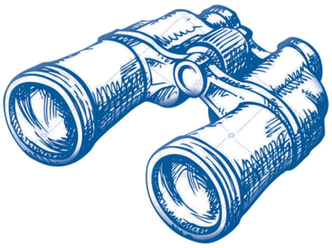
ARTEMIS
The PROFIT Hunter



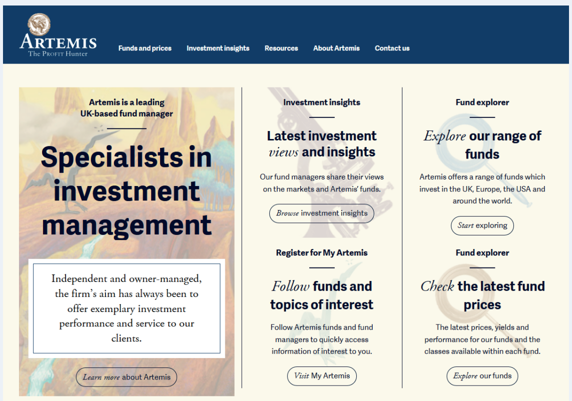
Artemis Strategic Bond *Fund*

Manager's Report and Financial Statements

for the year ended 31 March 2021

Keep up to date …

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



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

artemisfunds.com

General information

Company profile

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

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

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

The firm now manages some £27.4 billion* across a range of funds, two investment trusts and both pooled and segregated institutional portfolios.

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

* Source: Artemis as at 30 April 2021.

Fund status

Artemis Strategic Bond Fund was constituted by a Trust Deed dated 26 May 2005 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

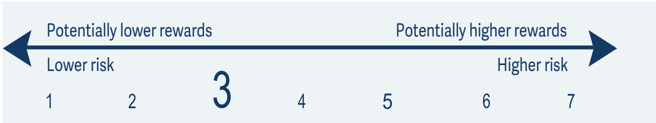
Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 5 or via the website **artemisfunds.com**. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Objective and investment policy

Objective	To provide a combination of income and capital growth over a five year period.	
Investment policy	**What the fund invests in**	• 80% to 100% in bonds (of any credit quality). • Up to 20% in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, company shares, and derivatives.
	Use of derivatives	The fund may use derivatives for efficient portfolio management purposes to: • reduce risk • manage the fund efficiently.
	Where the fund invests	• Globally
	Industries the fund invests in	• Any
	Other limitations specific to this fund	• At least 80% of the fund will be invested in assets denominated in sterling or will be hedged back to sterling.
Investment strategy	• The fund is actively managed. • Bond returns are driven in four ways: - investing globally in government bonds, Investment Grade and High Yield bonds - Adjusting the portfolio duration - Allocation between different credit ratings and different economic sectors - Security selection including different levels of seniority • When investing in corporate bonds, the manager seeks to invest in profitable and resilient companies with a robust business model offering an attractive risk-reward profile.	
Benchmarks	**• IA £ Strategic Bond NR** A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.	

Risk and reward profile



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

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

- **Market volatility risk:** The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- **Currency risk:** The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
- **Special situations risk:** The fund invests in companies that are in recovery, need re-financing or are suffering from lack of market attention (special situations). These companies are subject to higher-than-average risk of capital loss.
- **Credit risk:** Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
- **Higher-yielding bonds risk:** The fund may invest in higher-yielding bonds, which may increase the risk to capital. Investing in these types of assets (which are also known as sub-investment grade bonds) can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.

There was no change to the risk indicator in the year to 31 March 2021.

Please refer to the fund's prospectus for full details of these and other risks which are applicable to this fund.

Other information

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 5.

Remuneration

All UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year.

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

The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Risk and Compliance function when reviewing remuneration issues, including any risk adjustments or controls considered necessary.

The Artemis remuneration period runs from 1 January to 31 December. Certain partners and staff are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm. The payment of some of their variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to identified staff before the end of the vesting period both (a) before the end of the vesting period and (b) within two years following the payment of any elements of variable remuneration.

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 218 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund for the year ended 31 December 2020 is £878,452 of which £416,657 is fixed remuneration and £461,795 is variable remuneration.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2020 is £262,037. Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages.

For the purposes of the UCITS Remuneration Code, the AFML Code staff include the members of Artemis' Management and Executive Committees, certain fund managers and others in specified roles. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

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

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

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

Changes to Artemis' funds

On 30 April 2020, the layout of the investment objective and policy of the fund changed. While there are some changes to wording as a result, there are no changes to the way in which the fund is managed.

Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment on whether its funds are providing value to unitholders in response to newly introduced regulations. AFML must publish publicly on an annual basis, a statement setting out a summary of the outcome of the process and whether or not AFML believes the payments out of the scheme property are justified in the context of the overall value delivered to unitholders. Composite reports on Assessment of Value have been published via the website artemisfunds.com.

Manager

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

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

Investment adviser

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

Trustee and Depositary

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

Registrar

SS&C Financial Services International Limited*
SS&C House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

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

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

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

Statements of responsibilities

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the Artemis Strategic Bond Fund ("the Trust") for the Year Ended 31 March 2021.

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

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

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

The Depositary must ensure that:

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

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

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

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

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

J.P. Morgan Europe Limited
London
27 May 2021

Statement of the manager's responsibilities

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

In preparing the financial statements the manager is required to:

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

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

(iii) follow applicable accounting standards;

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

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

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

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

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

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Strategic Bond Fund for the year ended 31 March 2021 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray
Director

L E Cairney
Director

Artemis Fund Managers Limited
London
27 May 2021

Auditor's report

Independent auditor's report to the unitholders of the Artemis Strategic Bond Fund

Opinion

We have audited the financial statements of Artemis Strategic Bond Fund ("the Fund") for the year ended 31 March 2021, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting and distribution policies of the Fund set out on pages 18 to 31, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 March 2021 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period assessed by the Manager, being the period to 31 May 2022 which is at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Investment Management Association Statement of Recommended practice (the "IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator. We corroborated our enquiries through our inspection of Board minutes and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. Our procedures involved journal entry testing by specific risk criteria, with a focus on manual top side financial statement adjustments and journals indicating large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting by the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

Use of our report

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
27 May 2021

Investment review

- The fund returns 10.9%* over the year.
- A highly volatile period.
- Positioned for rising yields.

Performance – Keeping volatility low …

The fund made a healthy 10.9%* return over the year, although this was a little behind its benchmark, (the IA £ Strategic Bond sector's average) which returned 12.6%*. It was an extremely volatile year for financial markets, but we managed to keep that volatility low in the fund by shifting between the different asset classes. Our slight underperformance reflects the fund's shorter duration (sensitivity to interest rates[1]) and accordingly its lower risk. Furthermore, our long-term record of performance remains very robust. If, as we expect, government bond yields[2] start to rise again, the fund should be well placed. We will explain our thinking in more detail below.

Review – Central banks and governments step in …

The last 12 months have been dominated by the pandemic, to which governments and central banks have responded with intervention on a vast scale. Help from furlough schemes and other types of loans have prevented what would have been an unprecedented number of bankruptcies. The corollary of this is that governments have taken on a huge amount of extra debt. Not only debt to pay for the bail-out schemes but also the extra expenditure associated with dealing with the crisis. Indeed, debt to GDP ratios have reached levels unseen since the Second World War.

Convention would suggest that all this extra supply of bonds would push yields higher. In fact, the reverse happened, as interest rates were cut to zero (or below zero in Europe) and quantitative easing[3] forced yields lower. The scale of the involvement showed the authorities' desire to ride out the pandemic.

Newsflow on Covid-19 drove movements in government bond markets throughout the year. The announcement of a successful vaccine in November was significant and yields drifted a little higher afterwards. However, the change in US Presidency in November was as important, in particular the Democrats winning the Senate seats in Georgia in January, giving them control of both houses. This introduces a more radical spending agenda and the bond markets have begun to adjust to this.

Similarly the fast pace of vaccinations in the UK and the US has allowed economies to start to open up. Meanwhile, Europe is taking its time but, in practice, is not much further behind the rest of the developed world. European bond yields have accordingly risen but not to the same degree as elsewhere – 10-year German yields were still negative at the end of the period. The scale of the European fiscal package is also a little lacklustre, especially compared to the US.

