

## Artemis High Income *Fund*

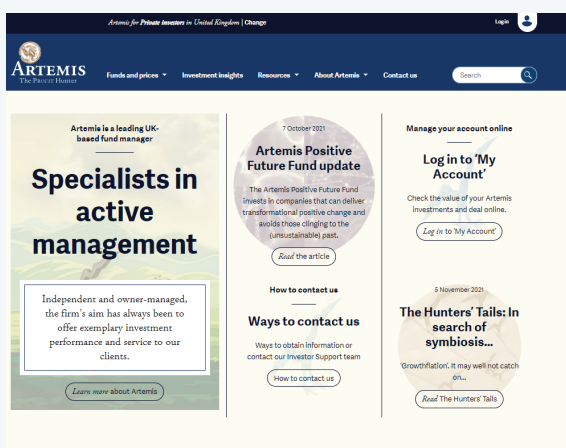
Manager's Report  
and Financial Statements

for the year ended 7 August 2023

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artemisfunds.com

## GENERAL INFORMATION

### Company profile

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

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

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

The firm now manages some £23.7 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 31 August 2023

### Fund status

Artemis High Income Fund was constituted by a Trust Deed dated 26 May 1995 as amended by a supplemental Trust Deed dated 6 September 2002 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](http://artemisfunds.com). Valuation of the fund takes place each dealing day at 12 noon on a forward pricing basis. The current list of non-dealing days impacting the fund is published on our website at [www.artemisfunds.com/non-dealing-days](http://www.artemisfunds.com/non-dealing-days). 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

<b>Objective</b>	To provide a combination of a high level of Income and capital growth, before fees, over a rolling five year period. The manager defines a high level of income as equal to or in excess of, the average yield of the funds in the fund's Investment Association sector, the Strategic Bond sector.	
<b>Investment policy</b>	<b>What the fund invests in</b>	<ul style="list-style-type: none"> <li>• 80% to 100% in bonds (of any credit quality).</li> <li>• Up to 20% in company shares.</li> <li>• The fund may also invest in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.</li> </ul>
	<b>Use of derivatives</b>	The fund may use derivatives for efficient portfolio management purposes to: <ul style="list-style-type: none"> <li>• reduce risk</li> <li>• manage the fund efficiently.</li> </ul>
	<b>Where the fund invests</b>	<ul style="list-style-type: none"> <li>• Globally</li> </ul>
	<b>Industries the fund invests in</b>	<ul style="list-style-type: none"> <li>• Any</li> </ul>
	<b>Other limitations specific to this fund</b>	<ul style="list-style-type: none"> <li>• At least 80% of the fund will be invested in assets denominated in sterling, or will be hedged back to sterling.</li> </ul>
<b>Investment strategy</b>	<ul style="list-style-type: none"> <li>• The fund is actively managed.</li> <li>• The manager seeks investments that offer the best value free cashflow available, as cashflow evidenced by an aboveaverage yield on bonds or shares.</li> <li>• On occasion, investments are made on the basis of future dividend growth.</li> <li>• The manager focuses on the ability of a bond issuer to pay the interest on a bond and to repay a bond at its expiry, and the valuation attached to a bond as a result.</li> </ul>	
<b>Benchmark</b>	<b>IA £ Strategic Bond NR</b> 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 'target benchmark' that the fund aims to outperform. 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
- **Bond liquidity risk:** The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
- **Income risk:** The payment of income and its level is not guaranteed.
- **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.
- **Charges from capital risk:** Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expense of capital, which may constrain or erode capital growth.
- **Emerging markets risk:** Compared to more established economies, investments in emerging markets may be subject to greater volatility due to differences in generally accepted accounting principles, less governed standards or from economic or political instability. Under certain market conditions assets may be difficult to sell.

There was no change to the risk indicator in the year to 7 August 2023.

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 High Income 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](http://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 functions 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 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. Staff are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 224 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 2022 is £887,387 of which £388,396 is fixed remuneration and £498,991 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 2022 is £315,886. Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages.

For the purposes of UCITS Remuneration Code, the AFML Code staff are the members of Artemis' Management and Executive Committees, certain fund managers 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](https://gov.uk/government/publications/exchange-of-information-account-holders).

## Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment on whether its funds are providing value to unitholders. 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](https://artemisfunds.com).

## Change of Appointed Depositary of the fund

With effect from 6 March 2023, Northern Trust Investor Services Limited has replaced J.P. Morgan Europe Limited as the Depositary of the fund.

## Manager

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

Dealing information:  
Artemis Fund Managers Limited  
Sunderland SR43 4BH  
Telephone: 0800 092 2051  
Website: [artemisfunds.com](https://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 †  
(prior to 6 March 2023)  
25 Bank Street  
Canary Wharf  
London E14 5JP

Northern Trust Investor Services Limited †  
(from 6 March 2023)  
50 Bank Street  
Canary Wharf  
London E14 5NT

## Registrar

SS&C Financial Services International Limited \*  
(prior to 2 May 2023)  
SS&C House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS

Northern Trust UK Global Services SE †  
(from 2 May 2023)  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## 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 High Income Fund for the period ended 3 March 2023.

The Depositary in its capacity as Trustee of Artemis High Income Fund must ensure that the fund 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 fund and its investors.

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

The Depositary must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund 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 fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund'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 fund is managed in accordance with the regulations and the Scheme documents of the fund in relation to the investment and borrowing powers applicable to the fund.

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

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

J.P. Morgan Europe Limited  
London  
3 March 2023

### Statement of the Depositary's Responsibilities in respect of the Scheme and Report of the Depositary to the Unitholders of the Artemis High Income Fund ("the Fund") for the period from 6 March 2023 to 7 August 2023

The Depositary in its capacity as Trustee of Artemis High Income Fund must ensure that the fund 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 fund and its investors.

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- the value of units of the fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), are carried out (unless they conflict with the Regulations).

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

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

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

Northern Trust Investor Services Limited  
London  
6 October 2023

## 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 High Income Fund for the year ended 7 August 2023 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  
Artemis Fund Managers Limited  
London  
6 October 2023

L E Cairney  
Director



## AUDITOR'S REPORT

### Independent auditor's report to the unitholders of the Artemis High Income Fund

#### Opinion

We have audited the financial statements of the Artemis High Income Fund ("the Fund") for the year ended 7 August 2023, 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 policies of the Fund, 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 7 August 2023 and of the net revenue and the net capital losses 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 (the "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 of twelve months from the date 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 FCA 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 FCA rules requires us to report to you if, in our opinion:

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

#### Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 7, 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 (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's 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 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. We identified a fraud risk in relation to incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact on amounts available for distribution. We tested the appropriateness of management's classification of a sample of special dividends as either a revenue or capital return.
- 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 to 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 FCA. 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  
6 October 2023

## INVESTMENT REVIEW

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### Main changes to the fund

- We added inflation-linked bonds issued by the UK and New Zealand as they offered attractive real yields. Later in the period we switched the UK inflation-linked bonds into the US equivalent as we believed they were a better opportunity.
- At the start of 2023 we bought some high-quality bonds issued by banks including RBC, Bank of America and Citigroup. They were trading at yields similar to high-yield bonds despite being better quality.
- We did similar trades later in the period, buying investment-grade bonds that were offering yields at the same level as high-yield bonds, with less risk. Examples of this were Inchcape (automotive distributor), Close Brothers (UK financial services), and Weir Group (engineering solutions).

