Bond	16,315
US Treasury Bond 2.625% 15/11/2020	16,680	United Kingdom Inflation Linked 0.125% 10/08/2048	11,964
US Treasury Bond 1.25% 30/04/2019	16,638	Turkey Government International Bond 4.875% 16/04/2043	8,353
US Treasury Bond 2.75% 15/02/2019	16,429	US Treasury Bond 2.625% 15/11/2020	7,312
United Kingdom Inflation Linked 0.125% 10/08/2048	11,845	US Treasury Bond 1.25% 30/04/2019	7,193
Lyxor Brazil Ibovespa	7,632	US Treasury Bond 2.75% 15/02/2019	7,180
GCP Infrastructure Investments	5,632	Doric Nimrod Air Two	5,068
Syncona	5,472	HICL Infrastructure	5,043
Republic of South Africa Government Bond 8.75% 28/02/2048	5,324	Federal Republic of Brazil 5.625% 21/02/2047	4,617
Mexican Bonos 7.75% 13/11/2042	5,177	John Laing Infrastructure	3,805

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
iShare EM Local Government Bond	4.03	iShare EM Local Government Bond	4.21
US Treasury Bond 2.625% 15/11/2020	2.51	Turkey Government International Bond 4.875% 16/04/2043	2.69
US Treasury Bond 1.25% 30/04/2019	2.50	International Public Partnership	1.73
US Treasury Bond 2.75% 15/02/2019	2.46	Doric Nimrod Air Two	1.64
Greencoat UK Wind	2.23	Sequoia Economic Infrastructure	1.63
3i Infrastructure	2.21	HICL Infrastructure	1.58
John Laing	1.89	Renewables Infrastructure	1.49
Lyxor Brazil Ibovespa	1.88	Greencoat UK Wind	1.42
New Residential Investment	1.80	Doric Nimrod Air Three	1.36
Syncona	1.80	John Laing	1.35

Kames Diversified Growth Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	147.75	138.40	135.38
Return before operating charges	8.03	10.83	4.40
Operating charges	(1.58)	(1.48)	(1.38)
Return after operating charges	6.45	9.35	3.02
Distributions	(3.91)	(3.45)	(3.48)
Retained distributions on accumulation shares	3.91	3.45	3.48
Closing net asset value per share	154.20	147.75	138.40
after direct transaction costs of	0.16	0.13	0.07
Performance			
Return after charges	4.37%	6.76%	2.23%
Other information			
Closing net asset value (£'000)	863	1,970	2,864
Closing number of shares	559,491	1,333,520	2,069,691
Operating charges	1.04%	1.06%	1.05%
Direct transaction costs	0.11%	0.09%	0.05%
Prices			
Highest share price	155.57	148.09	137.96
Lowest share price	146.99	131.85	124.47

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	157.96	147.42	143.65
Return before operating charges	8.41	11.43	4.54
Operating charges	(0.96)	(0.89)	(0.77)
Return after operating charges	7.45	10.54	3.77
Distributions	(4.74)	(4.23)	(4.24)
Retained distributions on accumulation shares	4.74	4.23	4.24
Closing net asset value per share	165.41	157.96	147.42
after direct transaction costs of	0.17	0.14	0.07
Performance			
Return after charges	4.72%	7.15%	2.62%
Other information			
Closing net asset value (£'000)	380,351	315,818	300,331
Closing number of shares	229,940,522	199,933,118	203,727,004
Operating charges	0.59%	0.60%	0.55%
Direct transaction costs	0.11%	0.09%	0.05%
Prices			
Highest share price	166.61	158.30	146.95
Lowest share price	157.16	140.60	132.34

Kames Diversified Growth Fund

Performance Information (continued)

D Accumulation shares	2018 (p/share)	2017 (p/share)	2016 (p/share)
Change in net assets per share			
Opening net asset value per share	124.52	116.41	113.68
Return before operating charges	6.76	9.07	3.61
Operating charges	(1.01)	(0.96)	(0.88)
Return after operating charges	5.75	8.11	2.73
Distributions	(3.59)	(3.13)	(3.12)
Retained distributions on accumulation shares	3.59	3.13	3.12
Closing net asset value per share	130.27	124.52	116.41
after direct transaction costs of	0.14	0.11	0.06
Performance			
Return after charges	4.62%	6.97%	2.40%
Other information			
Closing net asset value (£'000)	76	124	72
Closing number of shares	58,342	99,461	61,802
Operating charges	0.79%	0.81%	0.80%
Direct transaction costs	0.11%	0.09%	0.05%
Prices			
Highest share price	131.30	124.80	116.07
Lowest share price	123.89	110.96	104.63

Kames Diversified Growth Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2017: 4.10%)	12,137	3.18
	Corporate Bonds (31 July 2017: 4.10%)	12,137	3.18
1,000,000	CaixaBank 6.75% Perpetual	980	0.26
1,600,000	Erste 6.5% Perpetual	1,569	0.41
3,200,000	KBC 4.25% Perpetual	2,623	0.69
3,200,000	Stichting AK Rabobank Certificaten 6.5% Perpetual	3,458	0.90
1,900,000	UBS 5.75% Perpetual	1,873	0.49
2,000,000	UniCredit 5.375% Perpetual	1,634	0.43
	Mexican Peso Denominated Bonds (31 July 2017: 0.00%)	4,551	1.19
	Government Bonds (31 July 2017: 0.00%)	4,551	1.19
113,000,000	Mexican Bonos 7.75% 13/11/2042	4,551	1.19
	Sterling Denominated Bonds (31 July 2017: 0.44%)	3,597	0.94
	Corporate Bonds (31 July 2017: 0.44%)	3,597	0.94
1,600,000	Investec 6.75% Perpetual	1,623	0.42
13,000	Nationwide Building Society 10.25% Perpetual	1,974	0.52
	South African Rand Denominated (31 July 2017: 0.00%)	5,429	1.42
	Government Bonds (31 July 2017: 0.00%)	5,429	1.42
100,500,000	Republic of South Africa Government Bond 8.75% 28/02/2048	5,429	1.42
	United States Dollar Denominated Bonds (31 July 2017: 10.39%)	52,195	13.69
	Corporate Bonds (31 July 2017: 6.40%)	19,355	5.08
2,200,000	Banco do Brasil 9.25% Perpetual	1,745	0.46
1,700,000	Credit Agricole 7.875% Perpetual	1,380	0.36
2,300,000	Credit Suisse 7.5% Perpetual	1,872	0.49
2,400,000	Digicel 8.25% 30/09/2020	1,331	0.35
2,000,000	HSBC 6.25% Perpetual	1,535	0.40
1,300,000	HSBC 6.875% Perpetual	1,043	0.28
3,900,000	IHS Netherlands 9.5% 27/10/2021	3,047	0.80
2,700,000	MAF Global Securities 5.5% Perpetual	1,957	0.51
2,600,000	MARB BondCo 7% 15/03/2024	1,938	0.51
2,200,000	Petrobras Global Finance 8.75% 23/05/2026	1,897	0.50
1,800,000	RBS Capital Trust II 6.425% Perpetual	1,610	0.42
	Government Bonds (31 July 2017: 3.99%)	32,840	8.61
2,400,000	Sri Lanka Government International Bond 6.2% 11/05/2027	1,761	0.46
3,400,000	Sri Lanka Government International Bond 6.75% 18/04/2028	2,570	0.68
12,600,000	US Treasury Bond 1.25% 30/04/2019	9,526	2.50
12,600,000	US Treasury Bond 2.625% 15/11/2020	9,584	2.51
12,300,000	US Treasury Bond 2.75% 15/02/2019	9,399	2.46
	Equities 68.08% (31 July 2017: 64.80%)	263,896	69.22
	Basic Materials (31 July 2017: 2.32%)	8,736	2.29
29,324	Alcoa	967	0.25
66,038	Canfor	1,092	0.29
89,350	Centerra Gold	309	0.08
320,000	LCY Chemical	410	0.11
427,000	Lee & Man Paper Manufacturing	316	0.08

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Basic Materials (continued)		
61,063	Nucor	3,115	0.82
192,971	Synthomer	1,020	0.27
11,769	West Fraser Timber	553	0.14
111,400	Zeon	954	0.25
	Consumer Goods (31 July 2017: 7.20%)	27,197	7.13
454,000	Anta Sports Products	1,760	0.46
57,359	BRP	1,998	0.52
85,482	CIE Automotive	2,005	0.53
93,002	Granges	887	0.23
6,504	Lear	893	0.23
203,739	Leroy Seafood	1,222	0.32
31,091	Magna	1,438	0.38
30,200	Mandom	716	0.19
34,808	Martinrea International	286	0.08
112,659	Nomad Foods	1,631	0.43
16,200	PALTAC	650	0.17
26,821	Peugeot	589	0.15
48,488	Pilgrim's Pride	659	0.17
43,467	Salmar	1,692	0.44
12,047	Sanderson Farms	926	0.24
82,191	SKCKOLONPI	2,857	0.75
49,756	Taylor Morrison Home	740	0.19
512,630	Tianneng Power International	538	0.14
17,766	Toll Brothers	478	0.13
77,700	TS Tech	2,426	0.64
26,503	Ubisoft Entertainment	2,232	0.59
640,000	Xinyi Glass	574	0.15
	Consumer Services (31 July 2017: 1.69%)	5,037	1.32
23,847	Burlington Stores	2,778	0.73
4,200	Central Japan Railway	665	0.17
57,438	Gourmet Master	393	0.10
479,597	Metcash	712	0.19
27,291	MSG Networks	489	0.13
	Financials (31 July 2017: 37.31%)	164,595	43.18
3,383,743	3i Infrastructure	8,407	2.21
28,464	AG Mortgage Investment Trust	424	0.11
152,205	Apollo Commercial Real Estate Finance	2,213	0.58
2,700,000	Banco Espirito Santo	-	-
3,568,919	Bilfinger Berger Global Infrastructure SICAV	5,175	1.36
88,019	Blackstone Mortgage Trust	2,222	0.58
1,876,795	Bluefield Solar Income Fund	2,262	0.59
938,749	Bolsa Mexicana de Valores	1,338	0.35
337,468	Brewin Dolphin	1,184	0.31
220,598	Burford Capital	4,050	1.06
7,205,414	Catco Reinsurance Opportunities Fund	3,406	0.89
3,941,803	Catco Reinsurance Opportunities Fund 'C' Shares	3,005	0.79
588,000	China Overseas Land & Investment	1,405	0.37
3,777,811	Civitas Social Housing	3,693	0.98
113,000	CK Asset	659	0.17
153,226	Direct Line Insurance	527	0.14
440,540	Dragon Capital - Vietnam Enterprise Investments	1,912	0.50
22,326	Evercore	1,922	0.50
18,045	Everest	3,003	0.79