Investment-grade bond markets outperformed government bond markets substantially over the period. More recently, they have been falling in price due to the sharp decline in government bonds. Surprisingly, few companies have seen their credit ratings downgraded, partly because equity markets have been generous in refinancing companies. Issuance has also been huge. This reflects companies taking advantage of available liquidity and relatively cheap financing.

Over the year we have been actively reducing our government bond positions and switching into new investment-grade holdings. We started the period with 37% in government bonds and ended with 17%. Initially this was invested in new investment-grade positions, predominantly through the plentiful new issues.

Particular highlights included our positions in financial bonds linked to Libor (a benchmark interest rate which will be discontinued this year). They have rallied strongly as the impact of new banking rules due at the end of this year draws closer. For instance, we own HSBC bonds, which have risen by 20% in anticipation of potentially being bought back early. We have taken some profits in case HSBC finds a way of bypassing the new rules.

The high-yield bond markets have also been exuberant. The government's support for companies has been so generous that failures have been few and far between. Further, this time last year oil prices were in the doldrums. Oil-related companies' bonds were badly affected, but subsequently we have seen a very strong rally as the oil price has recovered. Enquest and Ithaca were among our best performing positions. However, we have taken advantage of the higher prices to reduce our holdings, as we are uncomfortable with the high volatility of oil prices.

Overall, we have gradually increased our positions in high-yield bonds, from 26% a year ago to around 40%. This partly reflects the current low default rate but also their reduced sensitivity to underlying interest rates and government bonds.

Environmental social and corporate governance factors

We have been spending a lot of time considering ESG factors and integrating them into our day-to-day investment process. We believe this is important as it materially affects the price of our bonds and will have an even greater impact in

Past performance is not a guide to the future.
* Source: Artemis/Lipper Limited reflects class QI accumulation units, in sterling, with interest reinvested to 31 March 2021. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the sector benchmark. Sector is IA £ Strategic Bond NR.

[1] The greater a bond's duration, the more its price will fall when interest rates rise – or the more its price will rise when interest rates fall. (When rates go up, bond prices fall and vice versa). The shorter a bond's duration, the less volatile it is likely to be.

[2] The rate of return on a bond: a function of the bond's price and the interest it pays. Yields move inversely to prices.

[3] Programmes through which central banks purchase bonds and other securities to encourage lending and investment.

the future. Before last year, we would not have suggested that negative ESG factors would exclude an investment. Now we believe they would.

For bonds that are already in the portfolio, we monitor any changes from our three external research providers (Sustainalytics, MSCI and TruValue Labs). If we spot a significant deterioration in a credit's scores, we will investigate further and may well engage with the company.

When considering possible new holdings, we follow a framework developed over the last year. Broadly, where external research coverage for a credit exists, we dig into the detail around it. For the sizeable number of issuers that are not covered by any of those three providers, we do our own analysis. We use the Sustainability Accounting Standards Board Materiality Map to identify the most relevant ESG risk factors for the company, and then use the available information (such as company reports and offering memoranda) to assess performance against each factor. We then do additional work on the company's corporate governance, looking for potential problems.

We also work closely with Artemis' equity teams and our Stewardship team. The latter have been instrumental in developing our process and facilitating ongoing engagement with companies.

Inevitably, it throws up questions. Not least in how to cope with 'greenwashing'. The starkest example of this is the UK government issuing 'green gilts'. For example, hospitals financed by 'green gilts' or existing gilts are indistinguishable. A lot of work is being put into establishing that the use of proceeds is strictly defined – this may involve new legislation. We are active members of not only the Investment Association (IA) Fixed Interest Committee but also the newly established IA Fixed Interest Stewardship Working Group. The IA is our trade body which represents our industry views to government and more broadly.

Outlook – Inflationary trends rising …

Government bonds have been under pressure in the first three months of 2021. This is not surprising given forecasts for growth for the next 12 months are wide, but uniformly high. The US government's enormous fiscal packages are starting to be distributed, with one-off payments (totalling the equivalent of 1.9% of GDP) to eligible Americans starting in April. Money supply in the US has grown at a rate of 25% over the last year the highest in any period since the 1960s, when the data started to be measured. Further, individuals have accumulated savings of close to $2trln – almost 10% of GDP. They may start to spend much of this once the economy opens up. As the distribution of vaccines is going well, this could be comparatively soon. US economic growth could be as high as 7-8% this year, assuming that new Covid variants do not hinder the efficacy of the vaccines.

In the short term, we believe this will be inflationary. When an economy is growing at such a rapid rate, bottlenecks in supply are inevitable. Moreover, companies will be looking to rebuild margins after a torrid year. The question we are asking ourselves is if inflation is likely to be more structural. We think it is. Trends in globalisation are going into reverse. We are seeing this in the UK with Brexit. Further afield, the US and Chinese trade relationship remains fraught.

Demographic trends, which have been extremely helpful in reducing inflation for the past 30 years, are also reversing. The population is ageing but also the number of people of working age is shrinking. In our view that is likely to be inflationary.

US 10-year Treasury yields are hovering around 1.5 to 1.75%. Although they have risen from their low of 0.5%, these levels seem completely unrealistic when economic growth is forecast to be so high. The markets are assuming this will be a temporary blip in inflation but we are concerned that the authorities are getting complacent about inflationary risks. Further, they have stated they are prepared to run with higher inflation for a while. The danger is that it becomes embedded and subsequently harder to control. As a result, interest rates are likely to be held too low for too long.

We are using futures in UK gilts and US Treasuries to reduce the portfolio's duration, with a bias towards shorter-maturity bonds. But we need to sound a note of caution. We are not going to be too aggressive as there is always the risk of Covid variants, another disaster or substantial quantitative easing forcing yields lower. We would never take the duration to below zero and it is currently around four years.

This will also set the tone for investment-grade bonds where we believe that higher government yields will filter through to falling prices. However, we still think that corporate bonds will outperform government bonds, because their fundamentals are very strong. Companies are not defaulting and we are not even seeing many downgrades to credit ratings. Equity markets are in a generous mood, readily refinancing companies. Moreover, demand is high as investors are chasing yield and quantitative easing programmes are still in full flow.

Hybrid bonds[4], which comprise 17% of the portfolio, should be better at cushioning the impact of rising government yields. They are not as sensitive to rising yields, but they do tend to be junior[5] in the capital structure. For now, we are comfortable with this as they are comparatively short dated, reducing their inherent sensitivity to interest rates.

Lastly, 40% of the fund is in high-yield bonds and we may increase the allocation further. High-yield bonds are similarly less sensitive to the interest-rate cycle but more sensitive to default rates. We anticipate few defaults, which gives us continued confidence in this area. Stock selection remains crucial, as ever.

Interesting times ahead …

We are entering a truly fascinating period for bonds. Governments are desperately keen to keep yields low to reduce their financing costs, but there will be real tensions

[4] Those that combine debt and equity characteristics.
[5] Junior debt refers to bonds or other forms of debt issued with a lower priority for repayment than other, more senior debt claims in the case of default.

with hefty supply and worsening inflationary trends. Meanwhile, central banks will step in with aggressive quantitative easing should markets prove to be disorderly. There may well be periods when yields become very volatile and liquidity looks rather fraught. However, we doubt this would be for a sustained period due to the importance of these markets in meeting governments' needs.

Our approach is to use the full range of bonds available to us to try to reduce the impact from rising yields and eventually higher interest rates. That is the advantage of the strategic nature of our mandate. We look forward to guiding you through the potentially more difficult times ahead.