- Against this backdrop, we think the yields available in corporate bond markets are attractive enough to compensate for the risks available.

### Explaining the fund's performance

- The fund returned +2.9%<sup>1</sup>, ahead of its peer group, the £ Strategic Bond Average's return of -2.3%.
- Contributions to outperformance came from a range of sources, including government bonds and selected high-yield bonds, particularly in the automotive sector.
- Equities also boosted performance, with the top contributor being 3i.
- The fund was badly affected in March by holding a position in a Credit Suisse Additional Tier 1 bond, which was written down as part of the bank's sale to UBS. Unfortunately, we relied too heavily on the bank's healthy capital levels and underestimated the speed and scale of the reduction in confidence amongst depositors.

### The wider context

- Throughout the period, investors' attention was focused on inflation and central banks' reaction to it in terms of raising interest rates.
- This caused a significant shift in bond markets in 2022, with prices falling across the board as investors adjusted to higher interest rates. As a result, the yields available are much higher than they have been for some time.
- In March 2023, volatility returned to the market because of concerns about financial stability stemming from problems initially in US regional banks and later in Credit Suisse, as outlined above.

### Looking ahead

- Inflation has recently shown signs of moderating although we believe it is likely to remain higher than desired.
- Economies have so far been resilient in the light of rising interest rates, with labour, housing and product markets all holding up well. This is raising hopes that a recession may be avoided.

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Past performance is not a guide to the future.

<sup>1</sup> Source: Artemis/Lipper Limited, class QI distribution units, in sterling with income reinvested to 7 August 2023, 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 sector benchmark. IA sector is IA £ Strategic Bond NR.

## INVESTMENT INFORMATION

### Ten largest purchases and sales for the year ended 7 August 2023

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury Inflation Indexed 0.75% 15/02/2045	69,840	UK Treasury Inflation Indexed 0.13% 10/08/2028	29,007
US Treasury Inflation Indexed 0.25% 15/07/2029	44,948	UK Treasury Inflation Indexed 4.50% 07/12/2042	27,280
UK Treasury Inflation Indexed 0.13% 10/08/2028	28,213	US Treasury Inflation Indexed 0.125% 15/10/2023	22,607
UK Treasury Inflation Indexed 4.50% 07/12/2042	28,164	US Treasury Inflation Indexed 3.50% 15/02/2033	21,615
US Treasury Inflation Indexed 0.125% 15/10/2023	22,630	UK Treasury Inflation Indexed 0.13% 22/03/2029	17,142
US Treasury Inflation Indexed 3.50% 15/02/2033	21,547	UBS Group, FRN 7.00% Perpetual	12,697
UK Treasury Inflation Indexed 0.13% 22/03/2029	17,149	UK Treasury 0.13% 31/01/2024	12,246
UK Treasury Inflation Indexed 0.13% 19/08/2032	12,316	UK Treasury Inflation Indexed 0.13% 19/08/2032	12,201
Ford Motor 6.10% 19/08/2032	11,321	US Treasury Inflation Indexed 0.75% 15/02/2045	10,520
Canada Government Real Return Bond, FRN 1.50% 01/12/2044	7,960	Rothsay Life, FRN 6.88% 31/12/2164	8,544

### Portfolio statement as at 7 August 2023

	Holding/ nominal value	Valuation £'000	% of net assets
<b>Equities 14.83% (14.02%)</b>			
<b>France 1.91% (1.74%)</b>			
Sanofi	38,500	3,102	0.39
TotalEnergies	250,000	11,883	1.52
		<b>14,985</b>	<b>1.91</b>
<b>Germany 2.52% (2.15%)</b>			
BASF	128,950	5,207	0.67
Bayerische Motoren Werke	82,000	7,292	0.93
Deutsche Telekom	450,000	7,225	0.92
		<b>19,724</b>	<b>2.52</b>
<b>South Africa 0.25% (0.34%)</b>			
Anglo American	90,000	1,986	0.25
		<b>1,986</b>	<b>0.25</b>
<b>United Kingdom 10.15% (9.79%)</b>			
3i Group	850,000	16,278	2.08
Aberforth Split Level Income Trust	5,049,219	3,635	0.46
Barclays	4,225,000	6,354	0.81
British American Tobacco	125,000	3,173	0.41
Dowlais Group	1,250,000	1,493	0.19
Entain	355,000	4,947	0.63
Howden Joinery Group	500,000	3,666	0.47
Legal & General Group	3,050,000	6,945	0.89
M&G	2,825,000	5,558	0.71
Melrose Industries	1,400,000	7,456	0.95
NatWest Group	2,600,000	6,196	0.79
New Finsaga ^	135,817	–	–
Speymill Deutsche Immobilien ^	5,803,310	–	–
St James's Place	216,370	1,960	0.25
Tesco	2,000,000	5,006	0.64
Vistry Group	855,000	6,793	0.87
		<b>79,460</b>	<b>10.15</b>
<b>Equities total</b>		<b>116,155</b>	<b>14.83</b>
<b>Government Bonds 14.26% (3.10%)</b>			
<b>Canada 0.95% (0.47%)</b>			
Canadian Government Real Return Bond 2.00% 01/12/2044	\$10,000,000	7,446	0.95
		<b>7,446</b>	<b>0.95</b>

