

# EDENTREE INVESTMENT FUNDS

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Short Report  
30 June 2016





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# Management Contact Details

## Authorised Corporate Director

The Authorised Corporate Director (ACD) is EdenTree Investment Management Limited (EIM). The investments of EdenTree Investment Funds (EIF) are managed by the ACD. The ACD has prepared financial statements that comply with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Association in May 2014.

The latest long report is available on request.

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Authorised and regulated by the Financial Conduct Authority

## Constitution

EIF (referred to as the "Company") is an Open-Ended Investment Company (OEIC). It has variable capital and was incorporated with limited liability under the Open-Ended Investment Companies Regulations 2001 (OEIC Regulations) in Great Britain under registered number IC 00037. It is authorised and regulated by the Financial Conduct Authority as a UCITS scheme.

The Company is an 'umbrella' company and comprises of six authorised investment securities sub-funds (individually referred to as the "Fund").

## Directors of Eden Tree Investment Management Limited

MCJ Hews, BSc, FIA (Chairman)  
SJ Round  
RW Hepworth  
RDC Henderson  
IG Campbell

## Ultimate Parent Company of the ACD

Allchurches Trust Limited  
Beaufort House, Brunswick Road,  
Gloucester GL1 1JZ

## Depositary

BNY Mellon Trust and Depositary (UK) Limited  
The Bank of New York Mellon Centre,  
160 Queen Victoria Street,  
London EC4V 4LA

Authorised and regulated by the Financial Conduct Authority

## Registrar

Northern Trust Global Services Limited  
50 Bank Street, Canary Wharf,  
London E14 5NT

## Auditor

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## Significant Change

Investors should note that with effect from 1 September 2016, the minimum lump sum investment for Class A shares will increase from £200 to £1,000 and the minimum regular saver contribution will increase from £25 to £50 per month. The increase will not apply to existing investors.

# Report of the Authorised Corporate Director – Investment Environment

## Investment Environment

The opening six months of the year have been overshadowed by macroeconomic and geopolitical events, from the drawn-out and surprising US presidential primary campaign, to the uncertainty surrounding the UK's European Union referendum. At the forefront of investors' concerns at the beginning of the year was the significant weakening of the Chinese yuan and the potential impact that it may have on the slowing Chinese economy, which weighed on global investment markets. Focus then shifted towards a recovery in the oil price from a thirteen year low and accommodative actions from the World's major central banks, both of which provided a boost to sentiment and asset prices. At the end of the period, risk assets around the globe, notably equities, sold off sharply as investors digested the possible socio-economic and investment implications of the UK's surprise decision to sever its forty-three year membership in the EU.

Overall, the global equity market concluded the first half of the year in positive territory, with indices in emerging economies outperforming their counterparts in developed economies. Both, however, underperformed global bond markets, with the yields on the ten-year government bonds of many developed nations falling to historic lows, most notably Japan and Germany, which ended the period in negative territory.

## UK

The UK electorate's vote to leave the European Union on 23rd June had a major impact on domestic financial markets and was the key driver behind returns over the first half of 2016. In the run-up to the poll, increasing confidence that the majority of voters would choose to 'Remain' saw company shares and sterling rally, before the vote itself sent both tumbling. In the subsequent days, the British prime minister handed in his notice, the leader of the opposition battled against a political coup and the UK was stripped of its top government credit rating by leading agencies. The market did find some support in the closing days of the period as the Bank of England's (BoE) governor guided that central bank could provide additional monetary policy stimulus to counter the adverse impact on the domestic economy.

While the full implications of the EU referendum will not be fully known for some time, the shockwaves and consequences surrounding "Brexit" will resonate for years. Sterling fell by 11.7% on a trade-weighted basis over the course of the six month period, positively impacting the prospects for UK exporters and many companies that derive a large proportion of their earnings overseas. As a result, the FTSE All-Share Index increased by 2.1%, as the more internationally exposed FTSE 100 Index rallied by 4.2% over the first half of the year, while the more domestically focused FTSE 250 Mid Cap Index and the FTSE Small Cap Index both ended the six month period in negative territory, generating negative returns of 6.7% and 3.5% respectively. On a sector basis, the resource sectors Health Care and the consumer focused sectors (all major overseas earners) generated strong returns. The oil and gas companies were also supported by a recovery in the oil price, driven by a reduction in US production.

## Europe

The FTSE World Europe (excluding the UK) Index fell by 9.7% over the first half of the year, however, the relative weakness of the Euro increased returns for sterling investors to a 2.1% gain (the Euro appreciated by 14.5% against sterling over the period). Most of Europe's equity markets declined over the period in local currency terms, with many different factors having an adverse effect on sentiment. These included the UK voting to leave the EU, potential downward pressure on the earnings of financial companies from negative interest rates, uncertainty over elections in Spain and debt negotiations in Greece. Economic growth in the eurozone remained modestly positive, at 0.5% in the first quarter of 2016, with Germany growing more strongly, although inflation remained stubbornly low. The European Central Bank (ECB) continued to act to support the eurozone's economy. Although the ECB did not cut interest rates any further following the unexpectedly aggressive action taken in March, it has included certain corporate bonds among the assets it will buy in order to keep interest rates low.

## US

Despite being relatively expensive on most measures, the US equity market has continued to provide some of the best returns for investors. This has been aided by a domestic economy with decent momentum, even though confidence has deteriorated in recent months and the prospect that the Federal Reserve was considering another interest rate hike earlier than previously expected was accepted without too much trouble, with investors seeming to acknowledge that it was reflective of an improving economy. Eventually, no increase to interest rates was made, with concern about global economic and financial developments, including Brexit, being given as the reason. Overall, the Dow Jones Industrial Average Index increased by 2.9% over the six month period, while the more broader S&P 500 Index increased by 2.7%, however, the significant weakness in Sterling relative to the US dollar increased returns for UK based investors to 14.3% and 14% respectively.