James Foster and Alex Ralph
Fund managers

Investment information

Ten largest purchases and sales for the year ended 31 March 2021

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury 1.25% 31/08/2024	81,898	US Treasury 1.50% 15/02/2030	155,297
US Treasury 1.63% 30/09/2026	53,773	US Treasury 2.38% 15/05/2029	89,498
Telefonica Europe, FRN 2.38% 31/12/2164	15,318	US Treasury 1.75% 31/07/2024	51,785
Repsol International Finance, FRN 3.75% Perpetual	14,789	UK Treasury 0.75% 22/07/2023	43,840
BP Capital Markets, FRN 4.25% Perpetual	14,461	UK Treasury 5.00% 07/03/2025	15,337
Whitbread Group 3.00% 31/05/2031	14,127	Tesco 6.15% 15/11/2037	15,078
Bunzl Finance 1.50% 30/10/2030	14,039	Siemens Financieringsmaatschappij 1.00% 20/02/2025	14,006
Verizon Communications 1.13% 03/11/2028	13,472	TOTAL, FRN 2.71% Perpetual	13,595
Engie, FRN 1.50% 31/12/2164	13,157	EDP - Energias de Portugal 1.63% 15/04/2027	13,276
Orange, FRN 1.75% 31/12/2164	13,129	Orange, FRN 5.87% Perpetual	13,160

Portfolio statement as at 31 March 2021

	Holding/ nominal value	Valuation £'000	% of net assets
Equities 0.00% (0.00%)			
Cayman Islands 0.00% (0.00%)			
Nvp^	1,301	-	-
		-	**-**
Norway 0.00% (0.00%)			
Oceanteam	16,242	4	-
		4	**-**
Equities total		**4**	**-**
Government Bonds 17.19% (36.70%)			
United Kingdom 0.00% (3.77%)			
United States of America 17.19% (32.93%)			
US Treasury 1.25% 31/08/2024	$290,000,000	216,269	11.99
US Treasury 1.63% 30/09/2026	$125,000,000	93,656	5.20
		309,925	**17.19**
Government Bonds total		**309,925**	**17.19**
Corporate Bonds 80.73% (60.63%)			
Australia 1.53% (1.50%)			
AusNet Services Holdings, FRN 1.63% 11/03/2081	€ 2,000,000	1,730	0.09
Australia & New Zealand Banking Group, FRN 0.40% Perpetual	$11,600,000	7,433	0.41
BHP Billiton Finance, FRN 6.50% 22/10/2077	£9,000,000	9,684	0.54
Westpac Banking, FRN 0.38% Perpetual	$14,000,000	8,791	0.49
		27,638	**1.53**
Austria 0.61% (0.00%)			
ams 6.00% 31/07/2025	€6,700,000	6,120	0.34
ams 7.00% 31/07/2025	$6,200,000	4,821	0.27
		10,941	**0.61**
Belgium 0.39% (0.00%)			
Elia Transmission Belgium 0.88% 28/04/2030	€8,000,000	7,010	0.39
		7,010	**0.39**
Bermuda 0.65% (0.68%)			
XLIT, FRN 3.25% 29/06/2047	€12,250,000	11,720	0.65
		11,720	**0.65**
Denmark 2.23% (1.33%)			
Danske Bank, FRN 2.25% 14/01/2028	£11,000,000	11,249	0.62

	Holding/ nominal value	Valuation £'000	% of net assets
Danske Bank, FRN 6.13% Perpetual	$6,600,000	5,138	0.29
DKT Finance 7.00% 17/06/2023	€8,100,000	7,062	0.39
Nassa Topco 2.88% 06/04/2024	€12,000,000	10,722	0.60
Orsted, FRN 1.50% 31/12/2049	€7,100,000	6,027	0.33
		40,198	**2.23**
France 10.16% (7.51%)			
Air France-KLM 1.88% 16/01/2025	€10,000,000	7,823	0.43
Altice France 7.38% 01/05/2026	$8,000,000	6,045	0.34
Altice France 5.50% 15/01/2028	$12,100,000	8,990	0.50
BNP Paribas 1.88% 14/12/2027	£16,900,000	17,197	0.95
CAB SELAS 3.38% 01/02/2028	€9,800,000	8,317	0.46
Credit Agricole Assurances 2.00% 17/07/2030	€8,000,000	7,130	0.40
Electricite de France, FRN 6.00% Perpetual	£14,000,000	15,713	0.87
Engie, FRN 1.50% 31/12/2164	€14,500,000	12,394	0.69
Goldstory 5.38% 01/03/2026	€7,300,000	6,374	0.35
La Poste, FRN 3.13% Perpetual	€18,000,000	16,105	0.89
Orange, FRN 1.75% 31/12/2164	€14,000,000	12,180	0.68
Paprec Holding 4.00% 31/03/2025	€7,104,000	6,128	0.34
Parts Europe 6.50% 16/07/2025	€7,900,000	7,050	0.39
SCOR, FRN 5.25% Perpetual	$16,000,000	12,048	0.67
Societe Generale, FRN 7.38% Perpetual	$13,500,000	10,020	0.56
Total, FRN 1.63% 31/12/2164	€14,700,000	12,518	0.69
Ubisoft Entertainment 0.88% 24/11/2027	€8,500,000	7,206	0.40
Veolia Environnement, FRN 2.25% Perpetual	€11,500,000	9,963	0.55
		183,201	**10.16**
Germany 4.47% (2.95%)			
Adler Group 2.25% 14/01/2029	€9,600,000	7,810	0.43
Bayer, FRN 2.38% 12/11/2079	€12,300,000	10,662	0.59
Cheplapharm Arzneimittel 4.38% 15/01/2028	€7,700,000	6,861	0.38
Deutsche Bahn Finance, FRN 1.60% Perpetual	€10,200,000	8,815	0.49
EnBW Energie Baden-Wuerttemberg, FRN 3.38% 05/04/2077	€15,000,000	13,094	0.73
Fresenius Medical Care 1.50% 29/05/2030	€10,500,000	9,453	0.52
Raffinerie Heide 6.38% 01/12/2022	€6,400,000	4,764	0.26
Vertical Midco 4.38% 15/07/2027	€10,400,000	9,307	0.52
Volkswagen International Finance, FRN 3.50% Perpetual	€10,900,000	9,937	0.55
		80,703	**4.47**
Ghana 0.00% (0.13%)			
Greece 0.82% (0.37%)			
Crystal Almond 4.25% 15/10/2024	€10,500,000	9,125	0.51
Public Power 3.88% 30/03/2026	€4,500,000	3,894	0.22
Public Power 3.88% 30/03/2026 (Unsecured)	€2,000,000	1,729	0.09
		14,748	**0.82**
Ireland 0.62% (1.10%)			
Bank of Ireland Group, FRN 4.13% 19/09/2027	$15,000,000	11,118	0.62
Lambay Capital Securities 6.25% Perpetual^§	£12,000,000	-	-
		11,118	**0.62**
Israel 0.68% (0.54%)			
Energean Israel Finance 5.38% 30/03/2028	$5,700,000	4,183	0.23
Teva Pharmaceutical Finance Netherlands III 2.20% 21/07/2021	$11,055,000	8,022	0.45
		12,205	**0.68**

	Holding/ nominal value	Valuation £'000	% of net assets
Italy 4.19% (2.30%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£4,600,000	4,767	0.26
Enel, FRN 6.63% 15/09/2076	£10,900,000	11,172	0.62
Enel, FRN 1.38% 31/12/2164	€6,500,000	5,443	0.30
Enel Finance International 1.00% 20/10/2027	£10,300,000	10,037	0.56
EVOCA, FRN 4.25% 01/11/2026	€9,550,000	7,634	0.42
Gamma Bidco 5.13% 15/07/2025	€4,300,000	3,670	0.20
Infrastrutture Wireless Italiane 1.63% 21/10/2028	€13,000,000	11,167	0.62
Intesa Sanpaolo 2.50% 15/01/2030	£14,600,000	14,786	0.82
Telecom Italia 1.63% 18/01/2029	€8,400,000	6,983	0.39
		75,659	**4.19**
Luxembourg 0.63% (0.29%)			
Eurofins Scientific, FRN 3.25% Perpetual	€4,100,000	3,690	0.21
Logicor Financing 0.88% 14/01/2031	€9,300,000	7,637	0.42
		11,327	**0.63**
Mexico 0.00% (0.59%)			
Netherlands 4.33% (3.06%)			
ABN AMRO Bank, FRN 4.38% Perpetual	€8,500,000	7,700	0.43
Aegon, FRN 1.21% Perpetual	$10,000,000	6,594	0.37
Athora Netherlands, FRN 6.25% Perpetual	$10,000,000	7,596	0.42
Cooperatieve Rabobank 4.63% 23/05/2029	£9,350,000	10,991	0.61
IPD 3 5.50% 01/12/2025	€2,500,000	2,201	0.12
Maxeda DIY Holding 5.88% 01/10/2026	€7,000,000	6,169	0.34
NN Group, FRN 4.38% Perpetual	€11,000,000	10,348	0.57
Sunshine Mid 6.50% 15/05/2026	€8,000,000	7,060	0.39
TenneT Holding, FRN 2.37% Perpetual	€12,500,000	11,037	0.61
VZ Vendor Financing II 2.88% 15/01/2029	€10,100,000	8,439	0.47
		78,135	**4.33**
Norway 0.17% (0.00%)			
DNB Bank, FRN 0.44% 31/12/2164	$5,000,000	3,146	0.17
		3,146	**0.17**
Poland 0.19% (0.00%)			
CANPACK 2.38% 01/11/2027	€3,900,000	3,375	0.19
		3,375	**0.19**
Portugal 0.40% (0.00%)			
EDP - Energias de Portugal, FRN 1.88% 02/08/2081	€8,500,000	7,214	0.40
		7,214	**0.40**
Romania 0.58% (0.62%)			
RCS & RDS 2.50% 05/02/2025	€12,400,000	10,508	0.58
		10,508	**0.58**
Russia 0.76% (0.82%)			
Gazprom 4.25% 06/04/2024	£13,000,000	13,772	0.76
		13,772	**0.76**
Spain 4.61% (1.31%)			
Abertis Infraestructuras Finance, FRN 3.25% Perpetual	€7,500,000	6,545	0.36
Arena Luxembourg Finance 1.88% 01/02/2028	€10,000,000	7,922	0.44
Cellnex Telecom 1.75% 23/10/2030	€11,500,000	9,654	0.53
eDreams ODIGEO 5.50% 01/09/2023	€7,000,000	5,804	0.32
Iberdrola International, FRN 1.83% 31/12/2164	€12,000,000	10,250	0.57
Naturgy Finance, FRN 4.13% Perpetual	€15,000,000	13,446	0.75