	Holding/ nominal value	Valuation £'000	% of net assets
<b>New Zealand 0.38% (0.00%)</b>			
New Zealand Government Inflation Linked Bond 3.08% 20/09/2035	\$5,000,000	2,927	0.38
		<b>2,927</b>	<b>0.38</b>
<b>Sweden 0.21% (0.00%)</b>			
Vattenfall 6.88% 17/08/2083	£1,700,000	1,664	0.21
		<b>1,664</b>	<b>0.21</b>
<b>United Kingdom 0.00% (1.66%)</b>			
<b>United States of America 12.72% (0.97%)</b>			
US Treasury Inflation Indexed 0.25% 15/07/2029	\$52,000,000	44,549	5.69
US Treasury Inflation Indexed 0.75% 15/02/2045	\$69,000,000	55,054	7.03
		<b>99,603</b>	<b>12.72</b>
<b>Government Bonds total</b>		<b>111,640</b>	<b>14.26</b>
<b>Corporate Bonds 68.35% (80.92%)</b>			
<b>Australia 1.33% (1.31%)</b>			
Mineral Resources 8.00% 01/11/2027	\$5,000,000	3,963	0.51
Nufarm Australia 5.00% 27/01/2030	\$7,000,000	4,856	0.62
Perenti Finance Pty 6.50% 07/10/2025	\$2,100,000	1,609	0.20
		<b>10,428</b>	<b>1.33</b>
<b>Austria 0.85% (0.73%)</b>			
ams-OSRAM 0.00% 05/03/2025	€2,000,000	1,358	0.17
ams-OSRAM 7.00% 31/07/2025	\$3,700,000	2,620	0.34
AT&S Austria Technologie & Systemtechnik, FRN 5.00% 31/12/2164	€3,500,000	2,648	0.34
		<b>6,626</b>	<b>0.85</b>
<b>Belgium 0.12% (0.00%)</b>			
Azelis Finance 5.75% 15/03/2028	€1,100,000	958	0.12
		<b>958</b>	<b>0.12</b>
<b>Canada 0.90% (0.00%)</b>			
Ritchie Bros 6.75% 15/03/2028	\$4,500,000	3,571	0.46
Royal Bank of Canada 5.00% 01/02/2033	\$4,500,000	3,433	0.44
		<b>7,004</b>	<b>0.90</b>
<b>China 0.19% (0.00%)</b>			
TI Automotive Finance 3.75% 15/04/2029	€2,100,000	1,499	0.19
		<b>1,499</b>	<b>0.19</b>
<b>Czech Republic 0.67% (0.00%)</b>			
Allwyn Entertainment Financing UK 7.25% 30/04/2030	€4,200,000	3,680	0.47
Allwyn Entertainment Financing UK 7.88% 30/04/2029	\$2,000,000	1,596	0.20
		<b>5,276</b>	<b>0.67</b>
<b>Denmark 0.97% (0.64%)</b>			
Danske Bank, FRN 4.63% 13/04/2027	£3,600,000	3,454	0.44
Welltec International 8.25% 15/10/2026	\$5,200,000	4,147	0.53
		<b>7,601</b>	<b>0.97</b>
<b>Egypt 0.53% (0.56%)</b>			
Energear 6.50% 30/04/2027	\$5,800,000	4,145	0.53
		<b>4,145</b>	<b>0.53</b>
<b>France 1.80% (5.53%)</b>			
AXA, FRN 4.25% 10/03/2043	€5,000,000	3,948	0.51
Electricite de France, FRN 6.00% Perpetual	€6,200,000	5,742	0.73
SNF SACA 3.13% 15/03/2027	\$6,200,000	4,359	0.56
		<b>14,049</b>	<b>1.80</b>
<b>Germany 4.82% (4.50%)</b>			
Adler Pelzer Holding 9.50% 01/04/2027	€4,000,000	3,181	0.41
Bayer 4.63% 26/05/2033	€2,200,000	1,907	0.24
Cheplapharm Arzneimittel 4.38% 15/01/2028	€4,500,000	3,556	0.45
CT Investment 5.50% 15/04/2026	€4,500,000	3,627	0.46
Ctec II 5.25% 15/02/2030	€3,000,000	2,151	0.28

	Holding/ nominal value	Valuation £'000	% of net assets
Deutsche Bank, FRN 4.00% 24/06/2026	£4,500,000	4,233	0.54
Gruenthal 3.63% 15/11/2026	€2,300,000	1,879	0.24
Gruenthal 4.13% 15/05/2028	€2,700,000	2,194	0.28
IHO Verwaltungs 6.00% 15/05/2027	\$6,000,000	4,454	0.57
IHO Verwaltungs 8.75% 15/05/2028	€2,750,000	2,471	0.32
PCF 4.75% 15/04/2026	€9,000,000	5,974	0.76
Standard Profil Automotive 6.25% 30/04/2026	€3,200,000	2,099	0.27
		<b>37,726</b>	<b>4.82</b>
<b>Hong Kong 1.00% (0.53%)</b>			
Seaspan 5.50% 01/08/2029	\$12,400,000	7,842	1.00
		<b>7,842</b>	<b>1.00</b>
<b>Ireland 0.53% (0.00%)</b>			
Energia Roi Financeco DAC 6.88% 31/07/2028	€4,800,000	4,109	0.53
		<b>4,109</b>	<b>0.53</b>
<b>Israel 2.16% (2.47%)</b>			
Energiean Israel Finance 5.38% 30/03/2028	\$9,000,000	6,398	0.82
Leviathan Bond 6.13% 30/06/2025	\$4,700,000	3,611	0.46
Teva Pharmaceutical Finance Netherlands II 4.50% 01/03/2025	€666,000	565	0.07
Teva Pharmaceutical Finance Netherlands II 7.38% 15/09/2029	€4,200,000	3,681	0.47
Teva Pharmaceutical Finance Netherlands III 6.00% 15/04/2024	\$3,395,000	2,650	0.34
		<b>16,905</b>	<b>2.16</b>
<b>Italy 1.32% (0.74%)</b>			
Eni 4.25% 19/05/2033	€4,000,000	3,392	0.43
Italmatch Chemicals 10.00% 06/02/2028	€4,000,000	3,302	0.42
Itelyum Regeneration Spa 4.63% 01/10/2026	€4,600,000	3,669	0.47
		<b>10,363</b>	<b>1.32</b>
<b>Japan 0.50% (0.00%)</b>			
Mizuho Financial Group 5.63% 13/06/2028	£4,000,000	3,899	0.50
		<b>3,899</b>	<b>0.50</b>
<b>Luxembourg 2.03% (1.47%)</b>			
Albion Financing 1 6.13% 15/10/2026	\$4,000,000	2,933	0.37
Albion Financing 2 8.75% 15/04/2027	\$6,000,000	4,348	0.56
Aroundtown 0.38% 15/04/2027	€6,300,000	4,026	0.51
Blackstone Property Partners Europe Holdings 4.88% 29/04/2032	£6,000,000	4,605	0.59
		<b>15,912</b>	<b>2.03</b>
<b>Netherlands 2.28% (1.48%)</b>			
Argentum Netherlands for Swiss Re, FRN 5.75% 15/08/2050	\$11,300,000	8,557	1.09
Cooperatieve Rabobank 4.63% 23/05/2029	£3,500,000	3,154	0.40
ING Groep 6.25% 20/05/2033	£6,500,000	6,159	0.79
		<b>17,870</b>	<b>2.28</b>
<b>Singapore 0.41% (0.00%)</b>			
Temasek Financial I 3.50% 15/02/2033	€3,800,000	3,200	0.41
		<b>3,200</b>	<b>0.41</b>
<b>Spain 0.83% (2.28%)</b>			
Cellnex Finance 2.00% 15/09/2032	€5,700,000	3,891	0.50
Grupo Antolin-Irausa 3.50% 30/04/2028	€4,100,000	2,606	0.33
		<b>6,497</b>	<b>0.83</b>
<b>Sweden 1.42% (0.96%)</b>			
Heimstaden 4.38% 06/03/2027	€5,000,000	2,328	0.30
Heimstaden, FRN 6.75% Perpetual	€7,600,000	2,699	0.34
Verisure Holding 7.13% 01/02/2028	€7,000,000	6,087	0.78
		<b>11,114</b>	<b>1.42</b>
<b>Switzerland 0.69% (4.62%)</b>			
Zurich Finance Ireland Designated Activity, FRN 3.00% 19/04/2051	\$5,500,000	3,386	0.43