## Japan

Despite extremely loose monetary policy from the Bank of Japan (BOJ), the Japanese equity market has been undermined year-to-date by the surprising strength of the yen, which has hampered prospects within its important exports sector. The domestic economic recovery has also been lacklustre and Prime Minister Shinzo Abe's target of 2% inflation continues to appear unachievable. However, Sterling investors were at least compensated by substantial currency gains, as the Nikkei 225 Index fell by 18.2% in local currency terms over the period, but the 29% appreciation in Yen relative to Sterling increased returns for UK-based investors to a 6.9% gain.

## Asia Pacific ex. Japan

Chinese economic growth continued to slow in the first six months of the year. The domestic economy expanded at an annualised rate of 6.7% in the first quarter of 2016. After years of tremendous growth, the Chinese government is attempting to shift from a manufacturing led economy to a consumer led economy with a strong services sector. Elsewhere, the recovery in the price of oil and many commodities had a positive effect on several equity markets within the region, particularly Australia and Malaysia, while the Taiwanese equity market was hit by concerns over the possible slowing demand for electronic components from major US technology companies.

## Outlook

With the result of the EU referendum now apparent, the UK and Europe will be dealing with the fallout from a divisive campaign; the effect on the investment industry remains to be seen. The European Central Bank (ECB) continues to provide support for the European economic recovery and its bond purchase programme should help limit the financial contagion stemming from the "Brexit" vote. This is crucial as the European economic recovery is still in the relatively early stages, with unemployment levels falling but still high (the eurozone unemployment rate stood at 10.3% at the end of the first quarter), while credit demand and supply gradually improves. Political risk also remains apparent with Spain starting an eighteen month general election cycle which includes five of the largest Euro-area economies (Spain, France, Netherlands, Germany and Italy) and not forgetting the United States in November also. Add the crucial senate reform vote in Italy in October and there is significant scope for rebellion against the establishment, which could provoke further volatility within financial markets.

# Investment Objectives and Policies

These Funds are marketable to retail investors.

These Funds are managed in line with the requirements for inclusion in an ISA. The portfolio will consist primarily of transferable securities but the Manager may also invest in units in collective investment schemes, money-market instruments, derivatives and forward transactions, deposits, nil and partly paid securities, bonds, convertible bonds, cash and near cash as deemed economically appropriate to meet the Funds' objectives.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Funds, although it may, subject to obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days notice to shareholders in the Funds, use derivatives in pursuit of their investment objectives in the future. If derivatives are used for the purpose of meeting the investment objectives of the Funds it is not intended that the use of derivatives would cause the Net Asset Value of the Funds to have higher volatility or otherwise cause the existing risk profiles of the Funds to change.

## Amity UK

The Fund aims to achieve long-term capital appreciation and a reasonable level of income by investing principally in UK companies.

The Amity UK Fund seeks to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.

## Amity European

To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of European companies.

The Amity European Fund seeks to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.

## Amity International

To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of International companies.

The Amity International Fund seeks to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.

## Amity Sterling Bond

The Fund aims to provide an attractive level of income.

The Amity Sterling Bond Fund seeks to invest in a highly diversified portfolio of Government and good quality fixed interest securities issued by companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

The Fund's investments will be principally denominated in sterling but the Fund may invest in other currency bonds and securities that the Manager thinks appropriate to meet the investment objective.

The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.

## Higher Income

To provide an above average and growing level of income together with capital growth over the longer term.

The Manager will seek to achieve the investment objective by investing in a mix of equities, fixed interest securities and such other investments that the Manager considers suitable.

## UK Equity Growth

To achieve long-term capital growth with a reasonable level of income.

The UK Equity Growth Fund is designed to invest primarily in a range of UK incorporated and/or listed companies which the Manager believes offer good potential for long-term capital growth.

# Risk Profile

## Amity UK

Most of the assets will be invested in the UK stock market so could be affected by any change in this market.

Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

## Amity European

The investment's value may be affected by changes in exchange rates.

The entire market of European stocks and shares might decline thus affecting the prices and values of the assets.

Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

## Amity International

The investment's value may be affected by changes in exchange rates.

The equity markets invested in might decline thus affecting the prices and values of the assets.

Some of the investments may be in emerging markets, which can be more volatile and carry risks associated with changes in their economies and political status. Also they may not offer the same level of investor protection as would apply in more developed jurisdictions.

Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

## Amity Sterling Bond

The Fund holds a variety of different fixed interest securities including government and corporate bonds, preference shares and permanent interest bearing shares with a spread of durations. The Fund may invest in index or inflation linked bonds as well as conventional fixed interest instruments. Some of the bonds hold credit ratings however the Fund also invests in unrated bonds and other fixed interest instruments.

The investment's value may be affected by changes in inflation and interest rates.

An issuer of fixed interest stock may default, so causing a reduction in the capital and income value of the Fund.

The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time.

Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

## Higher Income

The equity markets invested in might decline thus affecting the prices and values of the assets.

The Fund holds Corporate and Government bonds of a spread of durations. The various bonds have a spread of different security ratings as the investment managers do not set minimum security standards for such bonds.

The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time.

An issuer of fixed interest stock may default, so causing a reduction in the capital and income value of the Fund.

The investment's value may be affected by changes in exchange rates and interest rates.

## UK Equity Growth

Most of the assets will be invested in the UK stock market so could be affected by any change in this market.

# Amity UK Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the course of the period under review the Amity UK Fund returned -5.2%\*, underperforming the return on the FTSE All-Share Index of 4.3% and the IA UK All Companies sector average return of -2.8%, both measured on a similar basis.

The Manager's ethical screening process generally excludes Tobacco, Beverages, Mining and Oil & Gas companies, which have performed strongly over the period, especially in June. The Fund's significant exposure to small and medium sized companies which fell sharply in the period contributed to the underperformance, the vast majority after the EU Referendum result.