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Financials (continued)		
31,741	Federated Investors	586	0.15
1,962,540	Foresight Solar Fund	2,188	0.57
2,354,121	GCP Infrastructure Investments	2,881	0.76
294,980	Granite Point Mortgage Trust	4,270	1.12
51,794	Green Dot	3,132	0.82
1,940,270	Greencoat Renewables	1,765	0.46
6,797,414	Greencoat UK Wind	8,483	2.23
2,754,859	HICL Infrastructure	4,405	1.16
81,322	Inmobiliaria Colonial Socimi	668	0.18
3,558,027	International Public Partnership	5,593	1.47
101,810	Invesco Mortgage Capital Series 'C' Preferred Shares	1,937	0.51
34,309	Janus Henderson	852	0.22
2,467,315	John Laing	7,190	1.89
2,406,240	John Laing Environmental Assets	2,515	0.66
379,986	Kiatnakin Bank	631	0.17
58,744	Klepierre	1,691	0.44
525,271	Lyxor Brazil Ibovespa	7,168	1.88
731,971	Macquarie Korea Infrastructure Fund	4,514	1.18
8,386	Marketaxess	1,239	0.33
504,708	New Residential Investment	6,879	1.80
3,481,793	NextEnergy Solar Fund	3,760	0.99
4,031,484	Nimrod Sea Assets	12	-
554,850	Nuveen Preferred Income Opportunities Fund	3,993	1.05
5,195,774	Renewables Infrastructure	5,684	1.49
67,871	Santander Consumer USA	995	0.26
1,743,112	Sequoia Economic Infrastructure	1,961	0.51
256,217	Starwood Property Trust	4,461	1.17
3,032,600	Supalai	1,654	0.43
7,255	SVB Financial	1,703	0.45
331,000	Swire Properties	992	0.26
2,743,190	Syncona	6,872	1.80
32,566	T Rowe Price	2,956	0.78
83,203	Third Point Reinsurance	796	0.21
1,965,490	Triple Point Social Housing REIT	2,113	0.55
2,484,672	Tritax Big Box Real Estate Investment Trust	3,782	0.99
346,070	Two Harbors Investment	4,089	1.07
9,237	Unibail-Rodamco-Westfield	1,564	0.41
568,694	VinaCapital Vietnam Opportunity Fund	1,814	0.48
	Health Care 0.66% (31 July 2017: 0.47%)	2,515	0.66
147,244	Amplifon	2,515	0.66
	Industrials (31 July 2017: 11.31%)	34,615	9.08
120,896	Atlantia	2,736	0.72
885,300	BOC Aviation	4,236	1.11
16,818	Coherent Inc	2,026	0.53
51,656	Continental Building Products	1,254	0.33
24,900	DMG Mori	288	0.08
3,401,461	Doric Nimrod Air Three	3,486	0.91
2,019,130	DP Aircraft I	1,616	0.42
291,806	Grupo Aeroportuario del Centro Norte	1,351	0.35
117,904	Hazama Ando	711	0.19
1,835	Inficon	656	0.17
45,727	Insperty	3,312	0.87
76,900	Kandenko	609	0.16
2,703,000	Lonking	940	0.25

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Industrials (continued)		
82,468	Marten Transport	1,371	0.36
46,800	Mitsubishi	992	0.26
18,100	Nitto Boseki	342	0.09
33,530	Novanta	1,594	0.42
474,000	Radiant Opto-Electronics	762	0.20
55,996	Raven Industries	1,654	0.43
343,897	Senior	1,090	0.29
28,397	SFA Engineering	709	0.19
179,000	Tripod Technology	376	0.10
7,710	VAT	773	0.20
2,675,110	Zhejiang Expressway	1,731	0.45
	Oil & Gas (31 July 2017: 1.94%)	4,922	1.29
56,982	Badger Daylighting	966	0.25
1,904,000	Huaneng Renewables	538	0.14
8,006	OMV	347	0.09
1,282,400	PTT Public	1,506	0.40
103,417	Repsol	1,565	0.41
	Technology (31 July 2017: 2.10%)	10,250	2.69
16,366	Ansys	2,108	0.55
3,520,000	HannStar Display	782	0.20
1,087,000	Hua Hong Semiconductor	2,904	0.76
2,608,000	Innolux	744	0.20
8,129	Lam Research	1,181	0.31
12,196	Melexis	865	0.23
9,500	SCREEN	527	0.14
122,900	Systema	1,139	0.30
	Telecommunications (31 July 2017: 0.30%)	1,016	0.27
66,894	DNA	1,016	0.27
	Utilities (31 July 2017: 0.16%)	5,013	1.31
1,264,000	China Water Affairs	1,262	0.33
175,856	Enagas	3,751	0.98
	Forward Foreign Exchange Contracts (31 July 2017: 0.64%)	(3,504)	(0.92)
	Bought CHF 1,400,000 Sold GBP 1,076,272	2	-
	Bought EUR 7,800,000 Sold GBP 6,975,610	(17)	-
	Bought GBP 11,684,323 Sold AUD 21,000,000	(214)	(0.06)
	Bought GBP 20,210,598 Sold CAD 35,270,000	(437)	(0.11)
	Bought GBP 2,496,109 Sold CHF 3,280,000	(30)	(0.01)
	Bought GBP 7,395,931 Sold EUR 8,300,000	(9)	-
	Bought GBP 3,243,939 Sold EUR 3,665,000	(26)	(0.01)
	Bought GBP 51,620,985 Sold EUR 58,500,000	(573)	(0.15)
	Bought GBP 18,834,931 Sold HKD 196,000,000	(204)	(0.05)
	Bought GBP 6,799,305 Sold KRW 9,979,000,000	(6)	-
	Bought GBP 1,276,366 Sold KRW 1,888,000,000	(11)	-
	Bought GBP 1,349,818 Sold MXN 33,600,000	(21)	(0.01)
	Bought GBP 5,046,065 Sold MXN 130,740,000	(287)	(0.08)
	Bought GBP 827,092 Sold SEK 9,600,000	(6)	-
	Bought GBP 7,316,369 Sold SEK 84,700,000	(34)	(0.01)
	Bought GBP 3,664,329 Sold THB 162,000,000	(47)	(0.01)
	Bought GBP 6,813,627 Sold TWD 272,000,000	36	0.01
	Bought GBP 13,390,627 Sold TWD 536,000,000	36	0.01

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Forward Foreign Exchange Contracts (continued)		
	Bought GBP 1,441,670 Sold USD 1,915,000	(18)	-
	Bought GBP 17,829,391 Sold USD 23,450,000	(41)	(0.01)
	Bought GBP 111,499,266 Sold USD 148,000,000	(1,289)	(0.34)
	Bought GBP 4,767,698 Sold ZAR 87,000,000	(288)	(0.08)
	Bought JPY 128,400,000 Sold GBP 877,040	(2)	-
	Bought JPY 3,133,000,000 Sold GBP 21,374,753	(34)	(0.01)
	Bought NOK 127,000,000 Sold GBP 11,867,709	16	-
	Futures Contracts (31 July 2017: 0.04%)	411	0.11
(78)	EURO Bond Future Contract September 2018	72	0.02
634	EURO STOXX 600 OIL Future Contract September 2018	198	0.05
762	EURO STOXX Bank Future Contract September 2018	45	0.01
97	EURO-BTP Bond Future Contract September 2018	96	0.03
	Collective Investment Schemes (31 July 2017: 4.21%)	15,373	4.03
335,149	iShare EM Local Government Bond	15,373	4.03
	Options (31 July 2017: 0.19%)	174	0.05
12,199	Call Option IMM EURO\$ December 2019 UBS	174	0.05
	Portfolio of investments*	354,259	92.91
	Net other assets	27,031	7.09
	Total net assets attributable to shareholders	381,290	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	263,896	69.22
Bonds	77,909	20.42
Collective Investment Schemes	15,373	4.03
Derivatives	(2,919)	(0.76)
Portfolio of investments*	354,259	92.91
Net other assets	27,031	7.09
Total net assets attributable to shareholders	381,290	100.00

Analysis of underlying exposure futures and options

	Market Value £'000
Futures Contracts	411
Options	174
	585

The comparative percentage figures in brackets are at 31 July 2017.

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

*Includes investment liabilities.

Kames Diversified Growth Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		5,557		12,721
Revenue	3	13,058		11,392	
Expenses	4	(1,990)		(1,819)	
Interest payable and similar charges	6	<u>(31)</u>		<u>(34)</u>	
Net revenue before taxation		11,037		9,539	
Taxation	5	<u>(1,070)</u>		<u>(944)</u>	
Net revenue after taxation			<u>9,967</u>		<u>8,595</u>
Total return before distributions			15,524		21,316
Distributions	6		<u>(9,967)</u>		<u>(8,597)</u>
Change in net assets attributable to shareholders from investment activities			5,557		12,719

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		317,912		303,267
Amounts receivable on creation of shares	59,787		2,959	
Amounts payable on cancellation of shares	<u>(12,503)</u>		<u>(9,638)</u>	
		47,284		(6,679)
Dilution adjustment		249		24
Change in net assets attributable to shareholders from investment activities		5,557		12,719
Retained distribution on accumulation shares		10,288		8,581
Closing net assets attributable to shareholders		<u>381,290</u>		<u>317,912</u>

Kames Diversified Growth Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			357,853		271,356
Current assets:					
Debtors	7	23,670		2,061	
Cash and cash equivalents	8	<u>25,666</u>		<u>47,510</u>	
			<u>49,336</u>		<u>49,571</u>
Total assets			407,189		320,927
Liabilities					
Investment liabilities			3,594		1,747
Creditors					
Bank overdrafts	9	1		-	
Other creditors	10	<u>22,304</u>		<u>1,268</u>	
Total liabilities			<u>25,899</u>		<u>3,015</u>
Net assets attributable to shareholders			381,290		317,912

Kames Diversified Growth Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital gains

Net capital gains comprise:

	2018	2017
	£'000	£'000
Gains on non-derivative securities	12,758	24,465
Losses on forward currency contracts	(7,144)	(3,145)
Currency exchange losses	(650)	(520)
Gains/(losses) on derivative securities	615	(8,060)
Transaction charges	(22)	(19)
Net capital gains	5,557	12,721

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	3,393	3,277
Overseas dividends	5,278	4,026
Property income from REITs	147	162
Taxable distributions on offshore funds	334	721
Interest on debt securities	3,499	2,323
Bank interest	239	142
Futures revenue	276	199
Swaps revenue	-	315
Forward FX Income	(108)	227
Total revenue	13,058	11,392

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,878	1,668
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	75	88
Other expenses:		
Audit fee**	11	7
FT publishing fee	2	3
Investment advisor fee	-	1
KIID fee	1	1
Registrar's fee	10	10
Safe custody charge	13	41
	37	63
Total expenses	1,990	1,819

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

**The audit fee (excluding VAT) incurred during the year was £9,275 (2017: £6,885).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	802	753
	802	753
Corporation tax prior year adjustment	-	5
Double taxation relief	(244)	(209)
Overseas tax suffered	512	395
Total tax charge for the year (see note 5 (b))	1,070	944

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	11,037	9,539
Corporation tax 20% (2017: 20%)	2,207	1,908
Effects of:		
Corporation tax prior year adjustment	-	5
Double taxation relief	(244)	(209)
Overseas tax suffered	512	395
Relief on overseas tax suffered	(2)	(3)
Revenue not subject to taxation	(1,384)	(1,152)
UK Indexation relief	(19)	-
Total tax charge for the year (see note 5 (a))	1,070	944

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

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	31	34
Interest payable and similar charges	31	34

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	6,966	6,250
Final distribution	3,322	2,331
	10,288	8,581
Add: amounts deductible on cancellation of shares	62	26
Less: amounts receivable on creation of shares	(383)	(10)
Distributions	9,967	8,597

Details of the distributions are set out in the tables on page 263.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	9,967	8,595
Capitalised fees*	-	1
Undistributed revenue brought forward	-	1
Distributions	9,967	8,597

*Overdraft Interest to be transferred to income.