	Holding/ nominal value	Valuation £'000	% of net assets
Zurich Finance Ireland Designated Activity, FRN 5.13% 23/11/2052	£2,300,000	2,032	0.26
		<b>5,418</b>	<b>0.69</b>
<b>United Kingdom 23.28% (34.26%)</b>			
AA Bond 6.27% 02/07/2043	£4,000,000	3,871	0.49
AA Bond 7.38% 31/07/2050	£6,500,000	6,005	0.77
Annington Funding 4.75% 09/08/2033	£3,300,000	2,799	0.36
Arqiva Financing 7.21% 30/06/2045	£2,000,000	2,030	0.26
Aviva, FRN 4.00% 03/06/2055	£5,000,000	3,795	0.48
Barclays, FRN 8.41% 14/11/2032	£5,700,000	5,801	0.74
BCP V Modular Services Finance II 6.13% 30/11/2028	£9,000,000	7,326	0.94
BP Capital Markets, FRN 4.25% Perpetual	£2,900,000	2,570	0.33
Castle UK Finco 7.00% 15/05/2029	£5,600,000	4,343	0.55
Church Commissioners for England 3.25% 14/07/2032	£4,000,000	3,444	0.44
Close Brothers Group 7.75% 14/06/2028	£4,000,000	4,032	0.51
Constellation Automotive Financing 4.88% 15/07/2027	£6,000,000	4,814	0.61
CPUK Finance 4.50% 28/08/2027	£6,000,000	5,188	0.66
Deuce Finco 5.50% 15/06/2027	£8,500,000	7,288	0.93
Dignity Finance 4.70% 31/12/2049	£5,199,000	3,278	0.42
Drax Finco 6.63% 01/11/2025	\$7,000,000	5,405	0.69
EnQuest 11.63% 01/11/2027	\$4,650,000	3,455	0.44
Harbour Energy 5.50% 15/10/2026	\$6,000,000	4,364	0.56
Heathrow Finance 3.88% 01/03/2027	£3,948,000	3,386	0.43
Inchcape 6.50% 09/06/2028	£3,100,000	3,092	0.39
INEOS Quattro Finance 1 3.75% 15/07/2026	€8,100,000	6,027	0.77
Investec, FRN 1.88% 16/07/2028	£3,500,000	2,816	0.36
Ithaca Energy North Sea 9.00% 15/07/2026	\$8,100,000	6,079	0.78
Jaguar Land Rover Automotive 5.88% 15/01/2028	\$5,900,000	4,336	0.55
Kane Bidco 5.00% 15/02/2027	€1,400,000	1,144	0.15
Kane Bidco 6.50% 15/02/2027	£7,500,000	6,900	0.88
Legal & General Group, FRN 4.50% 01/11/2050	£3,000,000	2,550	0.33
Motion Finco Sarl 7.38% 15/06/2030	€3,100,000	2,632	0.34
National Express Group, FRN 4.25% Perpetual	£5,400,000	4,377	0.56
NatWest Markets 6.38% 08/11/2027	£6,100,000	6,121	0.78
Neptune Energy Bondco 6.63% 15/05/2025	\$10,000,000	7,837	1.00
NGG Finance, FRN 5.63% 18/06/2073	£2,300,000	2,197	0.28
NIE Finance 5.88% 01/12/2032	£1,700,000	1,697	0.22
Ocado Group 3.88% 08/10/2026	£7,100,000	6,030	0.77
Premier Foods Finance 3.50% 15/10/2026	£6,700,000	5,991	0.77
RAC Bond 5.25% 04/11/2046	£4,800,000	3,768	0.48
Santander UK Group Holdings, FRN 7.10% 16/11/2027	£5,200,000	5,216	0.67
Sherwood Financing 6.00% 15/11/2026	£4,400,000	3,669	0.47
TP ICAP Finance 2.63% 18/11/2028	£1,600,000	1,207	0.15
TP ICAP Finance 7.88% 17/04/2030	£4,200,000	4,051	0.52
Victoria 3.63% 24/08/2026	€5,500,000	3,864	0.49
Vodafone Group 8.00% 30/08/2086	£5,000,000	4,991	0.64
Weir 6.88% 14/06/2028	£2,500,000	2,522	0.32
		<b>182,308</b>	<b>23.28</b>
<b>United States of America 19.72% (18.84%)</b>			
180 Medical 3.88% 15/10/2029	\$6,800,000	4,674	0.60
Adient Global Holdings 7.00% 15/04/2028	\$4,500,000	3,567	0.46
Arches Buyer 4.25% 01/06/2028	\$5,600,000	3,781	0.48
At Home Group 4.88% 15/07/2028	\$6,000,000	2,593	0.33
AT&T 4.30% 18/11/2034	€2,000,000	1,687	0.22
Ball 4.00% 15/11/2023	\$5,000,000	3,901	0.50
Bank of America, FRN 3.97% 05/03/2029	\$8,000,000	5,909	0.75
Capstone Borrower 8.00% 15/06/2030	\$5,000,000	3,855	0.49

	Holding/ nominal value	Valuation £'000	% of net assets
Catalent Pharma Solutions 2.38% 01/03/2028	€8,300,000	5,938	0.76
Cloud Software Group Holdings 6.50% 31/03/2029	\$2,700,000	1,889	0.24
Compass Group Diversified Holdings 5.25% 15/04/2029	\$5,500,000	3,901	0.50
Consensus Cloud Solutions 6.50% 15/10/2028	\$6,700,000	4,549	0.58
Coty Inc 4.75% 15/01/2029	\$5,500,000	3,975	0.51
Crocs 4.13% 15/08/2031	\$6,000,000	3,783	0.48
Emerald Debt Merger Sub 6.38% 15/12/2030	€8,000,000	6,881	0.88
Encore Capital Group 5.38% 15/02/2026	£4,300,000	3,790	0.48
Energizer Holdings 4.38% 31/03/2029	\$3,200,000	2,163	0.28
Ford Motor Credit 4.87% 03/08/2027	€1,100,000	945	0.12
Ford Motor Credit 6.86% 05/06/2026	£2,400,000	2,353	0.30
Fortrea Holdings 7.50% 01/07/2030	\$2,500,000	1,949	0.25
Knife River 7.75% 01/05/2031	\$500,000	398	0.05
LBM Acquisition 6.25% 15/01/2029	\$5,000,000	3,409	0.44
Legends Hospitality Holding 5.00% 01/02/2026	\$4,000,000	2,930	0.37
LKQ 6.25% 15/06/2033	\$9,100,000	7,132	0.91
Match Group Holdings II 3.63% 01/10/2031	\$5,700,000	3,626	0.46
McDonald's 3.60% 01/07/2030	\$5,500,000	3,978	0.51
Medline Borrower 3.88% 01/04/2029	\$6,100,000	4,171	0.53
Metropolitan Life Global Funding I 4.13% 02/09/2025	£2,500,000	2,405	0.31
MIWD Holdco II 5.50% 01/02/2030	\$5,600,000	3,696	0.47
Morgan Stanley, FRN 5.79% 18/11/2033	£3,300,000	3,200	0.41
MPT Operating Partnership, REIT 2.55% 05/12/2023	£4,655,000	4,539	0.58
MPT Operating Partnership, REIT 3.69% 05/06/2028	£8,500,000	6,099	0.78
Owens & Minor 6.63% 01/04/2030	\$5,408,000	3,837	0.49
Roller Bearing Co. of America 4.38% 15/10/2029	\$4,250,000	2,990	0.38
SCIL IV 5.38% 01/11/2026	\$5,000,000	3,591	0.46
Sotheby's 5.88% 01/06/2029	\$6,200,000	3,651	0.47
TripAdvisor 7.00% 15/07/2025	\$5,400,000	4,247	0.54
Verizon Communications 4.75% 17/02/2034	£3,300,000	2,981	0.38
VT Topco 8.50% 15/08/2030	\$5,000,000	3,967	0.51
Warnermedia Holdings 4.28% 15/03/2032	\$5,000,000	3,476	0.44
White Cap Buyer 6.88% 15/10/2028	\$4,000,000	2,774	0.35
ZipRecruiter 5.00% 15/01/2030	\$7,900,000	5,213	0.67
		<b>154,393</b>	<b>19.72</b>
<b>Corporate Bonds total</b>		<b>535,142</b>	<b>68.35</b>
<b>Forward Currency Contracts (0.12%) ((0.77%))</b>			
Buy Sterling 7,721,000 Sell Canadian Dollar 13,063,000 dated 08/08/2023		60	0.01
Buy Sterling 154,245,000 Sell Euro 180,488,000 dated 08/08/2023		(1,343)	(0.17)
Buy Sterling 3,004,000 Sell New Zealand Dollar 6,175,000 dated 08/08/2023		49	0.01
Buy Sterling 329,984,000 Sell US Dollar 420,265,000 dated 08/08/2023		(193)	(0.03)
Buy US Dollar 3,717,000 Sell Sterling 2,926,000 dated 10/08/2023		(6)	–
Buy Sterling 7,339,000 Sell Canadian Dollar 12,459,000 dated 08/09/2023		30	–
Buy Sterling 154,175,000 Sell Euro 178,720,000 dated 08/09/2023		(98)	(0.01)
Buy Sterling 2,947,000 Sell New Zealand Dollar 6,160,000 dated 08/09/2023		1	–
Buy Sterling 324,930,000 Sell US Dollar 412,915,000 dated 08/09/2023		595	0.07
<b>Forward currency contracts total</b>		<b>(905)</b>	<b>(0.12)</b>
<b>Investment assets (Including investment liabilities)</b>		<b>762,032</b>	<b>97.32</b>
<b>Net other assets</b>		<b>20,910</b>	<b>2.68</b>
<b>Net assets attributable to unitholders</b>		<b>782,942</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 7 August 2022.