From a sector allocation perspective, the Fund benefited from being overweight in Healthcare and Utilities and underweight in Banks. Underweight positions in Tobacco, Beverages, Mining and Oil & Gas and overweight positions in General Retailers and Life Insurance acted as a drag on performance.

At a stock level, Halma, GlaxoSmithKline and Scapa Group were amongst the biggest contributors to performance, whilst significant detractors included Prudential, Dunelm Group and BT.

In respect of Fund activity, positions in several holdings were augmented – Mears Group (Support Services), Victrex (Chemicals), Porvair (Filtration), Close Brothers (Banks), Trifast (Industrials), Keller (Engineering), Atkins (Consulting) and Horizon Discovery (Life Sciences). A new holding was established in Hotel Chocolat Group (Food Producer) and the position in G4S (Security) was sold off. On the M&A front, the takeover of C&W (Telecoms) by US based Liberty Global (part cash and shares) was completed resulting in the sale of shares received in Liberty Global.

## Prospects

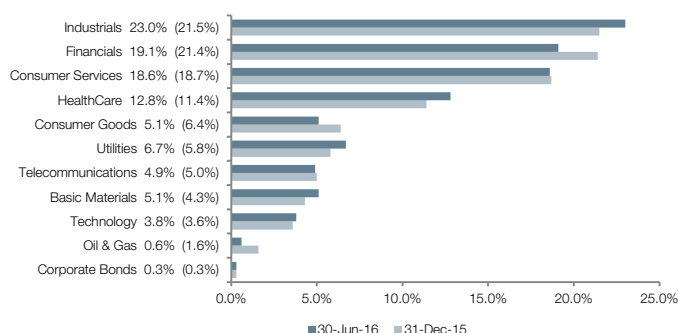
The decision of the UK electorate to vote to leave the European Union has caused heightened market volatility at a time when the global economy is still in a perilously fragile state. The UK must now spend a considerable period of time negotiating a new relationship with its neighbours and until the shape of that relationship is known, the UK's outlook will be shrouded in uncertainty. Sterling ended the quarter at \$1.33, a thirty-one year low with most forecasts predicting it could fall even further from here. The drop in Sterling is a positive for UK exporters but negative for importers and consumers as it is likely to push inflation into higher territory. Despite the loss of the country's AAA credit rating, the yield on 10-year gilts closed out Q2 at 0.86%, its lowest level in history as investors sought safe haven assets following the referendum outcome. An immediate impact of Brexit is that the Bank of England will now almost certainly move to lower interest rates, in order to stabilise economic activity. Already GDP growth forecasts for the UK have been revised considerably lower following the referendum. Meanwhile in the US the Fed is likely to delay any rate rises, given some soft recent domestic data as well as the impact of Brexit on the wider global economy. The portfolio is constructed by selecting stocks on the basis of their individual merits and prospects. The Fund continues to maintain healthy cash balances, patiently seeking to invest in companies at attractive valuations in line with its long-term strategy.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

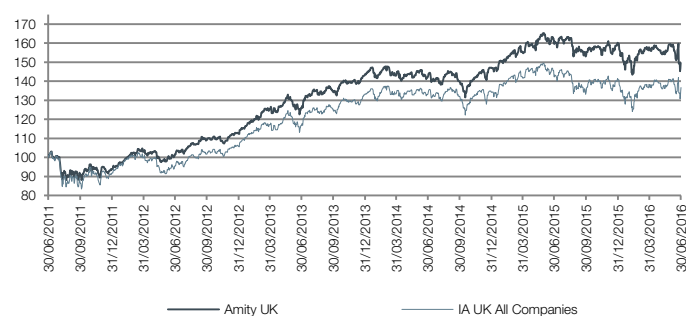
## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



Figures exclude cash

## Performance



Graph showing the return of the Amity UK Fund compared to IA UK All Companies Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

Period	Amity UK Fund		IA UK All Companies Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/16	(5.2)%	196	(2.8)%	280
01/01/15 – 31/12/15	7.6%	87	4.8%	277
01/01/14 – 31/12/14	1.5%	91	0.7%	272
01/01/13 – 31/12/13	27.2%	109	26.2%	261
01/01/12 – 31/12/12	18.4%	74	15.4%	279
01/01/11 – 31/12/11	(3.4)%	45	(6.9)%	295

Table showing % return and ranking of the Amity UK Fund against IA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.



# Amity UK Fund

## Major holdings

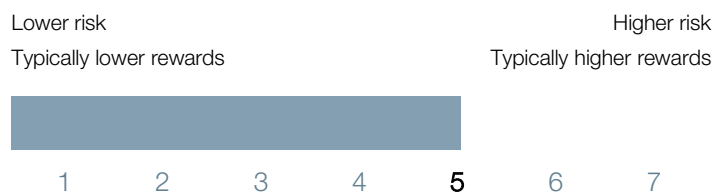
Top ten holdings	Percentage of total net assets at 30 June 2016
Halma	3.07%
Dechra Pharmaceuticals	2.63%
Smith & Nephew	2.23%
GlaxoSmithKline	2.21%
BT	1.97%
DS Smith	1.92%
Dunelm Group	1.88%
Dignity	1.86%
Scapa Group	1.86%
Prudential	1.68%

## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.55%	0.80%	1.30%
31 December 2015	1.55%	0.80%	1.30%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	212.60	191.40
Share Class B	212.40	190.70
Share Class C	391.20	351.90
<b>31 December 2015</b>		
Share Class A	225.50	198.40
Share Class B	225.10	197.50
Share Class C	407.40	358.00
<b>31 December 2014</b>		
Share Class A	206.30	181.70
Share Class B	205.50	181.80
Share Class C	366.40	325.00
<b>31 December 2013</b>		
Share Class A	202.90	163.40
Share Class B	203.10	162.50
Share Class C	356.90	285.00