	Holding/ nominal value	Valuation £'000	% of net assets
Repsol International Finance, FRN 3.75% Perpetual	€15,900,000	14,540	0.81
Telefonica Europe, FRN 2.38% 31/12/2164	€18,000,000	14,909	0.83
		83,070	**4.61**
Sweden 2.03% (0.81%)			
Heimstaden Bostad, FRN 3.38% 31/12/2164	€12,800,000	11,248	0.62
Samhallsbyggnadsbolaget i Norden, FRN 2.63% 31/12/2164	€14,000,000	11,862	0.66
Vattenfall, FRN 3.00% 19/03/2077	€14,900,000	13,606	0.75
		36,716	**2.03**
Switzerland 3.25% (2.46%)			
Credit Suisse Group, FRN 6.25% Perpetual	$16,400,000	12,691	0.70
Firmenich International, FRN 3.75% Perpetual	€4,000,000	3,675	0.21
Swiss Re, FRN 5.75% 15/08/2050	$16,000,000	12,988	0.72
Syngenta Finance 3.38% 16/04/2026	€10,600,000	9,801	0.54
Zurich Finance Ireland Designated Activity, FRN 2.96% 19/04/2051	$10,400,000	7,302	0.41
Zurich Insurance, FRN 4.25% 01/10/2045	$15,500,000	12,082	0.67
		58,539	**3.25**
United Arab Emirates 0.00% (0.16%)			
United Kingdom 30.06% (25.89%)			
AA Bond 6.50% 31/01/2026	£1,400,000	1,442	0.08
Arqiva Broadcast Finance 6.75% 30/09/2023	£9,750,000	10,067	0.56
Assura Financing, REIT 3.00% 19/07/2028	£13,000,000	14,331	0.79
Aviva, FRN 3.38% 04/12/2045	€10,700,000	10,215	0.57
B&M European Value Retail 3.63% 15/07/2025	£9,900,000	10,210	0.57
Bellis Acquisition 3.25% 16/02/2026	£10,800,000	10,842	0.60
BP Capital Markets, FRN 4.25% Perpetual	£13,850,000	14,681	0.81
Bunzl Finance 1.50% 30/10/2030	£13,900,000	13,395	0.74
BUPA Finance 5.00% 08/12/2026	£10,150,000	11,747	0.65
Burberry Group 1.13% 21/09/2025	£12,400,000	12,261	0.68
Burford Capital 6.13% 26/10/2024	£2,000,000	2,013	0.11
Burford Capital 5.00% 01/12/2026	£3,700,000	3,628	0.20
Cabot Financial Luxembourg 7.50% 01/10/2023	£2,646,248	2,700	0.15
Direct Line Insurance Group, FRN 4.75% Perpetual	£10,800,000	10,585	0.59
Drax Finco 6.63% 01/11/2025	$5,000,000	3,756	0.21
Energia Group NI FinanceCo 4.75% 15/09/2024	£8,600,000	8,686	0.48
EnQuest, FRN 0.00% 15/10/2023	$11,336,545	7,001	0.39
Experian Finance 3.25% 07/04/2032	£4,560,000	5,105	0.28
Fidelity International 7.13% 13/02/2024	£8,100,000	9,408	0.52
Galaxy Bidco 6.50% 31/07/2026	£8,000,000	8,462	0.47
GKN Holdings 5.38% 19/09/2022	£5,600,000	5,891	0.33
GlaxoSmithKline Capital 1.63% 12/05/2035	£12,000,000	11,413	0.63
Grainger 3.38% 24/04/2028	£10,300,000	11,074	0.61
Heathrow Finance 4.38% 01/03/2027	£9,000,000	9,135	0.51
Hiscox, FRN 6.13% 24/11/2045	£9,000,000	10,471	0.58
HSBC Bank, FRN 0.75% Perpetual	$20,300,000	13,017	0.72
HSBC Holdings, FRN 1.75% 24/07/2027	£7,300,000	7,371	0.41
Iceland Bondco 4.63% 15/03/2025	£10,000,000	9,876	0.55
InterContinental Hotels Group 2.13% 24/08/2026	£6,500,000	6,511	0.36
Investec Bank, FRN 4.25% 24/07/2028	£6,700,000	7,036	0.39
Ithaca Energy North Sea 9.38% 15/07/2024	$7,100,000	5,146	0.29
Jaguar Land Rover Automotive 5.88% 15/01/2028	$10,000,000	7,375	0.41
Legal & General Group, FRN 5.38% 27/10/2045	£10,500,000	12,039	0.67

	Holding/ nominal value	Valuation £'000	% of net assets
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£7,800,000	8,528	0.47
London Power Networks 2.63% 01/03/2029	£8,000,000	8,557	0.47
M&G, FRN 6.50% 20/10/2048	$13,700,000	11,659	0.65
Matalan Finance 6.75% 31/01/2023	£2,000,000	1,710	0.09
Miller Homes Group Holdings 5.50% 15/10/2024	£2,750,000	2,808	0.16
Miller Homes Group Holdings, FRN 5.28% 15/10/2023	£1,900,621	1,899	0.11
National Express Group 2.38% 20/11/2028	£10,000,000	10,217	0.57
National Express Group, FRN 4.25% 31/12/2164	£6,700,000	6,924	0.38
Neptune Energy Bondco 6.63% 15/05/2025	$7,000,000	5,105	0.28
NGG Finance, FRN 5.63% 18/06/2073	£12,000,000	13,470	0.75
NWEN Finance 5.88% 21/06/2021	£8,900,000	8,938	0.50
Pension Insurance, FRN 7.38% Perpetual	£8,800,000	10,472	0.58
Phoenix Group Holdings 4.13% 20/07/2022	£8,200,000	8,521	0.47
Phoenix Group Holdings 5.87% 13/06/2029	£7,000,000	8,335	0.46
Quilter, FRN 4.48% 28/02/2028	£8,000,000	8,340	0.46
Rothesay Life 8.00% 30/10/2025	£8,100,000	10,124	0.56
RSA Insurance Group, FRN 5.13% 10/10/2045	£6,500,000	7,379	0.41
Sage Group 1.63% 25/02/2031	£10,300,000	9,973	0.55
Santander UK Group Holdings 4.75% 15/09/2025	$6,200,000	4,996	0.28
Society of Lloyd's 4.75% 30/10/2024	£4,100,000	4,544	0.25
Southern Water Services Finance 1.63% 30/03/2027	£6,400,000	6,308	0.35
Synthomer 3.88% 01/07/2025	€11,700,000	10,400	0.58
TalkTalk Telecom Group 3.88% 20/02/2025	£10,500,000	10,261	0.57
Victoria 3.63% 26/08/2026	€6,500,000	5,634	0.31
Vmed O2 UK Financing I 4.00% 31/01/2029	£9,000,000	8,977	0.50
Vodafone Group, FRN 3.00% 27/08/2080	€14,000,000	12,299	0.68
Voyage Care BondCo 5.88% 01/05/2023	£8,800,000	8,754	0.49
Western Power Distribution 3.50% 16/10/2026	£12,600,000	13,726	0.76
Whitbread Group 3.00% 31/05/2031	£14,000,000	13,870	0.77
William Hill 4.88% 07/09/2023	£4,200,000	4,495	0.25
William Hill 4.75% 01/05/2026	£7,000,000	7,980	0.44
		542,093	**30.06**
United States of America 7.37% (6.21%)			
Alliance Data Systems 4.75% 15/12/2024	$9,100,000	6,794	0.38
Ardagh Metal Packaging Finance USA 3.00% 01/09/2029	€6,700,000	5,672	0.31
Avantor Funding 3.88% 15/07/2028	€7,800,000	7,006	0.39
Burford Capital Finance 6.13% 12/08/2025	$3,900,000	2,905	0.16
Catalent Pharma Solutions 2.38% 01/03/2028	€13,000,000	11,029	0.61
Comcast 1.50% 20/02/2029	£15,500,000	15,378	0.85
Encore Capital Group 4.88% 15/10/2025	€3,000,000	2,695	0.15
Encore Capital Group 5.38% 15/02/2026	£7,200,000	7,502	0.42
Ingles Markets 5.75% 15/06/2023	$4,416,000	3,233	0.18
IQVIA 2.25% 15/03/2029	€7,200,000	6,123	0.34
Kraton Polymers 5.25% 15/05/2026	€10,000,000	8,770	0.49
Mauser Packaging Solutions Holding 4.75% 15/04/2024	€11,050,000	9,474	0.52
Seagate HDD Cayman 4.09% 01/06/2029	$6,883,000	5,076	0.28
Standard Industries 2.25% 21/11/2026	€9,700,000	8,389	0.46
USB Realty, FRN 1.39% Perpetual	$9,500,000	5,350	0.30
Verizon Communications 1.13% 03/11/2028	£13,500,000	12,967	0.72
Wells Fargo 2.50% 02/05/2029	£14,000,000	14,661	0.81
		133,024	**7.37**
Corporate Bonds total		**1,456,060**	**80.73**