^ Unlisted, suspended or delisted security.



## FINANCIAL STATEMENTS

### Statement of total return for the year ended 7 August 2023

	Note	7 August 2023		7 August 2022	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital losses	3		(27,816)		(105,951)
Revenue	5	49,160		42,940	
Expenses	6	(6,262)		(6,927)	
Interest payable and similar charges	7	(200)		(41)	
Net revenue before taxation		42,698		35,972	
Taxation	8	(301)		(185)	
Net revenue after taxation			42,397		35,787
<b>Total return before distributions</b>			14,581		(70,164)
Distributions	9		(47,904)		(41,949)
<b>Change in net assets attributable to unitholders from investment activities</b>			(33,323)		(112,113)

### Statement of change in net assets attributable to unitholders for the year ended 7 August 2023

	7 August 2023		7 August 2022	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		762,455		917,729
Amounts receivable on issue of units	158,938		56,884	
Amounts payable on cancellation of units	(108,495)		(101,462)	
		50,443		(44,578)
Dilution adjustment		–		42
Change in net assets attributable to unitholders from investment activities		(33,323)		(112,113)
Retained distribution on accumulation units		3,367		1,375
<b>Closing net assets attributable to unitholders</b>		782,942		762,455

### Balance Sheet as at 7 August 2023

	Note	7 August 2023	7 August 2022
		£'000	£'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments	10	763,672	749,777
<b>Current assets</b>			
Debtors	11	13,729	10,785
Cash and cash equivalents	12	25,691	29,115
<b>Total current assets</b>		39,420	39,900
<b>Total assets</b>		803,092	789,677
<b>Liabilities</b>			
Investment liabilities	10	1,640	7,708
<b>Creditors</b>			
Bank overdraft	13	527	3,800
Distribution payable		10,044	9,526
Other creditors	14	7,939	6,188
<b>Total creditors</b>		18,510	19,514
<b>Total liabilities</b>		20,150	27,222
<b>Net assets attributable to unitholders</b>		782,942	762,455

# 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 and the Statement of Recommended Practice ("SORP") issued by the Investment Management Association in May 2014 and amended in June 2017 and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis. The manager believes that the fund has adequate resources to continue in operational existence for the foreseeable future. No material events have been identified that may cast significant doubt about the fund's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue.

**(b) Valuation of investments.** All investments, including any derivatives, have been valued at 12 noon on the last working day of the accounting period. The last valuation point in the period has been used for the purposes of preparing the report and financial statements and in the manager's opinion there have been no material movements in the fund between the last valuation point and close of business on the balance sheet date. Where a fund invests in markets that are closed for trading at the fund's valuation point, the manager will allow for the net asset value to be adjusted (based on movements of index futures or other suitable proxies in markets closed at the valuation point, since the last market close), to reflect more accurately the fair value of the fund's investments. Listed investments are valued at fair value which is generally deemed to be the bid 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. Exchange traded derivatives, including options and futures, are shown in the portfolio statement, and are priced at fair value, which is deemed to be the quoted bid price for long positions and quoted offer price for short positions. Open forward currency contracts are shown in the portfolio statement at market value and the net gains/(losses) are reflected within forward currency contracts under net capital losses. Over-the-counter derivatives, including interest rate swaps and credit default swaps, are shown in the portfolio statement, and are priced at fair value using valuation models or data sourced from market data providers.

**(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) Revenue.** Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts ("REITs"), are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted

stocks are credited to revenue when the right to receive payment is established. Dividends are recognised gross of any overseas tax. Overseas tax is included as part of the tax charge. A provision is made for any overseas tax not considered recoverable at the balance sheet date, whether due to uncertainty as to receipt either due to circumstances or recovery experience in specific jurisdictions, or due to the significant time lag since the receipt of the dividend. Special dividends are reviewed on a case by case basis when determining if a dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Income from US REITs is split between revenue and capital depending on the composition of the distribution from the REIT. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Interest from debt securities bought or sold is excluded from the capital cost of such securities, and accounted for as part of revenue. Bank interest and interest on margin accounts held with brokers is recognised as revenue on an accruals basis. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Net gains are reflected within derivative contracts under net capital losses in the notes to the financial statements. Where futures 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.

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

**(f) 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.

**(g) Dilution adjustment.** The fund is priced on a single swinging price basis. The manager has the discretion to charge a dilution adjustment as part of its daily valuation policy. This will mean that in certain circumstances the fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. In the usual course of business the application of a dilution adjustment will be applied systematically and on a consistent basis.

## 2. Distribution policy

The distribution policy of the fund is to distribute all available revenue, after deduction of expenses and taxation properly chargeable against revenue. The fund satisfied the qualifying

investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout each distribution period and where applicable will pay an interest distribution. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on investments and derivatives whether realised or unrealised, if taken to capital are not available for distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. For accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

### 3. Net capital losses

	7 August 2023 £'000	7 August 2022 £'000
Forward currency contracts	9,546	(30,482)
Derivative contracts	3,124	189
Currency losses	(1,046)	(4,527)
Non-derivative securities	(39,440)	(71,131)
<b>Net capital losses</b>	<b>(27,816)</b>	<b>(105,951)</b>

### 4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the fund on each transaction and are summarised below.

Year ended 7 August 2023						
	Principal £'000	Commissions £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases</b>						
Equities	16,549	3	70	16,622	0.02	0.42
Bonds	666,064	–	–	666,064	–	–
<b>Sales</b>						
Equities	14,022	2	–	14,020	0.01	–
Bonds	618,210	–	–	618,210	–	–
<b>Total</b>		<b>5</b>	<b>70</b>			
<b>Percentage of fund average net assets</b>		<b>0.00%</b>	<b>0.01%</b>			

Year ended 7 August 2022						
	Principal £'000	Commissions £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases</b>						
Equities	24,176	7	106	24,289	0.03	0.44
Bonds	664,279	–	–	664,279	–	–
<b>Sales</b>						
Equities	72,406	17	–	72,389	0.02	–
Bonds	703,872	–	–	703,872	–	–
<b>Total</b>		<b>24</b>	<b>106</b>			
<b>Percentage of fund average net assets</b>		<b>0.00%</b>	<b>0.02%</b>			

During the year, the fund incurred £nil (2022: £nil) in capital transaction charges.

### Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.59% (2022: 0.84%). 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

	7 August 2023 £'000	7 August 2022 £'000
Interest on debt securities	42,866	35,052
UK dividends	3,768	4,810
Overseas dividends	2,013	2,851
Bank interest	399	35
Revenue from UK REITs	114	108
Revenue from other derivatives	–	84
<b>Total revenue</b>	<b>49,160</b>	<b>42,940</b>

## 6. Expenses

	7 August 2023 £'000	7 August 2022 £'000
<b>Payable to the manager, associates of the manager and agents of either of them:</b>		
Annual management charge	5,508	6,162
Administration fees	754	765
<b>Total expenses</b>	<b>6,262</b>	<b>6,927</b>

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

The audit fee (excluding VAT) accrued during the period was £9,650 (2022: £8,800). This fee is paid by the manager via the administration fee.

## 7. Interest payable and similar charges

	7 August 2023 £'000	7 August 2022 £'000
Interest payable	127	41
Interest payable on interest rate swaps	45	–
Interest payable on short futures	28	–
<b>Total interest payable and similar charges</b>	<b>200</b>	<b>41</b>

## 8. Taxation

	7 August 2023 £'000	7 August 2022 £'000
<b>a) Analysis of the tax charge for the year</b>		
Irrecoverable overseas tax	281	152
Tax on PID Income	20	22
Prior year adjustments	–	11
<b>Total taxation (note 8b)</b>	<b>301</b>	<b>185</b>
<b>b) Factors affecting the tax charge for the year</b>		
Net revenue before taxation	42,698	35,972
Corporation tax of 20% (2022: 20%)	8,540	7,194
<b>Effects of:</b>		
Irrecoverable overseas tax	281	152
Tax on PID Income	20	22
Prior year adjustments	–	11
Non-taxable overseas dividends	(403)	(570)
Non-taxable UK dividends	(736)	(962)
Tax deductible interest distributions	(7,361)	(5,662)
<b>Tax charge for the year (note 8a)</b>	<b>301</b>	<b>185</b>
<b>c) Provision for deferred tax</b>		
No provision for deferred tax has been made in the current or prior accounting year.		
<b>d) Factors that may affect future tax charges</b>		
The fund has not recognised a deferred tax asset (2022: £nil).		

## 9. Distributions

	7 August 2023 £'000	7 August 2022 £'000
Interim gross interest distribution – September 2022	1,079	891
Interim gross interest distribution – October 2022	931	630
Interim gross interest distribution - November 2022	9,806	8,224
Interim gross interest distribution - December 2022	893	753
Interim gross interest distribution - January 2023	1,003	640
Interim gross interest distribution - February 2023	9,223	7,964
Interim gross interest distribution - March 2023	940	621
Interim gross interest distribution - April 2023	1,085	928
Interim gross interest distribution - May 2023	11,010	10,250
Interim gross interest distribution - June 2023	1,182	891
Interim gross interest distribution - July 2023	1,086	913
Final gross interest distribution - August 2023	10,076	9,036
	<b>48,314</b>	<b>41,741</b>
Add: amounts deducted on cancellation of units	877	491
Deduct: amounts added on issue of units	(1,287)	(283)
<b>Distributions</b>	<b>47,904</b>	<b>41,949</b>
<b>Movement between net revenue and distributions</b>		
Net revenue after taxation	42,397	35,787
Annual management charge paid from capital	5,508	6,162
Undistributed revenue brought forward	–	1
Undistributed revenue carried forward	(1)	(1)
	<b>47,904</b>	<b>41,949</b>

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 26 and 27.

## 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).

	7 August 2023		7 August 2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	123,601	–	106,552	–
Level 2	640,071	1,640	642,866	7,708
Level 3	–	–	359	–
<b>Total</b>	<b>763,672</b>	<b>1,640</b>	<b>749,777</b>	<b>7,708</b>

## 11. Debtors

	7 August 2023 £'000	7 August 2022 £'000
Accrued revenue	9,393	9,704
Amounts receivable for issue of units	2,391	755
Sales awaiting settlement	1,761	–
Overseas withholding tax recoverable	178	279
Income tax recoverable from UK REITs	6	–
Amounts receivable on derivative contracts	–	47
<b>Total debtors</b>	<b>13,729</b>	<b>10,785</b>

## 12. Cash and cash equivalents

	7 August 2023 £'000	7 August 2022 £'000
Amounts held in liquidity funds	24,478	13,650
Collateral held with brokers	1,100	8,120
Cash and bank balances	100	6,760
Amounts held at brokers	13	585
<b>Total cash and cash equivalents</b>	<b>25,691</b>	<b>29,115</b>

## 13. Bank overdraft

	7 August 2023 £'000	7 August 2022 £'000
Bank overdrafts	527	–
Collateral pledged with brokers	–	3,800
<b>Total bank overdraft</b>	<b>527</b>	<b>3,800</b>

## 14. Other creditors

	7 August 2023 £ '000	7 August 2022 £ '000
Purchases awaiting settlement	4,917	5,042
Amounts payable for cancellation of units	2,340	515
Accrued annual management charge	588	529
Accrued administration fee payable to the manager	74	80
Corporation tax payable	20	22
<b>Total other creditors</b>	<b>7,939</b>	<b>6,188</b>

## 15. Contingent liabilities and commitments

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

## 16. Reconciliation of unit movements

	Units in Issue at 7 August 2022	Units issued	Units cancelled	Units converted	Units In Issue at 7 August 2023
MI distribution	254,037,057	78,121,802	(23,712,413)	(90,278)	<b>308,356,168</b>
QC distribution	45,889,237	2,725,103	(3,262,515)	476,830	<b>45,828,655</b>
QI distribution	585,193,460	69,130,353	(76,301,346)	173,568	<b>578,196,035</b>
QI accumulation	28,818,859	47,735,065	(9,465,168)	23,792	<b>67,112,548</b>
QR distribution	171,686,803	10,993,974	(46,875,880)	(610,458)	<b>135,194,439</b>

## 17. 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 equities and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

### (i) Interest rate risk

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

As part of the continuing review of the portfolio, the manager monitors and reviews these factors.