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Net income distributions/accumulations	
	Net asset value (£)	Net asset value (p)	Number of shares in issue	Pence per share
<b>30 June 2016</b>				
Share Class A	27,254,994	199.95	13,631,195	1.1000
Share Class B	68,186,805	199.63	34,155,813	1.3000
Share Class C	34,202,393	370.07	9,242,192	1.9000
<b>31 December 2015</b>				
Share Class A	34,333,446	212.96	16,122,336	3.2488
Share Class B	63,068,691	211.99	29,751,339	4.9724
Share Class C	38,005,911	391.40	9,710,308	7.0833
<b>31 December 2014</b>				
Share Class A	41,790,951	200.80	20,812,700	2.7171
Share Class B	45,391,688	199.84	22,713,969	4.2605
Share Class C	38,308,178	362.37	10,571,470	5.8315
<b>31 December 2013</b>				
Share Class A	47,875,131	200.66	23,859,234	2.8066
Share Class B	31,340,956	199.66	15,697,212	4.2446
Share Class C	40,063,850	356.24	11,246,239	5.8589

# Amity European Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the first six months of 2016, the Amity European Fund returned 2.5%\*, outperforming the 2.1% return of the IA European sector average but underperforming the FTSE World Europe (Excluding the UK) Index return of 4.8%.

Sector allocation and stock selection both had a negative impact on the Fund's relative performance against the benchmark over the period. This was particularly apparent in the Consumer Staples sector, where the Fund's underweight exposure to one of the market's perceived safe havens proved to be a significant detractor while the Fund's holdings within the area broadly performed weakly, most notably the speciality bakery Arytza, which fell significantly after a disappointing trading update.

The Fund's underweight position in the Energy sector also had a detrimental impact on relative performance as the strong rally in the oil price over the period lifted the prospects for those companies whose sales are reliant upon the value of the staple commodity.

Conversely, the positive impact of stock selection in European Media and Information Technology contributed to both absolute and relative performance. With regards to the former, the Fund's holdings in Wolters Kluwer was one of the stand out contributors to overall returns over the period (+33.6% in Sterling terms), boosted by a solid trading update after the first quarter in which sales, profit and cash flow all increased year-over-year. The Company also reiterated their expectations for the full year, which the market took positively. The Fund's holding in the advertising agency Publicis Groupe also performed strongly (+14.1% in Sterling terms) after delivering a trading update for the opening quarter that exceeded the market's expectations. In Technology, the Fund was positively impacted by the strong performance of its holding in Software AG (+32.5% in Sterling terms), which has been buoyed by recent financial performance, in which the company has reported its highest ever growth rate in licencing income, attributable to a number of high-profile deals.

An underweight position in European Financials was modestly beneficial to the Fund's relative performance, however, the positive impact was somewhat tempered by a negative stock selection effect, largely derived from the Fund's holdings in European Banks, where share prices fell amid concerns over the impact of negative deposit rates on profitability. Strong performance from the Fund's holdings in Health Care, most notably Carl Zeiss Meditec (+45.8% in Sterling terms) and Merck KGaA (+16.1%) also provided a significant boost to absolute and relative performance.

Major transactions during the period have included the Fund's participation in the initial public offering of ASR Nederland, the largest insurance provider in the Netherlands, which came to market at an attractive valuation. The Fund also established a new position in Elmos Semiconductor, a German based developer and manufacturer of semiconductor content for vehicles, as well as the global luxury apparel company Hugo Boss. Following a sustained period of strong share price performance, the Fund took some profits from its positions in Carl Zeiss Meditec and Software AG. The Fund also reduced its exposure to Austrian power company, EVN.

## Prospects

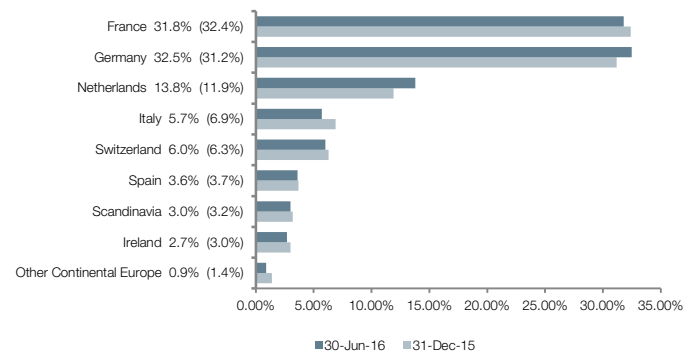
The European Central Bank (ECB) continues to provide support for the European economic recovery and its bond purchase programme should help limit the financial contagion stemming from the "Brexit" vote. This is crucial as the European economic recovery is still in the relatively early stages, with unemployment levels falling but still high (the eurozone unemployment rate stood at 10.3% at the end of the first quarter), while credit demand and supply gradually improves. Political risk also remains apparent with Spain starting an eighteen month general election cycle which includes five of the largest Euro-area economies (Spain, France, Netherlands, Germany and Italy) and also, not forgetting the United States in November. Add the crucial senate reform vote in Italy in October and there is significant scope for rebellion against the establishment, which could provoke further volatility within financial markets. In that context, we continue to adhere to our bottom-up, stock-picking process, searching for companies with strong cash flows, robust balance sheets and healthy long-term growth outlooks.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

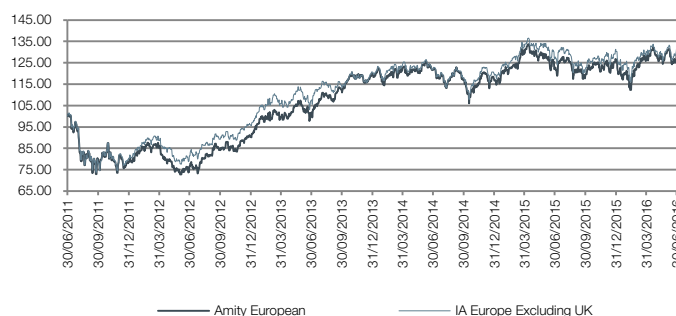
## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



Figures exclude cash

## Performance



Graph showing the return of the Amity European Fund compared to IA Europe (excluding UK) Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Amity European Fund		IA Europe (excluding UK) Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/16	2.5%	51	2.1%	124
01/01/15 – 31/12/15	7.1%	79	9.2%	112
01/01/14 – 31/12/14	(3.0)%	85	(1.0)%	109
01/01/13 – 31/12/13	31.5%	13	26.1%	99
01/01/12 – 31/12/12	13.4%	97	19.1%	105
01/01/11 – 31/12/11	(16.3)%	61	(15.9)%	108

Table showing % return and ranking of the Amity European Fund against IA Europe (excluding UK) Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.