	Holding/ nominal value	Global exposure* £'000	Valuation £'000	% of net assets
Forward Currency Contracts (0.08)% ((2.73)%)				
Buy Sterling 617,777,629 sell Euro 720,600,000 dated 11/06/2021			2,556	0.14
Buy Sterling 408,028,185 sell US Dollar 567,140,000 dated 11/06/2021			(3,961)	(0.22)
Forward Currency Contracts total			**(1,405)**	**(0.08)**
Futures 0.01% (0.00%)				
Long Gilt 28/06/2021	(400)	(51,074)	256	0.01
US 10 Year Note 21/06/2021	(300)	(28,594)	(36)	0.00
Futures total		**(79,668)**	**220**	**0.01**
Investment assets (including investment liabilities)			**1,764,804**	**97.85**
Net other assets			**38,729**	**2.15**
Net assets attributable to unitholders			**1,803,533**	**100.00**

The comparative percentage figures in brackets are as at 31 March 2020.
§ Security is currently in default.
^ Unlisted, suspended or delisted security.
* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

Financial statements

Statement of total return for the year ended 31 March 2021

	Note	31 March 2021 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2020 £'000
Income					
Net capital gains/(losses)	3		**136,266**		(64,798)
Revenue	5	**51,052**		55,216	
Expenses	6	**(11,320)**		(10,850)	
Interest payable and similar charges	7	**(55)**		(8)	
Net revenue before taxation		**39,677**		44,358	
Taxation	8	**(40)**		-	
Net revenue after taxation			**39,637**		44,358
Total return before distributions			**175,903**		(20,440)
Distributions	9		**(39,632)**		(44,358)
Change in net assets attributable to unitholders from investment activities			**136,271**		(64,798)

Statement of change in net assets attributable to unitholders for the year ended 31 March 2021

	31 March 2021 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2020 £'000
Opening net assets attributable to unitholders		**1,569,907**		1,490,876
Amounts receivable on issue of units	**236,786**		272,648	
Amounts payable on cancellation of units	**(165,397)**		(156,109)	
		71,389		116,539
Dilution adjustment		**143**		139
Change in net assets attributable to unitholders from investment activities		**136,271**		(64,798)
Retained distributions on accumulation units		**25,823**		27,151
Closing net assets attributable to unitholders		**1,803,533**		1,569,907

Balance sheet as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Fixed assets			
Investments	10	**1,768,801**	1,527,961
Current assets			
Debtors	11	**20,970**	18,831
Cash and cash equivalents	12	**30,399**	93,148
Total current assets		**51,369**	111,979
Total assets		**1,820,170**	1,639,940
Liabilities			
Investment liabilities	10	**3,997**	42,886
Creditors			
Distribution payable		**1,833**	2,118
Other creditors	13	**10,807**	25,029
Total creditors		**12,640**	27,147
Total liabilities		**16,637**	70,033
Net assets attributable to unitholders		**1,803,533**	1,569,907

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with FRS 102, the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis. There are no material events that have been identified that may cast significant doubt about the fund's ability to continue as a going concern for a period to 31 May 2022, which is at least twelve months from the date the financial statements are authorised for issue. The manager believes that the fund has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of Covid-19, they continue to adopt the going concern basis in preparing the financial statements.

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

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

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

All other gains/losses and cash flows from derivatives except for bond futures are included in the capital return. Where bond futures positions generate total returns the returns are apportioned between capital and income to reflect the nature of the transaction. Any capital gains/losses are included within Net capital gains/(losses) and any revenue or expense is included within Revenue or Interest payable and similar charges respectively in the Statement of total return. The revenue return element in respect of futures is calculated by reference to the quoted yield of the index upon which the future is based compared to LIBOR. Cash held at future brokers as margin is reflected separately within cash and bank balances.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows.

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

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

(h) Dilution adjustment. The fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unit holders' interest in the sub-fund. In order to counter this and to protect shareholders' interests, the manager will apply "swing pricing" as part of its daily valuation policy.

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue and taxation. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gain/(losses)

	31 March 2021 £'000	31 March 2020 £'000
Non-derivative securities	**54,329**	(18,834)
Forward currency contracts	**45,354**	(58,052)
Currency gains	**36,097**	12,088
Derivative contracts	**486**	-
Net capital gains/(losses)	**136,266**	(64,798)

4. Direct transaction costs

There were no commissions or taxes paid in relation to transactions on the portfolio during the current year or previous year.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.52% (2020: 1.10%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	31 March 2021 £'000	31 March 2020 £'000
Interest on debt securities	**51,010**	54,669
Bank interest	**42**	547
Total revenue	**51,052**	55,216

6. Expenses

	31 March 2021 £'000	31 March 2020 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	**10,104**	9,653
Administration fees	**1,216**	1,197
Total expenses	**11,320**	10,850

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
The audit fee (excluding VAT) accrued during the period was £8,950 (2020: £8,700). This fee is paid by the manager via the administration fee.

7. Interest payable and similar charges

	31 March 2021 £'000	31 March 2020 £'000
Interest payable on short futures	**36**	-
Interest payable	**17**	8
Interest payable on positions with brokers and counterparties	**2**	-
Total interest payable and similar charges	**55**	8

8. Taxation

	31 March 2021 £'000	31 March 2020 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	**40**	-
Total taxation (note 8b)	**40**	-
b) Factors affecting the tax charge for the year		
Net revenue before taxation	**39,677**	44,358
Corporation tax at 20% (2020: 20%)	**7,935**	8,872
Effects of:		
Irrecoverable overseas tax	**40**	-
Tax deductible interest distributions	**(7,935)**	(8,872)
Tax charge for the year (note 8a)	**40**	-
c) Provision for deferred tax		
No provision for deferred tax has been made in the current or prior accounting year.		
d) Factors that may affect future tax charges		
The fund has not recognised a deferred tax asset (2020: £nil).		