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	1,722	884
Amounts receivable for the issue of shares	20,042	138
Sales awaiting settlement	1,788	1,001
Reclaimable overseas tax	118	38
Debtors	23,670	2,061

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	3,844	982
Cash and bank balances	2,250	1,021
Money market deposits	19,572	45,507
Cash and cash equivalents	25,666	47,510

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	1	-
Bank overdrafts	1	-

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	187	165
Amounts payable for cancellation of shares	16	272
Corporation tax payable	303	279
Purchases awaiting settlement	21,798	552
Other creditors	22,304	1,268

*Includes accrued ACD's periodic charge of £169,000 (2017: £149,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2018 is £19,857,000 (2017: £283,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 48.22% (2017: 57.77%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	37,207	9.75	8,191	2.58
Rated bonds below investment grade	35,270	9.25	39,251	12.35
Not Rated	20,805	5.45	-	-
Non-bond	260,977	68.46	222,167	69.88
Portfolio of investments	354,259	92.91	269,609	84.81
Net other assets	27,031	7.09	48,303	15.19
Total net assets attributable to shareholders	381,290	100.00	317,912	100.00

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

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Currency exposure

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

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

As at 31 July 2018

Currency	Total £'000
Australian Dollar	(11,167)
Canadian Dollar	(14,344)
Chinese Renminbi	81
Danish Krone	9
Euro	(22,430)
Hong Kong Dollar	(1,133)
Japanese Yen	32,236
Mexican Peso	(67)
New Zealand Dollar	1
Norwegian Krone	14,797
South Africa Rand	373
South Korean Won	104
Sterling	383,887
Swedish Krona	(7,342)
Swiss Franc	(84)
Taiwan Dollar	(14,294)
Thai Baht	80
United States Dollar	20,583
	381,290

As at 31 July 2017

Currency	Total £'000
Australian Dollar	(12,872)
Brazilian Real	6,280
Canadian Dollar	(222)
Danish Krone	74
Euro	12,321
Hong Kong Dollar	379
Indian Rupee	5,846
Indonesian Rupiah	6,075
Japanese Yen	93
Mexican Peso	6,141
New Zealand Dollar	448
Norwegian Krone	(267)
Philippines Peso	(12,880)
Polish Zloty	6,724
Singapore Dollar	21
South African Rand	6,403
South Korean Won	(11,791)
Sterling	317,118
Swedish Krona	6,461
Swiss Franc	(12,793)
Taiwan Dollar	(12,101)
Thai Baht	64
Turkish Lira	5,992
United States Dollar	398
	317,912

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	731	731
Canadian Dollar	-	-	6,644	6,644
Chinese Renminbi	-	-	81	81
Danish Krone	-	-	9	9
Euro	-	12,137	37,967	50,104
Hong Kong Dollar	-	-	17,866	17,866
Japanese Yen	-	-	32,236	32,236
Mexican Peso	-	4,551	2,689	7,240
Norwegian Krone	-	-	14,797	14,797
South Africa Rand	-	5,429	-	5,429
South Korean Won	-	-	8,191	8,191
Sterling	-	3,597	410,977	414,574
Swedish Krona	-	-	887	887
Swiss Franc	-	-	2,514	2,514
Taiwan Dollar	-	-	3,740	3,740
Thai Baht	-	-	3,791	3,791
United States Dollar	-	52,195	100,080	152,275
Cash at bank				
Euro	3	-	-	3
Hong Kong Dollar	40	-	-	40
New Zealand Dollar	1	-	-	1
Sterling	34	-	-	34
Taiwan Dollar	2,134	-	-	2,134
United States Dollar	38	-	-	38
Cash at brokers				
Sterling	3,844	-	-	3,844
Cash on deposit				
Sterling	12,042	-	-	12,042
United States Dollar	7,530	-	-	7,530
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(11,898)	(11,898)
Canadian Dollar	-	-	(20,988)	(20,988)
Euro	-	-	(72,536)	(72,536)
Hong Kong Dollar	-	-	(19,039)	(19,039)
Mexican Peso	-	-	(7,307)	(7,307)
South Africa Rand	-	-	(5,056)	(5,056)
South Korean Won	-	-	(8,087)	(8,087)
Swedish Krona	-	-	(8,229)	(8,229)
Swiss Franc	-	-	(2,598)	(2,598)
Taiwan Dollar	-	-	(20,168)	(20,168)
Thai Baht	-	-	(3,711)	(3,711)
Sterling	-	-	(46,607)	(46,607)
United States Dollar	-	-	(139,260)	(139,260)
Cash at bank				
Euro	(1)	-	-	(1)

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	4,862	4,862
Brazilian Real	-	-	11,784	11,784
Canadian Dollar	-	-	3,416	3,416
Danish Krone	-	-	2,468	2,468
Euro	-	13,023	31,504	44,527
Hong Kong Dollar	-	-	6,371	6,371
Indian Rupee	-	-	11,983	11,983
Indonesian Rupiah	-	-	6,075	6,075
Japanese Yen	-	-	11,902	11,902
Mexican Peso	-	-	6,141	6,141
New Zealand Dollar	-	-	448	448
Norwegian Krone	-	-	610	610
Polish Zloty	-	-	6,724	6,724
Singapore Dollar	-	-	4,546	4,546
South African Rand	-	-	6,403	6,403
South Korean Won	-	-	4,555	4,555
Sterling	-	1,387	322,417	323,804
Swedish Krona	-	-	6,461	6,461
Swiss Franc	-	-	1,601	1,601
Taiwan Dollar	-	-	5,195	5,195
Thai Baht	-	-	5,327	5,327
Turkish Lira	-	-	5,992	5,992
United States Dollar	-	33,031	75,298	108,329
Cash at bank				
Australian Dollar	7	-	-	7
Sterling	418	-	-	418
Taiwan Dollar	591	-	-	591
United States Dollar	5	-	-	5
Cash at brokers				
Sterling	982	-	-	982
Cash on deposit				
Sterling	36,435	-	-	36,435
United States Dollar	9,072	-	-	9,072

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(17,741)	(17,741)
Brazilian Real	-	-	(5,504)	(5,504)
Canadian Dollar	-	-	(3,638)	(3,638)
Danish Krone	-	-	(2,394)	(2,394)
Euro	-	-	(32,206)	(32,206)
Hong Kong Dollar	-	-	(5,992)	(5,992)
Indian Rupee	-	-	(6,137)	(6,137)
Japanese Yen	-	-	(11,809)	(11,809)
Norwegian Krone	-	-	(877)	(877)
Philippines Peso	-	-	(12,880)	(12,880)
Singapore Dollar	-	-	(4,525)	(4,525)
South Korean Won	-	-	(16,346)	(16,346)
Sterling	-	-	(44,521)	(44,521)
Swiss Franc	-	-	(14,394)	(14,394)
Taiwan Dollar	-	-	(17,887)	(17,887)
Thai Baht	-	-	(5,263)	(5,263)
United States Dollar	-	-	(117,008)	(117,008)

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using the Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.31% (2017: 3.68%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	1.71	3.85	2.67
31 July 2017	3.27	4.83	3.94

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 151.97% (2017: 153.89%).

Counterparty risk

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

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

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

At 31 July 2018, the market value of the exchange traded derivatives held by the sub-fund was £585,000 (2017: £749,000).

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

As at 31 July 2018

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Credit Default Swaps Exposure £'000	Futures Exposure £'000	Options Exposure £'000	Collateral Pledge £'000
Deutsche Bank	(3,012)	-	-	-	2,450
JPMorgan	(492)	-	-	-	340
UBS	-	-	13,633	174	-

As at 31 July 2017

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Credit Default Swaps Exposure £'000	Futures Exposure £'000	Options Exposure £'000	Collateral Pledge £'000
Barclays	821	-	-	-	-
Deutsche Bank	893	-	-	-	-
JPMorgan	303	-	-	-	-
UBS	-	-	22,483	611	-

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	133,196	-	-	-	-
Equities	204,954	118	0.06	86	0.04
Collective Investments Schemes	27,335	13	0.05	-	-
Total	365,485	131		86	
Total purchases including transaction costs	365,702				

31 July 2017	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	70,533	-	-	-	-
Equities	244,415	81	0.02	76	0.02
Collective Investments Schemes	22,230	11	-	-	-
Total	337,178	92		76	
Total purchases including transaction costs	337,346				

Sales

31 July 2018	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	101,466	-	-	-	-
Equities	170,031	(99)	0.06	(36)	0.02
Collective Investments Schemes	16,323	(8)	0.05	-	-
Total	287,820	(107)		(36)	
Total sales net of transaction costs	287,677				

31 July 2017	Value £'000	Commissions £'000	%	Other Costs £'000	%
Bonds	78,542	-	-	-	-
Equities	233,439	(73)	0.02	(30)	0.01
Collective Investments Schemes	29,413	(13)	-	-	-
Total	341,394	(86)		(30)	
Total sales net of transaction costs	341,278				

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.51% (2017: 0.30%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	283,307	-	205,401	(226)
Observable market data	74,546	(3,594)	65,955	(1,521)
Unobservable data	-	-	-	-
	357,853	(3,594)	271,356	(1,747)

16 Share classes

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

A share class: 1.00%

B share class: 0.55%

D share class: 0.75%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 245 and 246. The distribution per share class is given in the distribution tables on page 263. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	1,333,520	181,532	(940,968)	(14,593)	559,491
Share class B Accumulation	199,933,118	36,699,799	(6,737,724)	45,329	229,940,522
Share class D Accumulation	99,461	4,282	(5,164)	(40,237)	58,342

Kames Diversified Growth Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.8904	N/A	0.8904	82.53%	7.44%	10.03%	0.9154
		Group 2	0.4523	0.4381					
31/01/18	31/03/18	Group 1	0.7451	N/A	0.7451	72.76%	16.34%	10.90%	0.6134
		Group 2	0.2453	0.4998					
30/04/18	30/06/18	Group 1	1.0598	N/A	1.0598	67.98%	12.31%	19.71%	0.9646
		Group 2	0.6765	0.3833					
31/07/18	30/09/18	Group 1	1.2146	N/A	1.2146	76.90%	11.41%	11.69%	0.9563
		Group 2	0.7413	0.4733					

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	1.0697	N/A	1.0697	72.10%	19.14%	8.76%	1.1188
		Group 2	0.5223	0.5474					
31/01/18	31/03/18	Group 1	0.9459	N/A	0.9459	61.86%	28.88%	9.26%	0.7861
		Group 2	0.1489	0.7970					
30/04/18	30/06/18	Group 1	1.2785	N/A	1.2785	61.50%	21.12%	17.38%	1.1618
		Group 2	0.4045	0.8740					
31/07/18	30/09/18	Group 1	1.4415	N/A	1.4415	68.20%	21.61%	10.19%	1.1592
		Group 2	0.0379	1.4036					

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/10/17	31/12/17	Group 1	0.7840	N/A	0.7840	76.41%	14.24%	9.35%	0.8287
		Group 2	0.4576	0.3264					
31/01/18	31/03/18	Group 1	0.7551	N/A	0.7551	60.66%	30.11%	9.23%	0.5738
		Group 2	0.0000	0.7551					
30/04/18	30/06/18	Group 1	0.9601	N/A	0.9601	63.83%	12.63%	23.54%	0.8692
		Group 2	0.9601	0.0000					
31/07/18	30/09/18	Group 1	1.0861	N/A	1.0861	71.03%	18.40%	10.57%	0.8626
		Group 2	1.0861	0.0000					

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

Kames Diversified Monthly Income Fund

Fund description

The investment objective is to provide income with the potential for capital growth over the medium term. To invest mainly in a diversified portfolio of equities, bonds, derivatives and other income paying assets denominated in any currency. Assets will be chosen based on global economic trends and investment opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or countries or may be more focused. Equities will be limited to a maximum of 80% of the Fund's value at all times.