# Amity European Fund

## Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2016
Merck KGaA	3.16%
Wolters Kluwer	3.15%
Cie Generale des Etablissements Michelin 'B'	2.81%
Sanofi-Aventis	2.70%
Smurfit Kappa	2.69%
Novartis	2.66%
Publicis Groupe	2.36%
Carl Zeiss Meditec	2.35%
Bayer	2.32%
Orange	2.29%

## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.58%	0.83%	1.33%
31 December 2015	1.57%	0.82%	1.32%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile

Lower risk Higher risk  
Typically lower rewards Typically higher rewards



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 6 as its price has experienced very significant rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	211.00	179.30
Share Class B	213.20	180.90
Share Class C	245.70	208.60
<b>31 December 2015</b>		
Share Class A	218.30	187.60
Share Class B	220.50	189.10
Share Class C	249.60	214.40
<b>31 December 2014</b>		
Share Class A	209.30	174.20
Share Class B	211.70	176.30
Share Class C	236.00	198.60
<b>31 December 2013</b>		
Share Class A	203.10	156.60
Share Class B	205.40	157.80
Share Class C	226.70	173.10

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Net income distributions/accumulations	
	Net asset value (£)	Net asset value (p)	Number of shares in issue	Pence per share
<b>30 June 2016</b>				
Share Class A	5,194,603	203.51	2,552,523	2.0000
Share Class B	57,700,333	205.55	28,071,034	2.4000
Share Class C	724,837	239.43	302,738	2.4000
<b>31 December 2015</b>				
Share Class A	6,245,753	201.36	3,101,803	2.9592
Share Class B	55,910,622	202.94	27,550,982	4.6489
Share Class C	706,603	234.21	301,696	4.1118
<b>31 December 2014</b>				
Share Class A	10,075,765	190.86	5,279,177	2.2396
Share Class B	50,028,273	192.34	26,010,550	3.8409
Share Class C	661,258	218.02	303,296	3.2535
<b>31 December 2013</b>				
Share Class A	12,300,539	198.94	6,182,976	2.9232
Share Class B	44,606,848	200.51	22,246,675	4.3700
Share Class C	753,398	223.99	336,352	3.7859

# Amity International Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the course of the period under review, the Amity International Fund returned 10.0%\*, outperforming the 7.2% return of the IA Global sector average but underperforming the FTSE All World Index return of 12.0%.

Geographical and currency allocation had a negative impact during the period but stock selection was positive. The Fund's underweight exposure to US equities acted as a headwind as the S&P 500 rose 15.3% in Sterling terms, helped by the collapse in the value of the Pound following the UK's vote to leave the European Union. In Dollar terms, the S&P 500 delivered a more muted 3.8% return for the period.

The Fund's overweight exposure to Asia, primarily through the markets of Hong Kong and Singapore, had a mixed impact. The Hang Seng Index posted an 8.2% (Sterling) return for the period, underperforming the world index, but the Singapore market recorded a 16.9% (Sterling) return, aiding overall fund performance. Overweight exposure to the UK was a negative, the UK market lagging behind global peers during the period. Overweight exposure to continental Europe was also detrimental to performance as the region offered uncompetitive returns.

Stock selection added value during the period. A position in Hong Kong listed auto-parts manufacturer Minth Group was the largest positive contributor to performance, the company's shares rallying after positive earnings results and an improving margin outlook. UK healthcare company GlaxoSmithKline was the second-largest positive contributor, its shares jumping 12% in the days following the UK referendum result; the company derives a large proportion of its earnings from overseas and is therefore set to benefit from the collapse in Sterling. Its limited sensitivity to the domestic economy, combined with the defensive growth properties of health care stocks, made it a popular purchase amongst investors following the referendum result. Other stocks that added value during the period included Jardine Matheson, RSA Insurance and positions in the two US telecom giants, AT&T and Verizon Communications.

There were no material changes to the Fund's strategy or allocation during the period. The Fund retains its overweight exposure to Asian equities, primarily through the more advanced economies of Hong Kong and Singapore, and its underweight stance on the US.

Major transactions during the period have included purchases of HSBC, Bayer and the Dutch insurer ASR Nederland, which was listed by the Dutch government in June. HSBC was purchased after its valuation had fallen to a multi-year low and with the company offering one of the most attractive dividend yields in the UK market. The position in Bayer was opened after its share price fell sharply following the company's bid to acquire Monsanto; the fall in the price left Bayer trading on a valuation close to a five-year low; the company retains strong competitive advantages in healthcare and crop sciences.

## Prospects

With what could prove to be one of the most divisive presidential elections in recent history fast-approaching, the Fund retains its cautious stance and underweight exposure to US equities. The US market is trading on elevated multiples and does not offer attractive value for investors right now. Instead, the Fund prefers the high-growth opportunities on offer in Asia, gaining access to this region through the more developed markets of Hong Kong and Singapore where standards of disclosure and corporate governance are higher. China-exposed Asian equities have de-rated in recent years and are trading on very attractive valuations while offering strong long-term growth prospects.