9. Distributions

	31 March 2021 £'000	31 March 2020 £'000
Interim gross interest distribution - April 2020	**1,291**	2,001
Interim gross interest distribution - May 2020	**1,642**	2,052
Interim gross interest distribution - June 2020	**7,460**	8,375
Interim gross interest distribution - July 2020	**1,357**	2,018
Interim gross interest distribution - August 2020	**1,166**	1,700
Interim gross interest distribution - September 2020	**7,205**	7,780
Interim gross interest distribution - October 2020	**1,281**	1,369
Interim gross interest distribution - November 2020	**1,269**	1,507
Interim gross interest distribution - December 2020	**7,089**	6,974
Interim gross interest distribution - January 2021	**1,406**	1,612
Interim gross interest distribution - February 2021	**1,176**	1,494
Final gross interest distribution - March 2021	**7,506**	7,766
	39,848	44,648
Add: amounts deducted on cancellation of units	**313**	414
Deduct: amounts added on issue of units	**(529)**	(704)
Distributions	**39,632**	44,358
Movement between net revenue and distributions		
Net revenue after taxation	**39,637**	44,358
Undistributed revenue brought forward	**1**	-
Expenses paid from capital	**-**	1
Undistributed revenue carried forward	**(1)**	(1)
Revenue paid on conversion of units	**(5)**	-
	39,632	44,358

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 28 to 31.

10. Fair value hierarchy

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

The disclosure is split into the following categories:

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

	31 March 2021		31 March 2020	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Level 1	**260**	**36**	4	-
Level 2	**1,768,541**	**3,961**	1,527,957	42,886
Total	**1,768,801**	**3,997**	1,527,961	42,886

11. Debtors

	31 March 2021 £'000	31 March 2020 £'000
Accrued revenue	**17,576**	17,428
Amounts receivable for issue of units	**3,394**	1,403
Total debtors	**20,970**	18,831

12. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	**18,892**	42,140
Cash and bank balances	**7,520**	5,302
Amounts held at futures clearing houses and brokers	**3,987**	45,706
Total cash and cash equivalents	**30,399**	93,148

13. Other creditors

	31 March 2021 £'000	31 March 2020 £'000
Purchases awaiting settlement	**6,507**	20,146
Amounts payable for cancellation of units	**3,337**	3,986
Accrued annual management charge	**855**	788
Accrued administration fee payable to manager	**108**	109
Total other creditors	**10,807**	25,029

14. Contingent liabilities and commitments

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

15. Reconciliation of unit movements

	Units in issue at 31 March 2020	Units issued	Units cancelled	Units converted	**Units in issue at 31 March 2021**
MC distribution	1,043,435	105,988	(40,240)	12,000	**1,121,183**
MC accumulation	273,773	58,691	(56,430)	(27,429)	**248,605**
MI distribution	699,357,057	26,175,855	(92,962,967)	2,527,329	**635,097,274**
MI accumulation	296,104,383	55,883,007	(35,805,528)	307,494	**316,489,356**
QC distribution	1,647,365	187,432	(132,355)	230,857	**1,933,299**
QC accumulation	1,669,691	328,222	(99,778)	51,880	**1,950,015**
QI distribution	162,254,953	30,535,832	(18,690,736)	(1,405,248)	**172,694,801**
QI accumulation	622,209,270	122,724,915	(38,896,180)	(172,273)	**705,865,732**
MR distribution	144,744,939	2,379,929	(8,960,634)	(152,369)	**138,011,865**
MR accumulation	48,086,387	12,422,440	(5,065,794)	(128,144)	**55,314,889**
QR distribution	11,399,570	186,779	(2,438,055)	(252,500)	**8,895,794**
QR accumulation	123,620,790	7,703,351	(15,545,036)	(67,655)	**115,711,450**

16. Risk disclosures

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

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

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

(a) Market risk

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

(i) Interest rate risk

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

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
31 March 2021				
Sterling	41,869	597,529	5,976	645,374
Euro	26,357	589,546	(243)	615,660
US Dollar	62,089	478,994	2,817	543,900
Norwegian Krone	-	-	4	4
31 March 2020				
US Dollar	36,951	700,731	4,992	742,674
Sterling	109,985	531,287	(4,701)	636,571
Euro	22,591	219,559	(8,606)	233,544
Norwegian Krone	-	-	4	4

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

As at 31 March 2021 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 4.7% fall in the prices of the underlying bonds it holds (2020: 5.8%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The gain on forward currency contracts for the year was £45,354,000 (2020: loss of £58,052,000).

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

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 March 2021				
Sterling	615,622	29,752	1,025,806	1,671,180
US Dollar	540,310	3,590	(411,989)	131,911
Euro	610,273	5,387	(615,222)	438
Norwegian Krone	4	-	-	4
31 March 2020				
Sterling	560,242	76,329	839,962	1,476,533
US Dollar	736,701	5,973	(656,705)	85,969
Euro	231,014	2,530	(226,143)	7,401
Norwegian Krone	4	-	-	4

A five percent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £6,618,000 (2020: £4,669,000). A five percent decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of market-priced securities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £88,240,000 (2020: £74,254,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

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

As at 31 March 2021 and 31 March 2020 the leverage ratios of the fund were:

	2021	2020
Sum of the notionals	**217.1**	165.2
Commitment	**103.8**	101.4

(b) Credit and counterparty risk

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

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus. In order to diversify counterparty risk the fund holds cash with a number of other counterparties other than JP Morgan. The other counterparties were Goldman Sachs International ('Goldman Sachs'), UBS AG ('UBS') and J.P. Morgan Asset Management ('J.P. Morgan Liquidity Funds'). The derivatives are disclosed in the portfolio statement and J.P. Morgan Securities Plc is the counterparty for futures contracts, UBS and Goldman Sachs are the counterparties for forward currency contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 March 2021 or 31 March 2020.

Debt security credit analysis*

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

	31 March 2021 £'000	31 March 2020 £'000
Investment grade securities	**1,017,200**	1,108,101
Below investment grade securities	**725,233**	400,147
Unrated securities	**23,552**	19,709
Total of debt securities	**1,765,985**	1,527,957

*Source of credit ratings: Artemis Investment Management LLP.

Counterparty and collateral exposure

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

	Futures £'000	Foreign currency contracts £'000	Total gross exposure £'000	Net collateral held/(pledged) £'000
31 March 2021				
Goldman Sachs	-	2,556	2,556	(950)
J.P. Morgan	256	-	256	1,186
UBS	-	(3,961)	(3,961)	3,680
31 March 2020				
J.P. Morgan	-	-	-	99
UBS	-	(42,886)	(42,886)	45,607

Only cash collateral is pledged or held by the fund. The balance includes cash held at brokers.

(c) Liquidity risk

Liquidity risk is the risk that through market liquidity conditions, requests for redemptions from investors cannot be met in an orderly and appropriate manner. Artemis adopts a policy of mitigation and control to manage liquidity risks. Mitigation occurs through maintaining prudent levels of liquidity in each fund and a well-diversified investor base. As a result, redemption requests can be satisfied in all but exceptional circumstances. Artemis has a dedicated liquidity risk management policy which is owned by the independent investment risk team which reports to the Chief Risk Officer. Its purpose is to ensure the portfolio manager acts in the client's best interest with regards to this liquidity risk. Through the use of 3rd party modeling and assumptions, the investment risk team conduct regular monitoring and analyses of the liquidity profile of the funds and investor base. This includes but is not limited to what percentage of the fund can be liquidated within certain redemption horizons, whether the largest investors in the fund can redeem without affecting the fair treatment of remaining investors, liquidity stress testing and other analysis deemed to cover a risk specific to the strategy considered. There was no significant concentration of liquidity risk as at 31 March 2021 or 31 March 2020.

17. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 18 and notes 6, 9, 11 and 14 on pages 20 to 23 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 March 2021 in respect of these transactions was £906,000 (2020: £3,480,000).

18. Unit classes

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

MC distribution	0.95%
MC accumulation	0.95%
MI distribution	0.50%
MI accumulation	0.50%
QC distribution	0.95%
QC accumulation	0.95%
QI distribution	0.50%
QI accumulation	0.50%
MR distribution	1.00%
MR accumulation	1.00%
QR distribution	1.00%
QR accumulation	1.00%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 32 to 34. The distributions per unit class are given in the distribution tables on pages 28 to 31. All classes have the same rights on winding up.

19. Post balance sheet event

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

Distribution tables

This fund pays monthly and quarterly interest distributions. The following table sets out the distribution periods.