The Fund may invest in assets denominated in a currency other than sterling. The currency risk of investing in such assets may or may not be hedged back to sterling, depending on whether currency risk is a desired element of the investment decision.

The Fund may also hold units in other collective investment schemes, other transferable securities, warrants, cash and near cash, approved money market instruments, deposits, derivatives and forwards (including commodity indices) for investment or hedging purposes. The Fund may have indirect exposure to property.

Risk profile

The Fund is designed for retail and institutional investors seeking regular income and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio including other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.

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

Performance

The Kames Diversified Monthly Income Fund produced a total return of 2.39% over the year to the end of July 2018.

The average monthly pence-per-share distribution over the most recent 12 months was 0.557 pence. The historic yield, based on the 12 most recent monthly distributions, was 5.19%.

Strategy review

The Fund invests across six main income-generating strategies. These strategies are investment grade and high yield bonds, specialist income and listed property, and UK and global equity income.

Global equities performed well over the period, although much of the rise was due to US equities, which outperformed the other, more subdued core markets. Strong income generators underperformed broader equity markets but still delivered a solid performance in the period for the Fund. Notable performers included AbbVie, Anta Sports, Tokyo Electron and PTT. In contrast, our UK equity income strategy struggled as the UK market struggled to keep pace with strong global equity markets.

Fixed income markets were volatile, particularly government bonds and our exposure to this specific area detracted. However, our allocation to bank credit, high yield and investment grade bonds added some value. Bonds issued by financial institutions benefited from the improving global economy and increased inflation expectations. Bonds issued by Rabobank, Santander and Erste Bank were particularly strong performers. Our positions in emerging market government debt also benefited performance, while emerging market corporate bonds detracted.

The Fund's exposure to listed real estate added value over the period, although rising yields resulted in a pullback in share prices as we moved into 2018. Alternatives also performed well; listed infrastructure recovered strongly after some weakness early in 2018 due to rising yields.

Attractive and dependable levels of income are increasingly sought after. We believe that a diverse multi-asset portfolio can deliver our income target, capital growth and risk management through dynamic asset allocation and high-conviction stock selection.

We seek sustainable income investment opportunities wherever they may be and are mindful of the impact that political and economic uncertainty, as well as the risk and opportunity they bring, have for a flexible multi-asset solution.

Kames Diversified Monthly Income Fund

Material portfolio changes

Top ten purchases	31 July 2018	Top ten sales	31 July 2018
	£'000		£'000
US Treasury Bond 1.625% 31/08/2019	13,950	Host Hotels & Resorts	7,351
US Treasury Bond 1% 15/10/2019	7,440	Turkey Government International Bond 4.875% 09/10/2026	6,628
US Treasury Bond 1.25% 30/04/2019	6,118	US Treasury Bond 1.625% 31/03/2019	6,588
US Treasury Bond 2.625% 15/11/2020	6,035	US Treasury Bond 1.625% 31/08/2019	6,403
Broadcom	5,987	Italy Buoni Poliennali Del Tesoro 3.5% 01/03/2030	6,239
SSE	5,928	Doric Nimrod Air Two	5,272
KBC 4.25% Perpetual	5,867	Australia Government Bond 4.5% 21/04/2033	5,231
US Treasury Bond 2.75% 15/02/2019	5,581	Fortress REIT	4,794
Taiwan Semiconductor Manufacturing	5,353	Sequoia Economic Infrastructure	4,500
Enagas	5,182	Amedeo Air Four Plus	4,476

Top ten holdings	31 July 2018	Top ten holdings	31 July 2017
	%		%
Phoenix	1.91	Turkey Government International Bond 4.875% 09/10/2026	1.75
Greencoat UK Wind	1.72	Phoenix	1.74
Taiwan Semiconductor Manufacturing	1.63	Italy Buoni Poliennali Del Tesoro 3.5% 01/03/2030	1.68
US Treasury Bond 1% 15/10/2019	1.46	Greencoat UK Wind	1.68
US Treasury Bond 1.625% 31/08/2019	1.46	Tritax Big Box Real Estate Investment Trust	1.53
US Treasury Bond 2.625% 15/11/2020	1.46	Australia Government Bond 4.5% 21/04/2033	1.50
Merlin Properties Socimi	1.28	Doric Nimrod Air Two	1.42
Stichting AK Rabobank Certificaten 6.5% Perpetual	1.23	Sequoia Economic Infrastructure	1.22
US Treasury Bond 1.25% 30/04/2019	1.22	Amedeo Air Four Plus	1.19
HICL Infrastructure	1.20	Renewables Infrastructure	1.19

Kames Diversified Monthly Income Fund

Performance Information

A Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	129.99	117.87	112.00
Return before operating charges	4.37	13.75	7.36
Operating charges	(1.71)	(1.63)	(1.49)
Return after operating charges	2.66	12.12	5.87
Distributions	(7.08)	(6.87)	(6.09)
Retained distributions on accumulation shares	7.08	6.87	6.09
Closing net asset value per share	132.65	129.99	117.87
after direct transaction costs of	0.16	0.13	0.82
Performance			
Return after charges	2.05%	10.28%	5.24%
Other information			
Closing net asset value (£'000)	1,189	558	296
Closing number of shares	896,110	428,949	251,433
Operating charges	1.30%	1.31%	1.31%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	135.03	131.58	118.77
Lowest share price	128.99	118.37	105.51

A Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	107.98	103.34	103.61
Return before operating charges	3.54	11.77	6.49
Operating charges	(1.39)	(1.41)	(1.32)
Return after operating charges	2.15	10.36	5.17
Distributions	(5.53)	(5.72)	(5.44)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	104.60	107.98	103.34
after direct transaction costs of	0.13	0.11	0.72
Performance			
Return after charges	1.99%	10.03%	4.99%
Other information			
Closing net asset value (£'000)	690	178	10
Closing number of shares	660,204	165,285	10,000
Operating charges	1.30%	1.31%	1.32%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	110.30	110.63	104.86
Lowest share price	103.68	102.27	95.35

Kames Diversified Monthly Income Fund

Performance Information (continued)

B Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	132.31	119.33	112.78
Return before operating charges	4.26	13.75	7.26
Operating charges	(0.81)	(0.77)	(0.71)
Return after operating charges	3.45	12.98	6.55
Distributions	(6.84)	(6.63)	(6.00)
Retained distributions on accumulation shares	6.84	6.63	6.00
Closing net asset value per share	135.76	132.31	119.33
after direct transaction costs of	0.16	0.13	0.81
Performance			
Return after charges	2.61%	10.88%	5.81%
Other information			
Closing net asset value (£'000)	375,951	312,474	277,653
Closing number of shares	276,913,933	236,167,316	232,678,844
Operating charges	0.60%	0.61%	0.63%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	137.81	133.18	120.23
Lowest share price	131.78	119.43	106.54

B Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	110.14	104.68	104.33
Return before operating charges	3.47	11.83	6.43
Operating charges	(0.66)	(0.67)	(0.65)
Return after operating charges	2.81	11.16	5.78
Distributions	(5.55)	(5.70)	(5.43)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	107.40	110.14	104.68
after direct transaction costs of	0.13	0.11	0.73
Performance			
Return after charges	2.55%	10.66%	5.54%
Other information			
Closing net asset value (£'000)	130,711	58,289	15,738
Closing number of shares	121,702,919	52,924,441	15,034,341
Operating charges	0.60%	0.61%	0.64%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	112.85	112.72	106.15
Lowest share price	106.34	103.82	96.30

Kames Diversified Monthly Income Fund

Performance Information (continued)

D Accumulation shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	131.61	118.93	112.60
Return before operating charges	4.30	13.77	7.29
Operating charges	(1.13)	(1.09)	(0.96)
Return after operating charges	3.17	12.68	6.33
Distributions	(6.88)	(6.66)	(6.03)
Retained distributions on accumulation shares	6.88	6.66	6.03
Closing net asset value per share	134.78	131.61	118.93
after direct transaction costs of	0.16	0.13	0.81
Performance			
Return after charges	2.41%	10.66%	5.62%
Other information			
Closing net asset value (£'000)	41	36	24
Closing number of shares	30,150	27,412	20,498
Operating charges	0.85%	0.86%	0.86%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	136.96	133.18	119.83
Lowest share price	130.91	119.43	106.28

D Income shares	2018	2017	2016
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	109.45	104.28	104.15
Return before operating charges	3.51	11.79	6.46
Operating charges	(0.92)	(0.91)	(0.88)
Return after operating charges	2.59	10.88	5.58
Distributions	(5.61)	(5.71)	(5.45)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	106.43	109.45	104.28
after direct transaction costs of	0.13	0.11	0.74
Performance			
Return after charges	2.37%	10.43%	5.36%
Other information			
Closing net asset value (£'000)	350	271	235
Closing number of shares	328,603	247,363	224,955
Operating charges	0.85%	0.84%	0.86%
Direct transaction costs	0.12%	0.11%	0.72%
Prices			
Highest share price	112.03	112.08	105.77
Lowest share price	105.48	103.34	96.04

Kames Diversified Monthly Income Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2018

Holding	Investment	Market Valuation £'000	Total net assets %
	Australian Dollar Denominated Bonds (31 July 2017: 1.50%)	-	-
	Government Bonds (31 July 2017: 1.50%)	-	-
	Euro Denominated Bonds (31 July 2017: 9.70%)	30,946	6.08
	Corporate Bonds (31 July 2017: 7.66%)	30,946	6.08
1,600,000	Algeco Global Finance 6.5% 15/02/2023	1,476	0.29
1,900,000	AXA 3.25% 28/05/2049	1,680	0.33
2,400,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	2,214	0.43
1,000,000	Banco Santander 6.75% Perpetual	972	0.19
1,400,000	CaixaBank 6.75% Perpetual	1,372	0.27
1,900,000	CTC BondCo 5.25% 15/12/2025	1,658	0.33
900,000	DKT Finance 7% 17/06/2023	843	0.17
900,000	Energizer Gamma Acquisition 4.625% 15/07/2026	820	0.16
2,000,000	Erste 6.5% Perpetual	1,962	0.39
6,800,000	KBC 4.25% Perpetual	5,573	1.09
1,700,000	Platin 1426 5.375% 15/06/2023	1,446	0.28
5,796,475	Stichting AK Rabobank Certificaten 6.5% Perpetual	6,264	1.23
2,600,000	UniCredit 5.375% Perpetual	2,124	0.42
1,800,000	Verisure Midholding 5.75% 01/12/2023	1,583	0.31
1,100,000	Volkswagen International Finance 3.875% Perpetual	959	0.19
	Government Bonds (31 July 2017: 2.04%)	-	-
	Indonesian Rupiah Denominated Bonds (31 July 2017: 0.96%)	3,879	0.76
	Government Bonds (31 July 2017: 0.96%)	3,879	0.76
71,587,000,000	Indonesia Government Bond 8.375% 15/03/2024	3,879	0.76
	Mexican Nuevo Peso Denominated Bonds (31 July 2017: 0.00%)	3,777	0.74
	Government Bonds (31 July 2017: 0.00%)	3,777	0.74
92,361,700	Mexican Bonos 8.5% 13/12/2018	3,777	0.74
	South African Rand Denominated Bonds (31 July 2017: 0.00%)	3,855	0.76
	Government Bonds (31 July 2017: 0.00%)	3,855	0.76
59,526,570	Republic of South Africa Government Bond 10.5% 21/12/2026	3,855	0.76
	Sterling Denominated Bonds (31 July 2017: 10.78%)	37,852	7.44
	Asset Backed Security (31 July 2017: 0.87%)	756	0.15
900,000	Telereal Secured Finance 4.01% 10/12/2031	756	0.15
	Corporate Bonds (31 July 2017: 9.91%)	37,096	7.29
1,800,000	Annington Funding 3.935% 12/07/2047	1,845	0.36
361,000	Bank of Scotland 7.281% Perpetual	424	0.08
1,200,000	Becton Dickinson 3.02% 24/05/2025	1,215	0.24
700,000	Bracken 10.5% 15/11/2021	732	0.14
722,000	British Telecom 5.75% 07/12/2028	888	0.17
1,400,000	BUPA Finance 5% 08/12/2026	1,526	0.30
1,200,000	CPUK Finance 4.875% 28/08/2025	1,192	0.23
900,000	CPUK Finance 7.239% 28/02/2024	1,107	0.22
1,900,000	Direct Line Insurance 4.75% Perpetual	1,714	0.34
2,538,000	HSBC Capital 5.844% Perpetual	3,158	0.62
1,100,000	Imperial Brands Finance 4.875% 07/06/2032	1,261	0.25
1,200,000	Informa 3.125% 05/07/2026	1,197	0.24
1,700,000	Investec 6.75% Perpetual	1,725	0.34