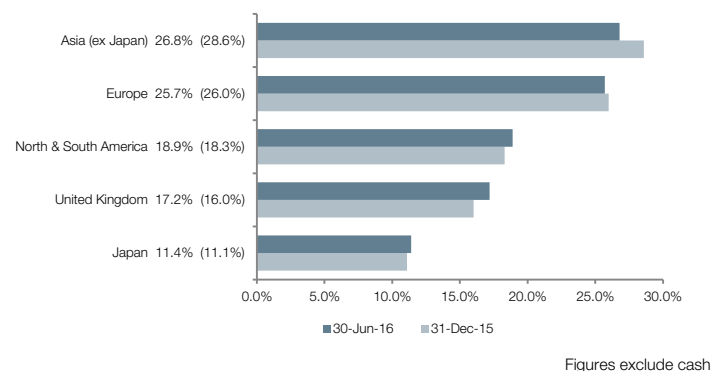
We continue to adhere to our bottom-up, stock-picking process, searching for companies with strong cash flows, robust balance sheets and healthy long-term growth outlooks, but that have temporarily fallen out of favour with markets and are therefore trading on attractive valuations.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

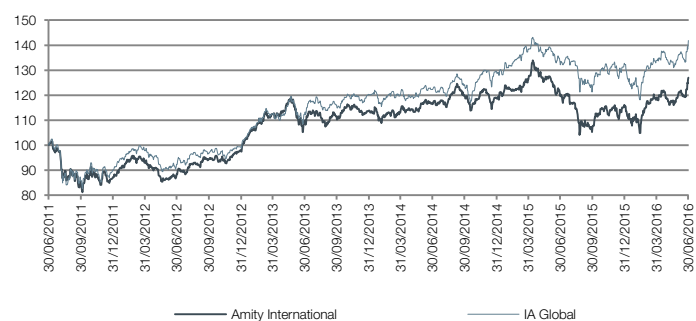
**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



## Performance



Graph showing the return of the Amity International Fund compared to IA Global Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Amity International Fund		IA Global Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/15	10.0%	79	7.2%	281
01/01/15 – 31/12/15	(3.4)%	240	2.8%	278
01/01/14 – 31/12/14	3.5%	205	7.1%	277
01/01/13 – 31/12/13	15.8%	199	21.7%	239
01/01/12 – 31/12/12	10.9%	105	9.6%	234
01/01/11 – 31/12/11	(13.0)%	166	(10.2)%	218

Table showing % return and ranking of the Amity International Fund against IA Global Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.

# Amity International Fund

## Major holdings

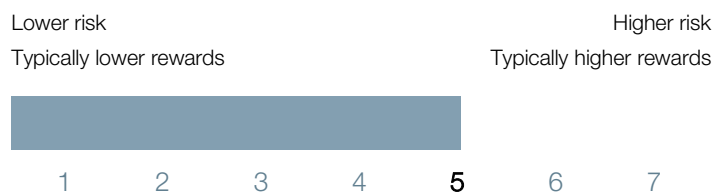
Top ten holdings	Percentage of total net assets at 30 June 2016
GlaxoSmithKline	3.29%
Intel	2.83%
General Electric Class 'C'	2.59%
Minth	2.30%
Johnson & Johnson	2.26%
JPMorgan Japanese Investment Trust	2.12%
Vietnam Holdings	2.06%
Verizon Communications	1.94%
Sony Sonoco Products Company	1.92%
Merck KGaA	1.90%

## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.55%	0.80%	1.30%
31 December 2015	1.56%	0.81%	1.31%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	222.00	183.90
Share Class B	224.30	185.20
Share Class C	242.10	200.40
<b>31 December 2015</b>		
Share Class A	239.60	184.40
Share Class B	241.70	186.00
Share Class C	256.80	199.50
<b>31 December 2014</b>		
Share Class A	225.00	119.10
Share Class B	226.90	200.40
Share Class C	239.80	210.20
<b>31 December 2013</b>		
Share Class A	222.20	184.40
Share Class B	224.10	185.50
Share Class C	231.00	191.50

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Number of shares in issue	Net income distributions/accumulations
	Net asset value (£)	Net asset value (p)		Pence per share
<b>30 June 2016</b>				
Share Class A	25,045,080	219.81	11,393,903	1.7000
Share Class B	170,072,146	221.53	76,770,368	2.2500
Share Class C	898,840	241.60	372,034	1.7500
<b>31 December 2015</b>				
Share Class A	35,794,694	202.26	17,697,722	2.9805
Share Class B	161,933,310	203.55	79,555,248	4.6536
Share Class C	823,035	220.41	373,410	3.8218
<b>31 December 2014</b>				
Share Class A	101,741,380	212.29	47,926,263	2.5410
Share Class B	127,034,754	213.61	59,470,777	4.1784
Share Class C	850,327	227.39	373,943	3.2662
<b>31 December 2013</b>				
Share Class A	138,681,552	207.69	66,773,865	2.8560
Share Class B	91,017,938	208.94	43,560,872	4.4464
Share Class C	999,575	219.26	455,890	3.5124

# Amity Sterling Bond Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the course of the period under review the share price of the Amity Sterling Bond Fund rose by 1.4% compared with the IMA Sterling Strategic Bond sector average return of 3.7%. The FTSE Government All Stock Index had a return of 11.4%

Global bond yields over the period were driven to all-time lows as a result of heightened risk aversion. At the start of 2016, there was a sharp decline in yields as further Chinese stock market weakness and plunging oil prices saw bonds rally. The European Central Bank then opted to boost its asset purchase programme further in March, in recognition of the fact that economic conditions had deteriorated appreciably. Following a brief uptick at the start of the second quarter, global bonds resumed their decline, with the fall being exacerbated by the election result that saw the UK voting to leave the EU at the end of June. With the ramifications of the referendum result being difficult to predict, it is of little surprise that the Federal Reserve maintained a cautious stance by not raising its main policy rate in the face of mounting global risks and economic uncertainty. The ensuing political uncertainty on both sides of the UK's political divide as well as commentary from the Bank of England indicating the need for some monetary easing over the summer, which bond markets interpreted as a possible bank base rate cut, offered further support to gilts. Over the period, the 10-year gilt yield fell from 1.96% to an all-time low of 0.86%.