Monthly distribution periods	Start	End	Ex-dividend date	Pay date
First interim	1 April 2020	30 April 2020	1 May 2020	29 May 2020
Second interim	1 May 2020	31 May 2020	1 June 2020	30 June 2020
Third interim	1 June 2020	30 June 2020	1 July 2020	31 July 2020
Fourth interim	1 July 2020	31 July 2020	1 August 2020	28 August 2020
Fifth interim	1 August 2020	31 August 2020	1 September 2020	30 September 2020
Sixth interim	1 September 2020	30 September 2020	1 October 2020	30 October 2020
Seventh interim	1 October 2020	31 October 2020	1 November 2020	30 November 2020
Eighth interim	1 November 2020	30 November 2020	1 December 2020	31 December 2020
Ninth interim	1 December 2020	31 December 2020	1 January 2021	29 January 2021
Tenth interim	1 January 2021	31 January 2021	1 February 2021	26 February 2021
Eleventh interim	1 February 2021	28 February 2021	1 March 2021	31 March 2021
Final	1 March 2021	31 March 2021	1 April 2021	30 April 2021

Quarterly distribution periods	Start	End	Ex-dividend date	Pay date
First interim	1 April 2020	30 June 2020	1 July 2020	31 July 2020
Second interim	1 July 2020	30 September 2020	1 October 2020	30 October 2020
Third interim	1 October 2020	31 December 2020	1 January 2021	29 January 2021
Final	1 January 2021	31 March 2021	1 April 2021	30 April 2021

Group 1 units are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.
Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation applies only to group 2 units purchased during the period. It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

MC distribution*

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0083	0.0777	0.0860	-
Second interim	0.1107	-	0.1107	-
Third interim	0.0686	0.0320	0.1006	-
Fourth interim	0.0239	0.0641	0.0880	-
Fifth interim	0.0757	-	0.0757	-
Sixth interim	0.0971	-	0.0971	-
Seventh interim	0.0850	-	0.0850	-
Eighth interim	0.0833	-	0.0833	-
Ninth interim	0.0791	0.0090	0.0881	-
Tenth interim	0.0944	-	0.0944	-
Eleventh interim	0.0760	-	0.0760	-
Final	0.1008	-	0.1008	0.1223

* Launched on 13 March 2020.

MC accumulation*

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0709	0.0816	0.1525	-
Second interim	0.1965	-	0.1965	-
Third interim	0.1133	0.0659	0.1792	-
Fourth interim	0.0075	0.1494	0.1569	-
Fifth interim	0.1352	-	0.1352	-
Sixth interim	0.1736	-	0.1736	-
Seventh interim	0.0025	0.1499	0.1524	-
Eighth interim	0.1345	0.0149	0.1494	-
Ninth interim	0.1523	0.0059	0.1582	-
Tenth interim	0.1398	0.0298	0.1696	-
Eleventh interim	0.1256	0.0114	0.1370	-
Final	0.0286	0.1534	0.1820	0.2164

* Launched on 13 March 2020.

MI distribution

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0414	0.0628	0.1042	0.1609
Second interim	0.0554	0.0775	0.1329	0.1604
Third interim	0.0592	0.0639	0.1231	0.1324
Fourth interim	0.0396	0.0704	0.1100	0.1561
Fifth interim	0.0426	0.0532	0.0958	0.1318
Sixth interim	0.0568	0.0639	0.1207	0.1208
Seventh interim	0.0556	0.0509	0.1065	0.1046
Eighth interim	0.0486	0.0571	0.1057	0.1141
Ninth interim	0.0504	0.0602	0.1106	0.1216
Tenth interim	0.0463	0.0694	0.1157	0.1223
Eleventh interim	0.0513	0.0451	0.0964	0.1139
Final	0.0518	0.0729	0.1247	0.1411

MI accumulation

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0443	0.0849	0.1292	0.1938
Second interim	0.0744	0.0905	0.1649	0.1938
Third interim	0.0953	0.0579	0.1532	0.1604
Fourth interim	0.0694	0.0677	0.1371	0.1895
Fifth interim	0.0565	0.0630	0.1195	0.1604
Sixth interim	0.0725	0.0785	0.1510	0.1474
Seventh interim	0.0626	0.0709	0.1335	0.1280
Eighth interim	0.0654	0.0674	0.1328	0.1399
Ninth interim	0.0655	0.0737	0.1392	0.1493
Tenth interim	0.0616	0.0842	0.1458	0.1505
Eleventh interim	0.0297	0.0921	0.1218	0.1403
Final	0.0747	0.0831	0.1578	0.1743

QC distribution*

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.2167	0.0806	0.2973	-
Second interim	0.1778	0.0831	0.2609	-
Third interim	0.2157	0.0408	0.2565	-
Final	0.1243	0.1471	0.2714	0.3115

* Launched on 13 March 2020.

QC accumulation*

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.2957	0.2336	0.5293	-
Second interim	0.2286	0.2380	0.4666	-
Third interim	0.2599	0.2012	0.4611	-
Final	0.2930	0.1969	0.4899	0.5518

* Launched on 13 March 2020.

QI distribution

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.3223	0.2201	0.5424	0.6835
Second interim	0.2595	0.2317	0.4912	0.6155
Third interim	0.2446	0.2412	0.4858	0.5125
Final	0.2787	0.2282	0.5069	0.5680

QI accumulation

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.3362	0.3366	0.6728	0.8242
Second interim	0.3157	0.2977	0.6134	0.7480
Third interim	0.3122	0.2977	0.6099	0.6275
Final	0.2962	0.3435	0.6397	0.6996

MR distribution

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0342	0.0497	0.0839	0.1362
Second interim	0.0232	0.0851	0.1083	0.1363
Third interim	0.0489	0.0491	0.0980	0.1106
Fourth interim	0.0306	0.0550	0.0856	0.1301
Fifth interim	0.0200	0.0535	0.0735	0.1081
Sixth interim	0.0562	0.0382	0.0944	0.0963
Seventh interim	0.0320	0.0507	0.0827	0.0803
Eighth interim	0.0401	0.0407	0.0808	0.0913
Ninth interim	0.0396	0.0459	0.0855	0.0964
Tenth interim	0.0317	0.0605	0.0922	0.0979
Eleventh interim	0.0473	0.0264	0.0737	0.0916
Final	0.0465	0.0516	0.0981	0.1164

MR accumulation

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0238	0.1249	0.1487	0.2393
Second interim	0.0211	0.1715	0.1926	0.2373
Third interim	0.1438	0.0310	0.1748	0.1927
Fourth interim	0.0867	0.0658	0.1525	0.2272
Fifth interim	0.0436	0.0876	0.1312	0.1890
Sixth interim	0.0616	0.1074	0.1690	0.1689
Seventh interim	0.0632	0.0849	0.1481	0.1410
Eighth interim	0.0727	0.0723	0.1450	0.1607
Ninth interim	0.1193	0.0345	0.1538	0.1698
Tenth interim	0.0599	0.1058	0.1657	0.1726
Eleventh interim	0.0640	0.0688	0.1328	0.1618
Final	0.0550	0.1221	0.1771	0.2064

QR distribution

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2019-2020 Distribution per unit (p)
First interim	0.0881	0.2021	0.2902	0.3835
Second interim	0.1522	0.1013	0.2535	0.3348
Third interim	0.2092	0.0397	0.2489	0.2682
Final	0.1581	0.1058	0.2639	0.3054

QR accumulation

Interest distributions for the year ended 31 March 2021	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2020 Distribution per unit (p)
First interim	0.2851	0.2316	0.5167	0.6671
Second interim	0.1983	0.2553	0.4536	0.5864
Third interim	0.2070	0.2405	0.4475	0.4724
Final	0.2110	0.2651	0.4761	0.5417

Comparative tables

	MC distribution *		MC accumulation *	
	2021	2020	2021	2020
Change in net assets per unit (p)				
Opening net asset value per unit	**53.38**	**55.43**	**94.72**	**98.14**
Return before operating charges	6.29	(1.87)	11.18	(3.31)
Operating charges	(0.59)	(0.06)	(1.05)	(0.11)
Return after operating charges	5.70	(1.93)	10.13	(3.42)
Distributions	(1.09)	(0.12)	(1.94)	(0.22)
Retained distributions on accumulation units	-	-	1.94	0.22
Closing net asset value per unit	**57.99**	**53.38**	**104.85**	**94.72**
after direct transaction costs of	-	-	-	-
Performance				
Return after charges	10.68%	(3.48)%	10.69%	(3.48)%
Other information				
Closing net asset value (£'000)	650	557	261	259
Closing number of units	1,121,183	1,043,435	248,605	273,773
Operating charges	1.02%	0.12%	1.02%	0.12%
Direct transaction costs	-	-	-	-
**Prices ** **				
Highest unit price (p)	58.90	55.43	105.96	98.14
Lowest unit price (p)	53.78	52.42	95.43	92.79