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
1,000,000	LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	941	0.18
700,000	Legal & General 5.5% 27/06/2064	747	0.15
1,600,000	McLaren Finance 5% 01/08/2022	1,545	0.30
1,500,000	Miller Homes 5.5% 15/10/2024	1,499	0.29
18,000	Nationwide Building Society 10.25% Perpetual	2,733	0.54
800,000	Pension Insurance 8% 23/11/2026	991	0.19
1,600,000	Pinnacle Bidco 6.375% 15/02/2025	1,619	0.32
800,000	Prudential 5% 20/07/2055	842	0.17
800,000	Quilter 4.478% 28/02/2028	803	0.16
800,000	RAC Bond 4.87% 06/05/2026	810	0.16
2,200,000	Sainsbury's Bank 6% 23/11/2027	2,282	0.45
2,200,000	TP ICAP 5.25% 26/01/2024	2,218	0.44
1,200,000	Verizon Communications 3.375% 27/10/2036	1,180	0.23
800,000	Welltower 4.8% 20/11/2028	902	0.18
United States Dollar Denominated Bonds (31 July 2017: 14.39%)		90,381	17.76
Corporate Bonds (31 July 2017: 12.22%)		50,933	10.01
33,000	Abbott Laboratories 3.75% 30/11/2026	25	0.01
22,000	Anheuser-Busch InBev Finance 3.65% 01/02/2026	16	-
1,626,000	APT Pipelines 4.25% 15/07/2027	1,204	0.24
1,201,000	AT&T 5.15% 15/03/2042	890	0.18
4,065,000	Bank of America 5.875% Perpetual	3,068	0.60
2,277,000	BlueLine Rental 9.25% 15/03/2024	1,833	0.36
2,100,000	CNAC HK Finbridge 4.625% 14/03/2023	1,607	0.32
2,800,000	Credit Agricole 7.875% Perpetual	2,273	0.45
3,200,000	Credit Suisse 7.5% Perpetual	2,604	0.51
1,900,000	Digicel 8.25% 30/09/2020	1,054	0.21
22,000	Digital Realty Trust 3.7% 15/08/2027	16	-
2,800,000	DP World 6.85% 02/07/2037	2,514	0.49
2,000,000	Drax Finco 6.625% 01/11/2025	1,533	0.30
3,800,000	HSBC 6.25% Perpetual	2,917	0.57
4,224,000	IHS Netherlands 9.5% 27/10/2021	3,301	0.65
3,600,000	Intesa Sanpaolo 3.875% 14/07/2027	2,405	0.47
2,093,000	Live Nation Entertainment 4.875% 01/11/2024	1,574	0.31
2,100,000	MAF Global Securities 5.5% Perpetual	1,522	0.30
1,850,000	MARB BondCo 6.875% 19/01/2025	1,361	0.27
200,000	Mason Finance 6.875% 15/08/2023	152	0.03
1,462,000	MPT Operating Partnership 5.25% 01/08/2026	1,099	0.22
2,000,000	Neptune Energy 6.625% 15/05/2025	1,477	0.29
1,655,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	1,271	0.25
2,033,000	Petrobras Global Finance 8.75% 23/05/2026	1,753	0.34
1,727,000	Pilgrim's Pride 5.75% 15/03/2025	1,256	0.25
2,177,000	RBS Capital Trust II 6.425% Perpetual	1,947	0.38
2,074,000	Reynolds American 5.7% 15/08/2035	1,725	0.34
1,700,000	Syngenta Finance 5.182% 24/04/2028	1,261	0.25
2,000,000	Tullow Oil 7% 01/03/2025	1,484	0.29
2,500,000	UBS 6.875% Perpetual	1,946	0.38
1,800,000	Unitymedia 6.125% 15/01/2025	1,427	0.28
1,179,000	Vermilion Energy 5.625% 15/03/2025	887	0.17
1,927,000	Williams Scotsman International 7.875% 15/12/2022	1,531	0.30
Government Bonds (31 July 2017: 2.17%)		39,448	7.75
2,000,000	Egypt Government International Bond 5.577% 21/02/2023	1,512	0.30
4,500,000	Sri Lanka Government International Bond 5.75% 18/04/2023	3,397	0.67
9,956,600	US Treasury Bond 1% 15/10/2019	7,453	1.46
8,209,800	US Treasury Bond 1.25% 30/04/2019	6,207	1.22
9,841,100	US Treasury Bond 1.625% 31/08/2019	7,432	1.46
9,756,800	US Treasury Bond 2.625% 15/11/2020	7,421	1.46
7,886,600	US Treasury Bond 2.75% 15/02/2019	6,026	1.18

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Equities 62.93% (31 July 2017: 59.64%)	324,410	63.74
	Basic Materials (31 July 2017: 0.12%)	8,287	1.63
223,399	Mondi	4,682	0.92
85,904	Rio Tinto	3,605	0.71
	Consumer Goods (31 July 2017: 4.69%)	27,147	5.33
349,836	Anta Sports Products	1,356	0.27
124,102	Bridgestone	3,713	0.73
30,416	British American Tobacco (US Listing)	1,270	0.25
21,662	Clorox	2,232	0.44
58,884	Daimler	3,117	0.61
166,978	Imperial Brands	4,878	0.96
44,421	Renault	2,983	0.58
2,157,103	Taylor Wimpey	3,773	0.74
87,114	Unilever	3,825	0.75
	Consumer Services (31 July 2017: 2.32%)	4,738	0.93
404,360	Sands China	1,587	0.31
264,434	WPP	3,151	0.62
	Financials (31 July 2017: 36.35%)	171,668	33.73
662,975	3i Infrastructure	1,647	0.32
30,805	Allianz	5,200	1.02
16,067	Altarea	2,691	0.53
69,152	American Campus Communities	2,175	0.43
1,584,314	Ascendas Real Estate Investment Trust	2,431	0.48
6,758,275	Ascott Residence Trust	4,087	0.80
19,250	AvalonBay Communities	2,597	0.51
1,124,958	Aviva	5,623	1.11
1,190,141	Bilfinger Berger Global Infrastructure SICAV	1,726	0.34
87,796	Blackstone Mortgage Trust	2,217	0.44
31,444	CI Financial	419	0.08
1,735,671	Civitas Social Housing	1,697	0.33
337,961	CK Asset	1,972	0.39
12,757	CME	1,547	0.30
4,981	Daito Trust	633	0.12
239,116	DBS	3,582	0.70
1,352,263	Direct Line Insurance	4,649	0.91
281,452	Granite Point Mortgage Trust	4,075	0.80
7,032,746	Greencoat UK Wind	8,777	1.72
3,807,872	HICL Infrastructure	6,089	1.20
3,435,007	Industrial & Commercial Bank of China	1,939	0.38
450,953	ING Groep	5,270	1.04
3,179,982	International Public Partnership	4,999	0.98
783	Invincible Investment	262	0.05
3,044,562	John Laing Environmental Assets Group	3,182	0.63
4,012,772	John Laing Infrastructure Fund	5,634	1.11
14,389	JPMorgan Chase	1,260	0.25
1,896,300	Legal & General	4,980	0.98
1,262,709	Londonmetric Property	2,375	0.47
32,599	Macquarie	2,267	0.45
3,938,254	Mapletree Logistics Trust	2,779	0.55
576,662	Merlin Properties Socimi	6,504	1.28
3,133,785	Mirvac	4,032	0.79
24,397	Muenchener Rueckversicherungs	4,139	0.81
414,680	Natixis	2,270	0.45
371,598	New Residential Investment	5,065	1.00
3,281,591	NextEnergy Solar Fund	3,544	0.70
2,968,516	Nimrod Sea Assets	9	-
261,894	Nordea Bank	2,130	0.42

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Financials (continued)		
240,717	ORIX	2,966	0.58
1,414,206	Phoenix	9,737	1.91
4,238,677	Renewables Infrastructure	4,637	0.91
674,446	Resilient REIT	2,029	0.40
798,273	Secure Income REIT	3,025	0.59
262,531	Skandinaviska Enskilda Banken	2,148	0.42
189,295	SQN Asset Finance Income Fund 'C'	172	0.03
97,062	Starwood Property Trust	1,690	0.33
123,181	Swedbank	2,230	0.44
13,034	T Rowe Price	1,183	0.23
3,297,046	Tritax Big Box Real Estate Investment Trust	5,018	0.99
426,737	Two Harbors Investment	5,042	0.99
111,412	Welltower	5,317	1.04
	Health Care (31 July 2017: 1.48%)	15,446	3.03
77,987	AbbVie	5,483	1.07
99,416	GlaxoSmithKline	1,572	0.31
36,646	Johnson & Johnson	3,702	0.73
154,065	Pfizer	4,689	0.92
	Industrials (31 July 2017: 9.47%)	41,767	8.21
155,010	Atlantia	3,508	0.69
220,721	Boral	831	0.16
99,259	bpost	1,192	0.23
177,477	Distribucion Integral Logista	3,207	0.63
3,663,454	Doric Nimrod Air Three	3,755	0.74
5,345,764	DP Aircraft I	4,279	0.84
64,766	Eaton	4,105	0.81
377,614	Ferrovial	5,955	1.17
3,185,865	Infratil	5,638	1.11
153,889	Swire Pacific 'A'	1,270	0.25
918,000	Swire Pacific 'B'	1,250	0.25
61,603	Vinci	4,726	0.93
3,169,386	Zhejiang Expressway	2,051	0.40
	Oil & Gas (31 July 2017: 0.83%)	12,122	2.38
14,254	Chevron	1,372	0.27
4,935,368	China Petroleum & Chemical	3,630	0.71
1,702,571	PTT	1,999	0.39
195,864	Royal Dutch Shell 'A'	5,121	1.01
	Technology (31 July 2017: 2.84%)	27,733	5.45
33,812	Broadcom	5,716	1.12
107,083	Cisco Systems	3,452	0.68
39,892	Maxim Integrated Products	1,859	0.36
13,219	Microsoft	1,069	0.21
1,919,000	Pegatron	3,250	0.64
263,773	Taiwan Semiconductor Manufacturing	8,281	1.63
31,492	Tokyo Electron	4,106	0.81
	Telecommunications (31 July 2017: 0.57%)	-	-
	Utilities (31 July 2017: 0.97%)	15,502	3.05
239,226	Enagas	5,102	1.00
515,897	National Grid	4,195	0.82
12,206	NextEra Energy	1,559	0.31
315,874	SSE	3,947	0.78
632,369	Tilt Renewables	699	0.14