Corporate bond spreads widened substantially during the first quarter, as global risk premiums rose to reflect uncertainty about China and the effects of negative interest rates on company earnings, notably banks. Were it not for the sharp upward move post the referendum result in June, credit spreads had reversed the considerable widening seen earlier in 2016. It is only as a result of the event therefore, that credit spreads were higher over the period.

The Fund lagged behind its FTSE Government All Stock Index benchmark as its short relative duration position and overweight allocation to corporate bonds contributed adversely to performance. Despite benefitting from a decline in credit spreads in the run up to the referendum result, government bond yields, notably on longer-dated maturities, fell over the period under review. Given the sheer magnitude of the decline in benchmark gilt yields, corporate bonds still rallied, albeit registering lower returns in comparison to gilts over the period.

The Fund continued to invest on an opportunistic basis, adding to corporate bonds following the sharp rise in credit spreads during the first quarter, whilst maintaining a shorter than average duration position relative to its benchmark.

## Prospects

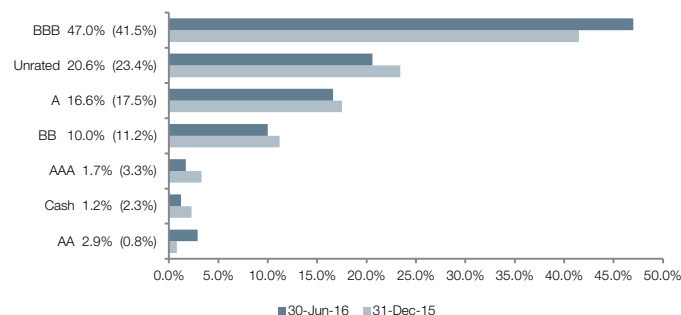
The marked increase in global geo-political uncertainty is unlikely to dissipate quickly. Global bond yields could remain subdued and reflective of sub-par economic growth. Uncertainty for the UK will be particularly pronounced as the country contends not only with a leadership change, but also seeks to forge a new relationship with the EU. Associated risks may well see the Federal Reserve delay its monetary policy normalisation. Gilts are arguably pricing in higher uncertainty and lower growth as opposed to fundamental value. Were we to judge that the UK economy is indeed contracting, lengthening duration would be appropriate. Credit risk premiums are likely to resume their pre-referendum declining trend however, with the recent uptick offering up opportunities to purchase good corporate debt at attractive yields.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

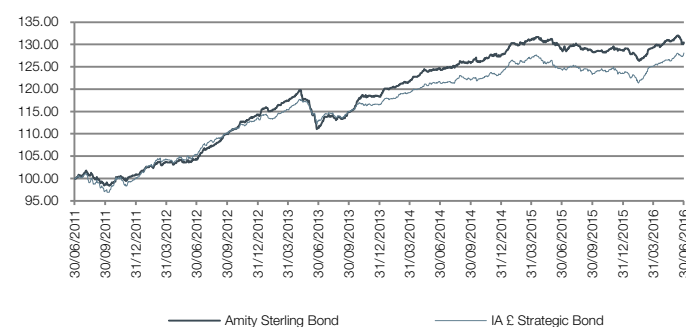
**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



## Performance



Graph showing the return of the Amity Sterling Bond Fund compared to IA £ Strategic Bond Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

Period	Amity Sterling Bond Fund		IA £ Strategic Bond Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/16	1.4%	96	3.7%	111
01/01/15 – 31/12/15	0.0%	49	(0.3)%	103
01/01/14 – 31/12/14	7.5%	32	6.1%	89
01/01/13 – 31/12/13	2.7%	44	2.7%	72
01/01/12 – 31/12/12	12.6%	46	13.4%	77
01/01/11 – 31/12/11	4.2%	25	2.1%	70

Table showing % return and ranking of the Amity Sterling Bond Fund against IA £ Strategic Bond Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.

# Amity Sterling Bond Fund

## Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2016
Fidelity International 7.125% 13/02/2024	2.59%
Places For People 5% 27/12/2016	2.56%
Nottingham Building Society 7.875% PIBS	2.27%
F&C Asset Management 6.75% 20/12/2026	2.09%
Morrison (Wm) Supermarkets 4.75% 04/07/2029	2.08%
John Lewis 8.375% 08/04/2019	2.05%
Liverpool Victoria 6.5% Index Linked 22/05/2043	1.94%
A2D Funding 4.75% 18/10/2022	1.91%
Coventry Building Society 12.125% PIBS	1.89%
Beazley Group 7.25% 17/10/2026	1.80%

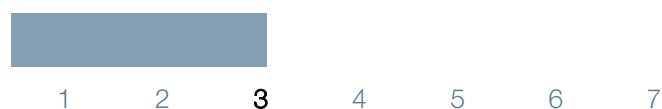
## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.31%	0.71%	N/A
31 December 2015	1.30%	0.70%	N/A

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile

Lower risk Higher risk  
Typically lower rewards Typically higher rewards



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 3 as its price has experienced moderate rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	105.30	102.10
Share Class B	114.20	110.40
Share Class C*	N/A	N/A
<b>31 December 2015</b>		
Share Class A	110.90	104.80
Share Class B	119.40	113.20
Share Class C*	N/A	N/A
<b>31 December 2014</b>		
Share Class A	109.60	105.20
Share Class B	117.70	112.30
Share Class C*	N/A	N/A
<b>31 December 2013</b>		
Share Class A	110.60	101.50
Share Class B	117.60	108.00
Share Class C*	N/A	N/A

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Net income distributions/accumulations	
	Net asset value (£)	Net asset value (p)	Number of shares in issue	Pence per share
<b>30 June 2016</b>				
Share Class A	18,304,124	102.19	17,913,117	2.1482
Share Class B	67,420,988	110.84	60,827,041	2.3393
Share Class C*	N/A	N/A	N/A	N/A
<b>31 December 2015</b>				
Share Class A	21,410,680	103.29	20,728,440	4.3392
Share Class B	62,313,740	111.68	55,794,163	4.6926
Share Class C*	N/A	N/A	N/A	N/A
<b>31 December 2014</b>				
Share Class A	29,577,436	107.59	27,490,680	4.5799
Share Class B	51,431,696	115.61	44,486,860	4.9123
Share Class C*	N/A	N/A	N/A	N/A
<b>31 December 2013</b>				
Share Class A	37,257,841	104.21	35,751,715	4.6794
Share Class B	26,220,604	111.26	23,566,934	4.9681
Share Class C*	N/A	N/A	N/A	N/A

\* Share Class C is currently inactive.