Currency	Floating Rate financial assets <sup>†</sup> £'000	Fixed Rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
<b>7 August 2023</b>				
US Dollar	<b>22,307</b>	<b>300,825</b>	<b>(318)</b>	<b>322,814</b>
Sterling	<b>89,348</b>	<b>133,291</b>	<b>74,204</b>	<b>296,843</b>
Euro	<b>11,765</b>	<b>104,037</b>	<b>37,960</b>	<b>153,762</b>
Canadian Dollar	–	<b>7,447</b>	<b>22</b>	<b>7,469</b>
New Zealand Dollar	–	<b>2,927</b>	<b>10</b>	<b>2,937</b>
Norwegian Krone	–	–	<b>22</b>	<b>22</b>
<b>7 August 2022</b>				
Sterling	30,814	248,013	66,391	345,218
US Dollar	2,237	252,694	4,047	258,978
Euro	3,549	125,032	31,872	160,453
Canadian Dollar	–	3,590	11	3,601
Norwegian Krone	–	–	78	78

<sup>†</sup> Includes cash and bank balances.

Forward currency contracts for Canadian Dollar, Euro, Sterling and US Dollar are not included within this table. These can be found in the portfolio statement on page 15.

As at 7 August 2023 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 5.4% fall in the prices of the underlying bonds it holds (2022: 4.0%). 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 £9,546,000 (2022: loss of £30,482,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.



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
<b>7 August 2023</b>				
Sterling	278,920	(478,467)	981,592	782,045
US Dollar	323,132	330,873	(651,591)	2,414
Norwegian Krone	–	22	–	22
New Zealand Dollar	2,927	2,964	(5,901)	(10)
Canadian Dollar	7,447	7,685	(15,144)	(12)
Euro	150,511	157,833	(309,861)	(1,517)
<b>7 August 2022</b>				
Sterling	331,953	12,938	410,731	755,622
US Dollar	254,233	4,745	(255,075)	3,902
Euro	157,839	2,614	(157,600)	2,853
Norwegian Krone	–	78	–	78
Canadian Dollar	3,590	11	(3,602)	(1)

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 £45,000 (2022: £342,000). 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 equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries 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 percent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £38,102,000 (2022: £37,087,000). A five percent decrease would have an equal and opposite effect.

Returns from bonds are fixed at the time of purchase, the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date may have a different price to its purchase level and a gain or loss may be realised.

Bond investments are exposed to credit rating risk which reflects the ability of a bond issuer to meet its obligations (i.e. pay interest on a bond and return the capital on the redemption date). Generally, the higher the credit rating of the bond issuer, the rate at which they can borrow money may be lower than a bond issuer with a lower credit rating reflecting the potentially higher risk. Additionally, the credit rating of a bond is likely to impact upon the market price of a bond with a higher credit rating reflecting the greater expectation that the bond will be redeemed by the issuer on the maturity date at the nominal amount. An element of the market price of a bond will reflect this.

### (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 7 August 2023 and 7 August 2022 the leverage ratios of the fund were:

	2023 %	2022 %
Sum of the notionals	474.0	237.8
Commitment	100.0	101.2

## (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 Northern Trust Investor Services Limited, the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of Northern Trust Investor Services Limited may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. 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 worthiness 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 requirements stipulated in COLL and the Prospectus. The derivatives are disclosed in the portfolio statement, Northern Trust is the counterparty for forward currency contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 7 August 2023 or 7 August 2022.

## Debt Security credit analysis\*

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

	7 August 2023 £'000	7 August 2022 £'000
Investment grade securities	270,620	205,246
Below investment grade securities	372,156	520,611
Unrated securities	4,006	14,351
<b>Total of debt securities</b>	<b>646,782</b>	<b>740,208</b>

\*Source of credit ratings: Artemis Investment Management LLP.

## Counterparty and collateral exposure

The types of derivatives held at the balance sheet date were credit default swaps and forward currency contracts. Details of the individual contracts are disclosed separately in the portfolio statement and the total position by counterparty and the collateral pledged, at the balance sheet date, were as follows:

Currency	Credit default swaps £'000	Foreign currency contracts £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
<b>7 August 2023</b>				
Northern Trust	–	(905)	(905)	1,100
<b>7 August 2022</b>				
Goldman Sachs	–	(7,786)	(7,786)	7,690
J.P. Morgan	92	2,417	2,509	(3,800)
UBS	–	(177)	(177)	430

Only cash collateral is pledged or held by the fund.

## (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 7 August 2023 or 7 August 2022.

## 18. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on 16 and notes 6, 9, 11 and 13 on 20 to 21 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 7 August 2023 in respect of these transactions was £611,000 (2022: £369,000).

## 19. Unit classes

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

MI distribution	0.625%
QC distribution	1.075%
QI distribution	0.625%
QI accumulation	0.625%
QR distribution	1.250%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 28 and 29.

The distributions per unit class are given in the distribution tables on pages 26 and 27. All classes have the same rights on winding up.

## 20. Post balance sheet event

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

## DISTRIBUTION TABLES

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

Monthly distribution period	Start	End	Ex-dividend date	Pay date
First interim	8 August 2022	7 September 2022	8 September 2022	7 November 2022
Second interim	8 September 2022	7 October 2022	8 October 2022	7 December 2022
Third interim	8 October 2022	7 November 2022	8 November 2022	6 January 2023
Fourth interim	8 November 2022	7 December 2022	8 December 2022	7 February 2023
Fifth interim	8 December 2022	7 January 2023	8 January 2023	7 March 2023
Sixth interim	8 January 2023	7 February 2023	8 February 2023	6 April 2023
Seventh interim	8 February 2023	7 March 2023	8 March 2023	5 May 2023
Eighth interim	8 March 2023	7 April 2023	8 April 2023	7 June 2023
Ninth interim	8 April 2023	7 May 2023	8 May 2023	7 July 2023
Tenth interim	8 May 2023	7 June 2023	8 June 2023	7 August 2023
Eleventh interim	8 June 2023	7 July 2023	8 July 2023	7 September 2023
Final	8 July 2023	7 August 2023	8 August 2023	6 October 2023

Quarterly distribution period	Start	End	Ex-dividend date	Pay date
First interim	8 August 2022	7 November 2022	8 November 2022	6 January 2023
Second interim	8 November 2022	7 February 2023	8 February 2023	6 April 2023
Third interim	8 February 2023	7 May 2023	8 May 2023	7 July 2023
Final	8 May 2023	7 August 2023	8 August 2023	6 October 2023

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.