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Forward Foreign Exchange Contracts (31 July 2017: 0.24%)	(3,944)	(0.78)
	Bought GBP 6,661,566 Sold AUD 11,875,000	(65)	(0.01)
	Bought GBP 72,554,502 Sold EUR 82,000,000	(622)	(0.12)
	Bought GBP 14,613,558 Sold HKD 152,000,000	(149)	(0.03)
	Bought GBP 3,667,369 Sold MXN 93,900,000	(157)	(0.03)
	Bought GBP 6,317,723 Sold NZD 12,300,000	(62)	(0.01)
	Bought GBP 5,971,178 Sold SEK 69,000,000	(18)	-
	Bought GBP 12,234,048 Sold SGD 22,000,000	(81)	(0.02)
	Bought GBP 1,817,005 Sold THB 80,000,000	(16)	-
	Bought GBP 18,808,157 Sold TWD 760,000,000	(128)	(0.03)
	Bought GBP 2,484,324 Sold USD 3,300,000	(30)	(0.01)
	Bought GBP 202,834,192 Sold USD 268,966,861	(2,085)	(0.41)
	Bought GBP 6,132,100 Sold ZAR 110,000,000	(253)	(0.05)
	Bought JPY 2,705,000,000 Sold GBP 18,381,678	47	0.01
	Bought USD 13,150,000 Sold EUR 11,203,761	12	-
	Bought USD 39,400,000 Sold EUR 33,926,034	(282)	(0.06)
	Bought USD 5,480,000 Sold GBP 4,178,772	(4)	-
	Bought USD 7,200,000 Sold GBP 5,536,721	(51)	(0.01)
	Futures Contracts (31 July 2017: 0.05%)	80	0.02
(176)	EURO BOBL Future Contract September 2018	112	0.02
(77)	EURO Bond Future Contract September 2018	52	0.01
90	EURO-BTP Bond Future Contract September 2018	175	0.04
(236)	Long Gilt Future Contract September 2018	(320)	(0.06)
54	US 5 Year Note Future Contract September 2018	1	-
194	US 10 Year Note Future Contract September 2018	60	0.01
	Portfolio of investments*	491,236	96.52
	Net other assets	17,696	3.48
	Total net assets attributable to shareholders	508,932	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	324,410	63.74
Bonds	170,690	33.54
Derivatives	(3,864)	(0.76)
Portfolio of investments*	491,236	96.52
Net other assets	17,696	3.48
Total net assets attributable to shareholders	508,932	100.00

Analysis of underlying exposure futures and options

	Market Value £'000
Futures Contracts	80
	80

The comparative percentage figures in brackets are at 31 July 2017.

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

*Includes investment liabilities.

Kames Diversified Monthly Income Fund

Statement of Total Return for the year ended 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(9,814)		18,198
Revenue	3	25,575		19,346	
Expenses	4	(2,674)		(1,990)	
Interest payable and similar charges	6	(18)		(26)	
Net revenue before taxation		22,883		17,330	
Taxation	5	(2,576)		(2,103)	
Net revenue after taxation			20,307		15,227
Total return before distributions			10,493		33,425
Distributions	6		(22,999)		(17,241)
Change in net assets attributable to shareholders from investment activities			(12,506)		16,184

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2018

		2018		2017
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		371,806		293,956
Amounts transferred from Kames Global Diversified Income Fund	23,244		-	
Amounts receivable on creation of shares	170,739		79,542	
Amounts payable on cancellation of shares	(63,246)		(33,688)	
		130,737		45,854
Dilution adjustment		594		256
Change in net assets attributable to shareholders from investment activities		(12,506)		16,184
Retained distribution on accumulation shares		18,301		15,556
Closing net assets attributable to shareholders		508,932		371,806

Kames Diversified Monthly Income Fund

Balance Sheet as at 31 July 2018

			2018		2017
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			495,559		362,619
Current assets:					
Debtors	7	7,500		3,718	
Cash and cash equivalents	8	13,079		15,441	
			20,579		19,159
Total assets			516,138		381,778
Liabilities					
Investment liabilities			4,323		982
Creditors					
Bank overdrafts	9	4		-	
Distribution payable		807		355	
Other creditors	10	2,072		8,635	
Total liabilities			7,206		9,972
Net assets attributable to shareholders			508,932		371,806

Kames Diversified Monthly Income Fund

Notes to the Financial Statements

1 Accounting policies

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

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2018	2017
	£'000	£'000
(Losses)/gains on non-derivative securities	(1,986)	23,694
Losses on forward currency contracts	(5,366)	(2,356)
Currency exchange losses	(5)	(3,159)
(Losses)/gains on derivative securities	(2,442)	36
Transaction charges	(15)	(17)
Net capital (losses)/gains	(9,814)	18,198

3 Revenue

	2018	2017
	£'000	£'000
UK dividends	6,005	4,725
Overseas dividends	9,757	6,621
Property income from REITs	392	293
Interest on debt securities	7,819	6,243
Bank interest	61	58
Forward FX income	1,281	975
Futures revenue	260	431
Total revenue	25,575	19,346

4 Expenses*

	2018	2017
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,463	1,796
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	94	95
Other expenses:		
Audit fee**	16	12
FT publishing fee	3	4
Investment advisor fee	-	1
KIID fee	3	3
Printing cost	-	2
Registrar's fee	57	50
Safe custody charge	38	27
	117	99
Total expenses	2,674	1,990

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

**The audit fee (excluding VAT) incurred during the year was £14,085 (2017: £10,455).

5 Taxation

a) Analysis of charge in the year

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	1,940	1,685
	1,940	1,685
Double taxation relief	(316)	(261)
Overseas tax suffered	952	679
Total tax charge for the year (see note 5 (b))	2,576	2,103

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

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

The differences are explained below:

	2018	2017
	£'000	£'000
Net revenue before taxation	22,883	17,330
Corporation tax 20% (2017: 20%)	4,576	3,466
Effects of:		
Double taxation relief	(316)	(261)
Overseas tax suffered	952	679
Relief on overseas tax suffered	(6)	(13)
Revenue not subject to taxation	(2,630)	(1,768)
Total tax charge for the year (see note 5 (a))	2,576	2,103

6 Interest and distributions

a) Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest	18	26
Interest payable and similar charges	18	26

b) Distributions

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

	2018	2017
	£'000	£'000
Interim distributions	20,286	15,154
Final distribution	3,204	2,324
	23,490	17,478
Add: amounts deductible on cancellation of shares	326	119
Less: amounts receivable on creation of shares	(817)	(356)
Distributions	22,999	17,241

Details of the distributions are set out in the tables on pages 285 to 287.

c) Movement between net revenue and distribution

	2018	2017
	£'000	£'000
Net revenue after taxation	20,307	15,227
Expenses transferred to capital	2,692	2,014
Distributions	22,999	17,241

7 Debtors

	2018	2017
	£'000	£'000
Accrued revenue	3,630	2,354
Amounts receivable for the issue of shares	1,465	1,209
Sales awaiting settlement	2,021	5
Reclaimable overseas tax	384	150
Debtors	7,500	3,718

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

8 Cash and cash equivalents

	2018	2017
	£'000	£'000
Amounts held at futures clearing houses and brokers	4,155	660
Cash and bank balances	2,481	3,104
Money market deposits	6,443	11,677
Cash and cash equivalents	13,079	15,441

9 Bank overdrafts

	2018	2017
	£'000	£'000
Bank overdrafts	4	-
Bank overdrafts	4	-

10 Other creditors

	2018	2017
	£'000	£'000
Accrued expenses*	277	202
Amounts payable for the cancellation of shares	531	176
Corporation tax payable	865	743
Purchases awaiting settlement	399	7,514
Other creditors	2,072	8,635

*Includes accrued ACD's periodic charge of £236,000 (2017: £172,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2018 is £698,000 (2017: £861,000 due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 60.42% (2017: 77.65%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets and liabilities

There were no contingent assets or liabilities present in the sub-fund as at 31 July 2018 (2017: Nil).

13 Financial instruments

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

Analysis of investments by credit ratings

	2018		2017	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	83,918	16.49	56,203	15.11
Rated bonds below investment grade	71,329	14.02	73,424	19.75
Unrated bonds	15,443	3.03	9,192	2.47
Non-bond securities	320,546	62.98	222,818	59.93
Portfolio of investments	491,236	96.52	361,637	97.26
Net other assets	17,696	3.48	10,169	2.74
Total net assets attributable to shareholders	508,932	100.00	371,806	100.00

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

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Currency exposure

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

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

As at 31 July 2018

Currency	Total £'000
Australian Dollar	493
Canadian Dollar	426
Chinese Renminbi	179
Danish Krone	16
Euro	(20,141)
Hong Kong Dollar	291
Indonesian Rupiah	4,133
Japanese Yen	29,924
Mexican Peso	(6)
New Zealand Dollar	(42)
Singapore Dollar	724
South Africa Rand	(460)
Sterling	489,158
Swedish Krona	519
Swiss Franc	27
Taiwan Dollar	(15,242)
Thai Baht	166
US Dollar	18,767
	508,932

As at 31 July 2017

Currency	Total £'000
Australian Dollar	(225)
Canadian Dollar	493
Euro	5,433
Hong Kong Dollar	124
Indian Rupee	6,663
Indonesian Rupiah	7,932
Japanese Yen	145
Mexican Peso	3,740
New Zealand Dollar	25
Singapore Dollar	(1,522)
South Africa Rand	789
South Korean Won	(5,554)
Sterling	358,838
Swedish Krona	135
Swiss Franc	10
Taiwan Dollar	(1,280)
Thai Baht	1,541
Turkish Lira	7,261
US Dollar	(12,742)
	371,806

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Interest rate risk

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	7219	7,219
Canadian Dollar	-	-	420	420
Chinese Renminbi	-	-	179	179
Danish Krone	-	-	16	16
Euro	-	30,946	60,705	91,651
Hong Kong Dollar	-	-	15,054	15,054
Indonesian Rupiah	-	3,879	107	3,986
Japanese Yen	-	-	30,168	30,168
Mexican Peso	-	3,777	42	3,819
New Zealand Dollar	-	-	6,338	6,338
Singapore Dollar	-	-	13,039	13,039
South Africa Rand	-	3,855	2,069	5,924
Sterling	-	37,852	472,761	510,613
Swedish Krona	-	-	6,509	6,509
Swiss Franc	-	-	27	27
Taiwan Dollar	-	-	3,401	3,401
Thai Baht	-	-	1,999	1,999
US Dollar	-	90,381	134,787	225,168
Cash at bank				
Canadian Dollar	6	-	-	6
Euro	1,999	-	-	1,999
Indonesian Rupiah	147	-	-	147
South Africa Rand	1	-	-	1
Taiwan Dollar	293	-	-	293
US Dollar	35	-	-	35
Cash at brokers				
Sterling	4,155	-	-	4,155
Cash on deposit				
Sterling	5,446	-	-	5,446
US Dollar	997	-	-	997
	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(6,726)	(6,726)
Euro	-	-	(113,791)	(113,791)
Hong Kong Dollar	-	-	(14,763)	(14,763)
Japanese Yen	-	-	(244)	(244)
Mexican Peso	-	-	(3,825)	(3,825)
New Zealand Dollar	-	-	(6,380)	(6,380)
Singapore Dollar	-	-	(12,315)	(12,315)
South Africa Rand	-	-	(6,385)	(6,385)
Sterling	-	-	(31,052)	(31,052)
Swedish Krona	-	-	(5,990)	(5,990)
Taiwan Dollar	-	-	(18,936)	(18,936)
Thai Baht	-	-	(1,833)	(1,833)
US Dollar	-	-	(207,433)	(207,433)
Cash at bank				
Sterling	(4)	-	-	(4)