	MI distribution			MI accumulation		
	2021	2020	2019	2021	2020	2019
Change in net assets per unit (p)						
Opening net asset value per unit	**53.48**	**55.49**	**56.92**	**66.25**	**66.84**	**65.99**
Return before operating charges	6.29	(0.11)	1.03	7.82	(0.20)	1.23
Operating charges	(0.33)	(0.32)	(0.32)	(0.41)	(0.39)	(0.38)
Return after operating charges	5.96	(0.43)	0.71	7.41	(0.59)	0.85
Distributions	(1.35)	(1.58)	(2.14)	(1.69)	(1.93)	(2.53)
Retained distributions on accumulation units	-	-	-	1.69	1.93	2.53
Closing net asset value per unit	**58.09**	**53.48**	**55.49**	**73.66**	**66.25**	**66.84**
after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	11.14%	(0.77)%	1.25%	11.18%	(0.88)%	1.29%
Other information						
Closing net asset value (£'000)	368,958	374,005	391,637	233,130	196,156	175,063
Closing number of units	635,097,274	699,357,057	705,817,632	316,489,356	296,104,383	261,908,442
Operating charges	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Direct transaction costs	-	-	-	-	-	-
**Prices ** **						
Highest unit price (p)	59.02	58.00	58.27	74.39	71.64	67.55
Lowest unit price (p)	53.88	52.52	53.76	66.74	64.89	64.22

* Launched on 13 March 2020. The operating charges are calculated on an ex-post basis.
** With effect from 1 February 2019, the pricing basis of the fund changed from bid price and offer price to a single mid price. High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

	QC distribution *		QC accumulation *	
	2021	2020	2021	2020
Change in net assets per unit (p)				
Opening net asset value per unit	**53.31**	**55.56**	**94.89**	**98.31**
Return before operating charges	6.29	(1.88)	11.20	(3.31)
Operating charges	(0.59)	(0.06)	(1.05)	(0.11)
Return after operating charges	5.70	(1.94)	10.15	(3.42)
Distributions	(1.09)	(0.31)	(1.95)	(0.55)
Retained distributions on accumulation units	-	-	1.95	0.55
Closing net asset value per unit	**57.92**	**53.31**	**105.04**	**94.89**
after direct transaction costs of	-	-	-	-
Performance				
Return after charges	10.69%	(3.49)%	10.70%	(3.48)%
Other information				
Closing net asset value (£'000)	1,120	878	2,048	1,585
Closing number of units	1,933,299	1,647,365	1,950,015	1,669,691
Operating charges	1.02%	0.12%	1.02%	0.12%
Direct transaction costs	-	-	-	-
Prices **				
Highest unit price (p)	59.00	55.56	106.15	98.31
Lowest unit price (p)	53.71	52.53	95.60	92.96

	QI distribution			QI accumulation		
	2021	2020	2019	2021	2020	2019
Change in net assets per unit (p)						
Opening net asset value per unit	**80.32**	**83.35**	**85.53**	**99.64**	**100.54**	**99.26**
Return before operating charges	9.46	(0.16)	1.53	11.77	(0.31)	1.85
Operating charges	(0.49)	(0.49)	(0.48)	(0.62)	(0.59)	(0.57)
Return after operating charges	8.97	(0.65)	1.05	11.15	(0.90)	1.28
Distributions	(2.03)	(2.38)	(3.23)	(2.54)	(2.90)	(3.80)
Retained distributions on accumulation units	-	-	-	2.54	2.90	3.80
Closing net asset value per unit	**87.26**	**80.32**	**83.35**	**110.79**	**99.64**	**100.54**
after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	11.17%	(0.78)%	1.23%	11.19%	(0.90)%	1.29%
Other information						
Closing net asset value (£'000)	150,692	130,316	111,911	782,052	619,966	561,328
Closing number of units	172,694,801	162,254,953	134,263,194	705,865,732	622,209,270	558,336,774
Operating charges	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	88.97	87.47	87.55	111.88	107.76	101.60
Lowest unit price (p)	80.92	79.22	80.75	100.39	97.60	96.59

* Launched on 13 March 2020. The operating charges are calculated on an ex-post basis.
** With effect from 1 February 2019, the pricing basis of the fund changed from bid price and offer price to a single mid price. High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

	MR distribution			MR accumulation		
	2021	2020	2019	2021	2020	2019
Change in net assets per unit (p)						
Opening net asset value per unit	**53.38**	**55.39**	**56.82**	**94.71**	**96.04**	**95.30**
Return before operating charges	6.28	(0.11)	1.03	11.18	(0.27)	1.76
Operating charges	(0.61)	(0.61)	(0.60)	(1.10)	(1.06)	(1.02)
Return after operating charges	5.67	(0.72)	0.43	10.08	(1.33)	0.74
Distributions	(1.06)	(1.29)	(1.86)	(1.89)	(2.27)	(3.17)
Retained distributions on accumulation units	-	-	-	1.89	2.27	3.17
Closing net asset value per unit	**57.99**	**53.38**	**55.39**	**104.79**	**94.71**	**96.04**
after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	10.62%	(1.30)%	0.76%	10.64%	(1.38)%	0.78%
Other information						
Closing net asset value (£'000)	80,033	77,269	90,230	57,965	45,544	35,954
Closing number of units	138,011,865	144,744,939	162,905,596	55,314,889	48,086,387	37,434,946
Operating charges	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	58.90	57.88	60.59	105.91	102.47	101.62
Lowest unit price (p)	53.78	52.41	53.66	95.42	92.78	92.38

	QR distribution			QR accumulation		
	2021	2020	2019	2021	2020	2019
Change in net assets per unit (p)						
Opening net asset value per unit	**53.31**	**55.32**	**56.77**	**94.88**	**96.22**	**95.47**
Return before operating charges	6.28	(0.11)	1.01	11.20	(0.28)	1.77
Operating charges	(0.61)	(0.61)	(0.60)	(1.10)	(1.06)	(1.02)
Return after operating charges	5.67	(0.72)	0.41	10.10	(1.34)	0.75
Distributions	(1.06)	(1.29)	(1.86)	(1.89)	(2.27)	(3.17)
Retained distributions on accumulation units	-	-	-	1.89	2.27	3.17
Closing net asset value per unit	**57.92**	**53.31**	**55.32**	**104.98**	**94.88**	**96.22**
after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	10.64%	(1.30)%	0.72%	10.65%	(1.39)%	0.79%
Other information						
Closing net asset value (£'000)	5,152	6,077	8,419	121,472	117,295	116,334
Closing number of units	8,895,794	11,399,570	15,217,235	115,711,450	123,620,790	120,904,569
Operating charges	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	58.99	58.01	60.53	106.10	102.65	101.81
Lowest unit price (p)	53.71	52.53	53.59	95.59	92.95	92.55

** With effect from 1 February 2019, the pricing basis of the fund changed from bid price and offer price to a single mid price. High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

Ongoing charges

Class	31 March 2021
MC distribution	1.02%
MC accumulation	1.02%
MI distribution	0.57%
MI accumulation	0.57%
QC distribution	1.02%
QC accumulation	1.02%
QI distribution	0.57%
QI accumulation	0.57%
MR distribution	1.07%
MR accumulation	1.07%
QR distribution	1.07%
QR accumulation	1.07%

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

Class I accumulation performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund**	121.5	28.3	11.5	10.9	2.2
Artemis Strategic Bond Fund***	125.3	28.0	11.5	10.9	2.2
IA £ Strategic Bond NR	91.2	24.0	13.0	12.6	2.5
Position in sector	7/21	20/62	43/67	51/77	44/78
Quartile	2	2	3	3	3

Past performance is not a guide to the future.
* Source: Artemis/Lipper Limited, data from 30 June 2005 to 7 March 2008 reflects class QR accumulation units and from 7 March 2008 to 31 March 2021 reflects class QI accumulation units, in sterling. All figures show total returns with income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the IA sector benchmark.
** Value at 12 noon valuation point.
*** Value at close of business.
Class I accumulation is disclosed as it is the primary unit class.

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