### MI distribution

Interest distributions for the year ended 7 August 2023	Net revenue per unit(p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Interest per unit (p)	2021-22 Distribution per unit (p)
First interim	0.2570	0.1663	0.4233	0.3693
Second interim	0.1926	0.1735	0.3661	0.2662
Third interim	0.0849	0.2320	0.3169	0.2452
Fourth interim	0.1962	0.1402	0.3364	0.3197
Fifth interim	0.1902	0.1821	0.3723	0.2710
Sixth interim	0.1529	0.1753	0.3282	0.2708
Seventh interim	0.1431	0.1930	0.3361	0.2640
Eighth interim	0.1723	0.2137	0.3860	0.3872
Ninth interim	0.2152	0.2067	0.4219	0.4449
Tenth interim	0.1818	0.2042	0.3860	0.3508
Eleventh interim	0.1922	0.1609	0.3531	0.3614
Final	0.1778	0.1494	0.3272	0.2895

### QC distribution

Interest distributions for the year ended 7 August 2023	Net revenue per unit(p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2021-22 Distribution per unit (p)
First interim	0.3277	0.6859	1.0136	0.8095
Second interim	0.3681	0.5802	0.9483	0.7910
Third interim	0.1977	0.8478	1.0455	1.0058
Final	0.1623	0.8112	0.9735	0.9180

## QI distribution

Interest distributions for the year ended 7 August 2023	Net revenue per unit(p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2021-22 Distribution per unit (p)
First interim	0.4954	0.6164	1.1118	0.8839
Second interim	0.4251	0.6163	1.0414	0.8648
Third interim	0.2175	0.9322	1.1497	1.1009
Final	0.1787	0.8927	1.0714	1.0059

## QI accumulation

Interest distributions for the year ended 7 August 2023	Net revenue per unit(p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2021-22 Distribution per unit (p)
First interim	0.4981	1.1490	1.6471	1.2439
Second interim	0.7644	0.8048	1.5692	1.2306
Third interim	0.3326	1.4256	1.7582	1.5843
Final	0.2778	1.3882	1.6660	1.4694

## QR distribution

Interest distributions for the year ended 7 August 2023	Net revenue per unit(p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2021-22 Distribution per unit (p)
First interim	0.3771	0.6318	1.0089	0.8072
Second interim	0.3618	0.5817	0.9435	0.7884
Third interim	0.1966	0.8432	1.0398	1.0021
Final	0.1612	0.8065	0.9677	0.9143

## COMPARATIVE TABLES

	MI distribution			QC distribution		
	2023	2022	2021	2023	2022	2021
<b>Change in net assets per unit (p)</b>						
<b>Opening net asset value per unit</b>	<b>70.65</b>	<b>80.86</b>	<b>74.75</b>	<b>64.40</b>	<b>74.09</b>	<b>68.79</b>
Return before operating charges*	1.94	(5.82)	10.34	1.80	(5.35)	9.53
Operating charges	(0.50)	(0.55)	(0.56)	(0.74)	(0.82)	(0.84)
<b>Return after operating charges*</b>	<b>1.44</b>	<b>(6.37)</b>	<b>9.78</b>	<b>1.06</b>	<b>(6.17)</b>	<b>8.69</b>
Distributions	(4.35)	(3.84)	(3.67)	(3.98)	(3.52)	(3.39)
Retained distributions on accumulation units	—	—	—	—	—	—
<b>Closing net asset value per units</b>	<b>67.74</b>	<b>70.65</b>	<b>80.86</b>	<b>61.48</b>	<b>64.40</b>	<b>74.09</b>
*after direct transaction costs of	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)
<b>Performance</b>						
Return after charges	2.04%	(7.88)%	13.08%	1.65%	(8.33)%	12.63%
<b>Other information</b>						
Closing net asset value (£'000)	208,876	179,475	193,178	28,176	29,554	31,137
Closing number of units	308,356,168	254,037,057	238,907,353	45,828,655	45,889,237	42,028,893
Operating charges	0.73%	0.72%	0.71%	1.18%	1.17%	1.16%
Direct transaction costs	0.01%	0.02%	0.02%	0.01%	0.02%	0.02%
<b>Prices</b>						
Highest unit price (p)	71.72	81.28	81.38	65.54	74.50	75.13
Lowest unit price (p)	63.43	68.38	74.68	58.47	62.71	68.89

	QI distribution			QI accumulation		
	2023	2022	2021	2023	2022	2021
<b>Change in net assets per unit (p)</b>						
<b>Opening net asset value per unit</b>	<b>70.61</b>	<b>80.86</b>	<b>74.74</b>	<b>104.65</b>	<b>113.83</b>	<b>100.48</b>
Return before operating charges*	1.97	(5.84)	10.37	3.06	(8.40)	14.13
Operating charges	(0.50)	(0.55)	(0.56)	(0.76)	(0.78)	(0.78)
<b>Return after operating charges*</b>	<b>1.47</b>	<b>(6.39)</b>	<b>9.81</b>	<b>2.30</b>	<b>(9.18)</b>	<b>13.35</b>
Distributions	(4.37)	(3.86)	3.69	(6.64)	(5.53)	(5.04)
Retained distributions on accumulation units	—	—	—	6.64	5.53	5.04
<b>Closing net asset value per units</b>	<b>67.71</b>	<b>70.61</b>	<b>80.86</b>	<b>106.95</b>	<b>104.65</b>	<b>113.83</b>
*after direct transaction costs of	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)
<b>Performance</b>						
Return after charges	2.08%	(7.90)%	13.13%	2.20%	(8.06)%	13.29%
<b>Other information</b>						
Closing net asset value (£'000)	391,504	413,182	531,421	71,779	30,158	18,162
Closing number of units	578,196,035	585,193,460	657,239,591	67,112,548	28,818,859	15,954,992
Operating charges	0.73%	0.72%	0.71%	0.73%	0.72%	0.72%
Direct transaction costs	0.01%	0.02%	0.02%	0.01%	0.02%	0.02%
<b>Prices</b>						
Highest unit price (p)	72.02	81.36	81.99	108.54	114.57	114.13
Lowest unit price (p)	64.15	68.72	74.86	95.08	100.43	100.67

High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

## COMPARATIVE TABLES

	QR distribution		
	2023	2022	2021
<b>Change in net assets per unit (p)</b>			
<b>Opening net asset value per unit</b>	<b>64.12</b>	<b>73.89</b>	<b>68.73</b>
Return before operating charges*	1.78	(5.32)	9.50
Operating charges	(0.84)	(0.94)	(0.96)
<b>Return after operating charges*</b>	<b>0.94</b>	<b>(6.26)</b>	<b>8.54</b>
Distributions	(3.96)	(3.51)	(3.38)
<b>Closing net asset value per units</b>	<b>61.10</b>	<b>64.12</b>	<b>73.89</b>
*after direct transaction costs of	(0.01)	(0.01)	(0.01)
<b>Performance</b>			
Return after charges	1.47%	(8.47)%	12.43%
<b>Other information</b>			
Closing net asset value (£'000)	82,607	110,086	143,831
Closing number of units	135,194,439	171,686,803	194,649,472
Operating charges	1.35%	1.34%	1.33%
Direct transaction costs	0.01%	0.02%	0.02%
<b>Prices</b>			
Highest unit price (p)	65.20	74.29	74.94
Lowest unit price (p)	58.19	62.44	68.83

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	7 August 2023
MI distribution	0.73%
QC distribution	1.18%
QI distribution	0.73%
QI accumulation	0.73%
QR distribution	1.35%

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 QI distribution performance

	Since launch*	10 years	5 years	3 years	1 year	6 months
Artemis High Income Fund**	223.6	41.4	6.9	6.7	2.9	0.4
IA £ Strategic Bond NR Average	142.3	24.8	2.7	(6.0)	(2.3)	(1.7)
Position in sector	2/11	4/43	18/57	7/64	3/71	13/72
Quartile	1	1	2	1	1	1

Past performance is not a guide to the future.

\* Source: Lipper Limited, data from 9 September 2002, when Artemis took over management of the fund, to 7 March 2008 reflects class QR distribution units and from 7 March 2008 to 7 August 2023 reflects class QI distribution units. All figures show total returns with interest 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 sector benchmark.

\*\* Value at 12 noon valuation point.

Class QI distribution is disclosed as it is the representative unit class.

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