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2017 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	5,581	4,165	9,746
Canadian Dollar	-	-	493	493
Euro	-	36,058	43,624	79,682
Hong Kong Dollar	-	-	3,989	3,989
Indian Rupee	-	-	6,663	6,663
Indonesian Rupiah	-	3,583	5,623	9,206
Japanese Yen	-	-	4,361	4,361
Mexican Peso	-	-	3,740	3,740
New Zealand Dollar	-	-	1,847	1,847
Singapore Dollar	-	-	13,916	13,916
South Africa Rand	-	-	7,079	7,079
Sterling	-	40,075	324,194	364,269
Swedish Krona	-	-	5,070	5,070
Swiss Franc	-	-	10	10
Taiwan Dollar	-	-	3,217	3,217
Thai Baht	-	-	1,862	1,862
Turkish Lira	-	-	7,261	7,261
US Dollar	-	53,525	66,015	119,540
Cash at bank				
Euro	925	-	-	925
Indonesian Rupiah	158	-	-	158
New Zealand Dollar	52	-	-	52
Singapore Dollar	260	-	-	260
Sterling	1,032	-	-	1,032
Taiwan Dollar	1,023	-	-	1,023
US Dollar	4	-	-	4
Cash at brokers				
Sterling	310	-	-	310
Cash on deposit				
Sterling	8,545	-	-	8,545
US Dollar	3,131	-	-	3,131
	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(9,971)	(9,971)
Euro	-	-	(75,174)	(75,174)
Hong Kong Dollar	-	-	(3,865)	(3,865)
Indonesian Rupiah	-	-	(1,432)	(1,432)
Japanese Yen	-	-	(4,216)	(4,216)
New Zealand Dollar	-	-	(1,874)	(1,874)
Singapore Dollar	-	-	(15,698)	(15,698)
South Africa Rand	-	-	(6,290)	(6,290)
South Korean Won	-	-	(5,554)	(5,554)
Sterling	-	-	(15,318)	(15,318)
Swedish Krona	-	-	(4,935)	(4,935)
Taiwan Dollar	-	-	(5,520)	(5,520)
Thai Baht	-	-	(321)	(321)
US Dollar	-	-	(135,417)	(135,417)

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments (continued)

Derivative risk

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

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2017: 95.00%) confidence interval with a one month time horizon and a three and a half year history, using Historical model (2017: MonteCarlo model). The sub-fund has an absolute VaR limit of 14.10% (2017: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.55% (2017: 3.38%).

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

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2018	2.46	3.23	2.76
31 July 2017	3.23	4.01	3.59

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2018 the average leverage was 109.25% (2017: 89.97%).

Counterparty risk

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

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

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

At 31 July 2018, the market value of the exchange traded derivatives held by the sub-fund was £80,000 (2017: £185,000).

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

As at 31 July 2018

Counterparty	Futures Exposure £'000	Options Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	-	(3,444)	2,810
Deutsche Bank	-	-	(500)	330
UBS	(28,168)	-	-	-

As at 31 July 2017

Counterparty	Futures Exposure £'000	Options Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	-	1,052	-
Deutsche Bank	-	-	(158)	-
UBS	3,045	-	-	-

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2018	Value £'000	Commissions £'000		Other Costs £'000	%
Bonds	239,283	-	-	-	-
Equities	247,576	173	0.07	217	0.09
Collective Investment Schemes	158	-	-	-	-
Total	487,017	173		217	
Total purchases including transaction costs	487,407				

31 July 2017	Value £'000	Commissions £'000		Other Costs £'000	%
Bonds	124,694	-	-	-	-
Equities	155,318	130	0.05	130	0.05
Total	280,012	130		130	
Total purchases including transaction costs	280,272				

Sales

31 July 2018	Value £'000	Commissions £'000		Other Costs £'000	%
Bonds	202,465	-	-	-	-
Equities	147,738	(108)	0.07	(34)	0.02
Total	350,203	(108)		(34)	
Total sales net of transaction costs	350,061				

31 July 2017	Value £'000	Commissions £'000		Other Costs £'000	%
Bonds	96,633	-	-	-	-
Equities	113,366	(76)	0.03	(8)	-
Total	209,999	(76)		(8)	
Total sales net of transaction costs	209,915				

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

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

At the balance sheet date, the portfolio dealing spread was 0.31% (2017: 0.38%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

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

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

Valuation	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices	356,167	(320)	225,079	(17)
Observable market data	139,392	(4,003)	137,540	(965)
Unobservable data	-	-	-	-
	495,559	(4,323)	362,619	(982)

16 Share classes

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

A share class: 1.25%

B share class: 0.55%

D share class: 0.80%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 266 to 268. The distribution per share class is given in the distribution tables on pages 285 to 287. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2018	Opening	Issued	Redeemed	Converted	Closing
Share class A Accumulation	428,949	666,763	(192,199)	(7,403)	896,110
Share class A Income	165,285	505,371	(19,423)	8,971	660,204
Share class B Accumulation	236,167,316	77,241,331	(36,560,624)	65,910	276,913,933
Share class B Income	52,924,441	81,924,132	(13,067,390)	(78,264)	121,702,919
Share class D Accumulation	27,412	2,738	-	-	30,150
Share class D Income	247,363	134,453	(53,213)	-	328,603

Kames Diversified Monthly Income Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.4300	N/A					
		Group 2	0.3238	0.1062	0.4300	72.67%	27.33%	0.00%	0.4400
30/09/17	31/10/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	42.97%	19.01%	38.02%	0.4500
31/10/17	30/11/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	100.00%	0.00%	0.00%	0.4600
30/11/17	31/12/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	78.33%	21.67%	0.00%	0.4900
31/12/17	31/01/18	Group 1	0.4600	N/A					
		Group 2	0.0000	0.4600	0.4600	44.86%	31.13%	24.01%	0.4900
31/01/18	28/02/18	Group 1	0.5199	N/A					
		Group 2	0.0000	0.5199	0.5199	71.99%	0.00%	28.01%	0.5100
28/02/18	31/03/18	Group 1	0.5199	N/A					
		Group 2	0.0000	0.5199	0.5199	57.08%	37.56%	5.36%	0.5000
31/03/18	30/04/18	Group 1	0.5914	N/A					
		Group 2	0.1854	0.4060	0.5914	64.87%	21.11%	14.02%	0.5500
30/04/18	31/05/18	Group 1	0.6398	N/A					
		Group 2	0.0579	0.5819	0.6398	76.94%	17.76%	5.30%	0.5800
31/05/18	30/06/18	Group 1	0.7005	N/A					
		Group 2	0.0000	0.7005	0.7005	86.33%	12.01%	1.66%	0.5800
30/06/18	31/07/18	Group 1	0.7490	N/A					
		Group 2	0.0000	0.7490	0.7490	54.91%	22.44%	22.65%	0.7500
31/07/18	31/08/18	Group 1	1.1821	N/A					
		Group 2	0.3465	0.8356	1.1821	76.81%	23.19%	0.00%	1.0733

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	72.20%	27.80%	0.00%	0.3900
30/09/17	31/10/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	42.81%	27.29%	29.90%	0.4000
31/10/17	30/11/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	98.87%	0.00%	1.13%	0.4100
30/11/17	31/12/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	74.00%	22.11%	3.89%	0.4200
31/12/17	31/01/18	Group 1	0.3700	N/A					
		Group 2	0.0040	0.3660	0.3700	42.40%	34.73%	22.87%	0.4300
31/01/18	28/02/18	Group 1	0.4247	N/A					
		Group 2	0.0228	0.4019	0.4247	66.03%	0.00%	33.97%	0.4400
28/02/18	31/03/18	Group 1	0.4247	N/A					
		Group 2	0.1072	0.3175	0.4247	57.44%	38.31%	4.25%	0.4400
31/03/18	30/04/18	Group 1	0.4793	N/A					
		Group 2	0.1460	0.3333	0.4793	63.69%	18.49%	17.82%	0.4700
30/04/18	31/05/18	Group 1	0.5161	N/A					
		Group 2	0.0000	0.5161	0.5161	78.01%	17.14%	4.85%	0.5000
31/05/18	30/06/18	Group 1	0.5623	N/A					
		Group 2	0.0000	0.5623	0.5623	86.20%	12.17%	1.63%	0.5000
30/06/18	31/07/18	Group 1	0.5981	N/A					
		Group 2	0.0000	0.5981	0.5981	55.53%	24.16%	20.31%	0.6300
31/07/18	31/08/18	Group 1	0.7123	N/A					
		Group 2	0.0737	0.6386	0.7123	77.11%	22.31%	0.58%	0.6912

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

Kames Diversified Monthly Income Fund

Distribution Tables (continued)

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.4300	N/A					
		Group 2	0.1278	0.3022	0.4300	65.94%	34.06%	0.00%	0.4400
30/09/17	31/10/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	37.60%	32.54%	29.86%	0.4500
31/10/17	30/11/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	90.72%	9.28%	0.00%	0.4600
30/11/17	31/12/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	63.85%	35.38%	0.77%	0.4900
31/12/17	31/01/18	Group 1	0.4600	N/A					
		Group 2	0.0000	0.4600	0.4600	35.73%	42.89%	21.38%	0.4900
31/01/18	28/02/18	Group 1	0.5307	N/A					
		Group 2	0.0830	0.4477	0.5307	56.40%	18.64%	24.96%	0.5100
28/02/18	31/03/18	Group 1	0.5307	N/A					
		Group 2	0.1447	0.3860	0.5307	49.66%	46.73%	3.61%	0.5000
31/03/18	30/04/18	Group 1	0.6041	N/A					
		Group 2	0.1505	0.4536	0.6041	58.53%	24.68%	16.79%	0.5500
30/04/18	31/05/18	Group 1	0.6538	N/A					
		Group 2	0.0000	0.6538	0.6538	70.78%	24.61%	4.61%	0.5800
31/05/18	30/06/18	Group 1	0.7162	N/A					
		Group 2	0.0000	0.7162	0.7162	80.31%	19.32%	0.37%	0.5800
30/06/18	31/07/18	Group 1	0.7662	N/A					
		Group 2	0.0000	0.7662	0.7662	47.54%	28.67%	23.79%	0.7500
31/07/18	31/08/18	Group 1	0.8616	N/A					
		Group 2	0.2200	0.6416	0.8616	65.50%	34.50%	0.00%	0.8317

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.3600	N/A					
		Group 2	0.0517	0.3083	0.3600	65.58%	34.42%	0.00%	0.3900
30/09/17	31/10/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	37.79%	33.75%	28.46%	0.4000
31/10/17	30/11/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	90.71%	9.29%	0.00%	0.4100
30/11/17	31/12/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	64.11%	34.47%	1.42%	0.4200
31/12/17	31/01/18	Group 1	0.3700	N/A					
		Group 2	0.0000	0.3700	0.3700	36.27%	43.67%	20.06%	0.4300
31/01/18	28/02/18	Group 1	0.4345	N/A					
		Group 2	0.0506	0.3839	0.4345	56.46%	18.93%	24.61%	0.4400
28/02/18	31/03/18	Group 1	0.4345	N/A					
		Group 2	0.1542	0.2803	0.4345	50.33%	45.59%	4.08%	0.4400
31/03/18	30/04/18	Group 1	0.4907	N/A					
		Group 2	0.1797	0.3110	0.4907	58.85%	26.20%	14.95%	0.4700
30/04/18	31/05/18	Group 1	0.5287	N/A					
		Group 2	0.0533	0.4754	0.5287	70.93%	24.31%	4.76%	0.5000
31/05/18	30/06/18	Group 1	0.5764	N/A					
		Group 2	0.0000	0.5764	0.5764	80.41%	18.42%	1.17%	0.5000
30/06/18	31/07/18	Group 1	0.6133	N/A					
		Group 2	0.0000	0.6133	0.6133	48.26%	31.39%	20.35%	0.6300
31/07/18	31/08/18	Group 1	0.6574	N/A					
		Group 2	0.1887	0.4687	0.6574	65.39%	34.61%	0.00%	0.6656

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Kames Diversified Monthly Income Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.4300	N/A					
		Group 2	0.4300	0.0000	0.4300	68.19%	31.81%	0.00%	0.4400
30/09/17	31/10/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	39.63%	30.93%	29.44%	0.4500
31/10/17	30/11/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	97.62%	2.38%	0.00%	0.4600
30/11/17	31/12/17	Group 1	0.4300	N/A					
		Group 2	0.0000	0.4300	0.4300	67.32%	32.68%	0.00%	0.4900
31/12/17	31/01/18	Group 1	0.4600	N/A					
		Group 2	0.0000	0.4600	0.4600	37.83%	37.89%	24.28%	0.4900
31/01/18	28/02/18	Group 1	0.5274	N/A					
		Group 2	0.0000	0.5274	0.5274	60.50%	9.61%	29.89%	0.5100
28/02/18	31/03/18	Group 1	0.5274	N/A					
		Group 2	0.0000	0.5274	0.5274	52.19%	43.34%	4.47%	0.5000
31/03/18	30/04/18	Group 1	0.6001	N/A					
		Group 2	0.0000	0.6001	0.6001	60.18%	21.04%	18.78%	0.5500
30/04/18	31/05/18	Group 1	0.6495	N/A					
		Group 2	0.0000	0.6495	0.6495	72.98%	22.37%	4.65%	0.5800
31/05/18	30/06/18	Group 1	0.7113	N/A					
		Group 2	0.0000	0.7113	0.7113	82.36%	17.64%	0.00%	0.5800
30/06/18	31/07/18	Group 1	0.7608	N/A					
		Group 2	0.0000	0.7608	0.7608	49.59%	22.06%	28.35%	0.7500
31/07/18	31/08/18	Group 1	0.9245	N/A					
		Group 2	0.1602	0.7643	0.9245	69.61%	30.39%	0.00%	0.8639

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2016/7 Net Distribution
31/08/17	30/09/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	68.19%	31.81%	0.00%	0.3900
30/09/17	31/10/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	39.24%	29.20%	31.56%	0.4000
31/10/17	30/11/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	97.59%	2.41%	0.00%	0.4100
30/11/17	31/12/17	Group 1	0.3600	N/A					
		Group 2	0.0000	0.3600	0.3600	66.64%	33.36%	0.00%	0.4200
31/12/17	31/01/18	Group 1	0.3700	N/A					
		Group 2	0.0000	0.3700	0.3700	37.72%	38.44%	23.84%	0.4300
31/01/18	28/02/18	Group 1	0.4314	N/A					
		Group 2	0.0000	0.4314	0.4314	61.60%	10.76%	27.64%	0.4400
28/02/18	31/03/18	Group 1	0.4314	N/A					
		Group 2	0.0503	0.3811	0.4314	51.50%	45.04%	3.46%	0.4400
31/03/18	30/04/18	Group 1	0.4871	N/A					
		Group 2	0.0965	0.3906	0.4871	59.96%	20.67%	19.37%	0.4700
30/04/18	31/05/18	Group 1	0.5247	N/A					
		Group 2	0.1908	0.3339	0.5247	74.64%	20.61%	4.75%	0.5000
31/05/18	30/06/18	Group 1	0.5719	N/A					
		Group 2	0.0000	0.5719	0.5719	81.97%	16.64%	1.39%	0.5000
30/06/18	31/07/18	Group 1	0.6084	N/A					
		Group 2	0.0000	0.6084	0.6084	50.10%	27.50%	22.40%	0.6300
31/07/18	31/08/18	Group 1	0.7407	N/A					
		Group 2	0.1631	0.5776	0.7407	68.93%	31.07%	0.00%	0.6832

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Kames Capital ICVC

Further Information (unaudited)

Base currency

The Company's base currency is Sterling.

Shares

Each sub-fund may have up to seven share classes, A, B, C, D, E, G and S class. Further information on investment limits, management charges and currency denomination is available from the ACD on request. The sub-funds may offer different types of shares within the classes.

Income shares – Investors with this type of share receive income payments from their shareholding periodically.

Accumulation shares – With this type of share all income earned on investments will be reinvested into the sub-fund.

Valuation point

The valuation point for each sub-fund is midday on each dealing day. The sub-funds deal on a forward basis.

Buying and selling shares

Buying

New investors or existing shareholders who wish to purchase shares may do so by contacting their IFA, stockbroker, banker or solicitor who will provide you with an application form or alternatively telephone our dealing team on 0800 358 3009 and place your order. No remittance is required at this stage; a contract note will be sent to you on the same day or the following business day after receipt of the purchase instructions.

Selling

You can sell your shares back to the Manager at the next quoted price, on the dealing day following receipt of your instructions. You will then receive your contract note, and within 3 business days of our receipt of the completed statement of renunciation you will receive a cheque for the amount due.

Shares may normally be bought or sold on any working day between 9am and 5pm.

You may also save on a regular basis from as little as £50 a month. Contributions will be made by direct debit.

"A share exchange service may, at the ACD's discretion, be available in respect of investment amounts of £1,000 or more."

You may also choose to invest through the AEGON ISA.

"Further details on our services and products are available from our Customer Services Team whom you can call free on 0800 358 3009."

Share class conversions

As a result of RDR and a move from share classes with higher ACD's periodic charge, to share classes with lower ACD's periodic charge, it is important to bring to your attention the potential tax implications from converting between classes. Investment availability is detailed in the prospectus.

Kames Capital ICVC has seven share classes available: Our A class, typically carrying an ACD's periodic charge of 1.50%, our B class, typically carrying an ACD's periodic charge of 0.75%, our C class, typically carrying an ACD's periodic charge of 0.15%, our D class, typically carrying an ACD's periodic charge of 1.00%, our E class, typically carrying an ACD's periodic charge of 1.50%, our G class, typically carrying an ACD's periodic charge of 0.50% and our S class, typically carrying an ACD's periodic charge of 0.55%.

Clients wishing and eligible to convert their holdings from the A class to the B class or D class should be aware that the B class or D class will have a higher income yield, as a result of lower ACD's periodic charge. To ensure the existing shareholders within the B or D class are not diluted by the transfer of a lower amount of revenue from the A class investor, the A class investor must convert a portion of capital to revenue in order to match the yield in the B or D class.

It should be noted that this will only apply to bond sub-funds, as revenue is received gross. Equity sub-funds are assumed to receive their revenue net, and suffer no additional taxation. This additional taxation can be mostly avoided by converting on a fund's Ex-Dividend (XD) Date after revenue has been accounted for as distributed.

Securities Financial Transactions Regulations

None of the Funds in the Company currently undertakes securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365) or uses total return swaps.

Kames Capital ICVC

Further Information (unaudited) (continued)

Remuneration Policy

Kames Capital ICVC is managed by Kames Capital Plc.

The Remuneration Committee of Kames Capital Plc has established a UCITS Remuneration Policy to ensure that the requirements of the UCITS Remuneration Code are met proportionately for all UCITS Remuneration Code Staff. This policy applies to Kames Capital Plc and the UCITS it manages.

There are no material changes to the adopted remuneration policy since the previous Annual Report was published.

Further information with respect to Kames Capital Plc remuneration policy is available in Kames Capital Plc Annual Report and Accounts and in Kames Capital Plc regulatory Pillar III disclosure (which are available on the responsible investing part of the Kames Capital website).

Employee Remuneration Disclosure

The table below provides an overview of the following:

- Aggregate total remuneration paid by Kames Capital Plc to all Kames Capital Plc staff; and
- Aggregate total remuneration paid by Kames Capital Plc to Remuneration Code Staff

	Headcount	Total Remuneration £'000
Kames Capital Plc Staff	323	37,145
of which		
Fixed remuneration	323	21,298
Variable remuneration	323	15,847

Due to the nature of the business in which Kames Capital Plc operates, it is not possible to accurately allocate the time spent by each employee on each UCITS scheme. As such it has been deemed appropriate to disclose total remuneration information for Kames Capital Plc.

	Headcount	Total Remuneration £'000
Kames Capital Plc Remuneration Code Staff	10	5,371
of which		
Senior Management	10	5,371
Other Code Staff	-	-

UCITS Manager activities

The following table provides an overview of the size and composition of the funds managed by Kames Capital Plc, including Kames Capital ICVC. This shows the total number of funds managed, the split between, and proportions of AIF, UCITS and other funds including segregated mandates:

	Number of Funds	AUM	% of AUM
Kames Capital Plc remuneration Code Staff	35	42,505	100.00
of which			
Alternative Investment Funds	5	3,078	7.24
UCITS Funds	15	4,043	9.51
Other Funds			
Money managed on behalf of other clients	-	28,923	68.05
Kames Capital ICVC	15	6,461	15.20

* These figures are stated as at the 30 June 2018. These figures are presented to the nearest £million in line with all others in the table.

Kames Capital ICVC

Further Information (unaudited) (continued)

Glossary

UCITS Manager Remuneration Code Staff

Total remuneration will be reported for all UCITS Manager Remuneration Code Staff as at the UCITS schemes financial year-end. Broadly speaking, UCITS Manager Remuneration Code Staff are those employees who are considered could have a material impact on the risk profile of Kames Capital Plc or any of the UCITS schemes it manages (including Kames Capital ICVC plc).

AuM

Assets under management are measured at fair market value on the relevant cut-off date. The latest available valuations are reported in the Annual Report & Accounts.

Other Code Staff

UCITS Manager Remuneration Code Staff that are not considered Senior Management, per the definition below.

Senior Management

UCITS Manager Remuneration Code Staff who are members of Kames Capital Plc board.

Total Remuneration

Total remuneration reported will be the sum of salary, cash bonus, any deferred annual bonus, the fair value of any long term incentive awards, plus the value (actual or estimated) of any pension or benefits in kind, awarded in respect of performance in the reportable financial year, i.e. 1 January 2017 – 31 December 2017.

Who to contact

Investors

email: kames@ntrs.com

telephone: 0800 358 3009

Our investor helpdesk is open from 8.30am to 5.30pm
(Monday to Friday).

To improve customer service, and for training purposes, calls may be recorded.

www.kamescapital.com