# Higher Income Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the course of the period, the Higher Income Fund returned 4.8%\*, outperforming the 2.6% return of the IA Mixed Investments (40-85%) sector average. Over the same period the FTSE All-Share Index registered a return of 4.3% and the FTSE Government All Stock Index returned 11.4%, both measured on a similar basis.

The FTSE Government All Stock Index narrowly underperformed the FTSE All World Index's GBP return of 12.0% but comfortably outperformed the return on UK equities. Within this context, the Fund's balanced allocation had a positive impact in terms of allocating away from UK equities towards fixed income and global equities.

Within equities, allocating away from the UK towards overseas markets had a generally positive impact given UK equities lagged behind most other major markets during the period. Allocations to Asia and the US added value, while the impact of the exposure to continental Europe was more muted given the region only narrowly outperformed the UK.

The Fund's small cap exposure acted as a headwind during the period as small-caps tended to underperform large-cap companies. In the UK, the FTSE Small Cap Index posted a return of -2.0% over the period, compared with a return of 6.7% for the FTSE 100.

At sector level, the Fund's exposure to the Oil and Gas sector aided performance during the period as the oil price recovered from January's lows. Brent Crude finished the period at \$49.7 a barrel, up from \$37.3 at the start, providing a healthy tailwind to oil companies.

At stock level, positions in Premier Farnell preferred shares, oil companies BP, Shell and Crescent Point Energy, toll road operator China Merchants Holdings and UK pharmaceutical GlaxoSmithKline were the largest positive contributors to performance. Premier Farnell was boosted by a bid from Daetwyler Holding AG to buy the company at a substantial premium to its share price, while China Merchants benefitted from its majority owner offering to buy the outstanding shares at an attractive premium and take the company private. GlaxoSmithKline's shares jumped 12% in the days following the UK's decision to leave the European Union; the company's earnings only have limited sensitivity to the domestic economy and it derives a significant proportion of its earnings from overseas, making it a beneficiary of the collapse in Sterling at the end of the period.

Within the Fund's fixed income portfolio, the greater allocation to corporate bonds over government bonds was a slight negative; even though corporates offered attractive returns during the period, these were surpassed by the returns on gilts as yields came down following the referendum result. The yield on 10-year gilts fell from 1.96% at the start of the period to a record low 0.86% at the end. The Fund's exposure to PIBS and preference shares detracted from performance as both suffered falls following the referendum outcome.

## Prospects

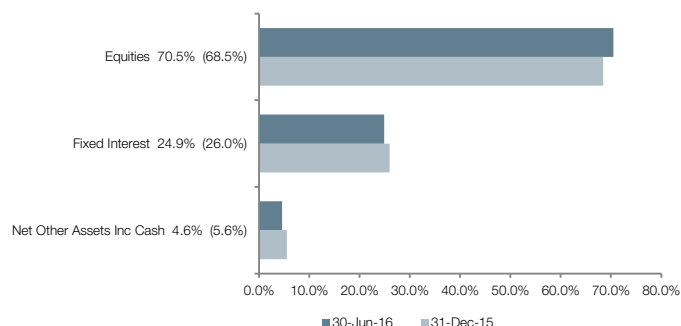
The decision of the UK to end its 43-year membership of the European Union took markets by surprise and led to a sharp fall in Sterling. The UK now faces a period of heightened uncertainty as negotiations begin over its future relationship with its European neighbours. The fall in the value of Sterling will have a mixed impact on the UK, benefitting exporters and those companies generating earnings from overseas, but increasing costs to importers and consumers. Investors will no doubt be spending much of the second half of 2016 analysing the consequences of the UK's vote to leave the EU and watching how negotiations over new trade deals progress. More positively, the recovery in the oil price has stabilised the Oil sector and helped to alleviate fears that banks are overly exposed to bad loans lent to energy companies. In the US, the presidential election in November adds political risk to an outlook already clouded in uncertainty. Within this context we continue to adhere to our bottom-up, stock-picking process, taking a long-term view and looking to find attractively valued companies with solid balance sheets and strong growth prospects.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

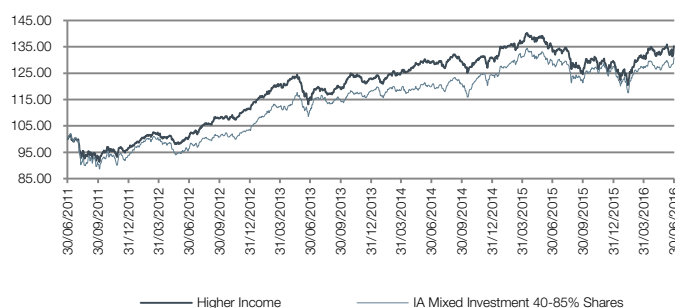
**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



## Performance



Graph showing the return of the Higher Income Fund compared to IA Mixed Investment 40-85% Shares Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Higher Income Fund		IA Mixed Investment 40-85% Shares Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/16	4.8%	41	2.6%	149
01/01/15 – 31/12/15	(1.6)%	130	2.7%	140
01/01/14 – 31/12/14	5.7%	48	4.9%	136
01/01/13 – 31/12/13	10.1%	127	14.6%	140

	Higher Income Fund		IA UK Equity & Bond Income Sector Average	
	Total Return	Rank	Total Return	Number
01/01/12 – 31/12/12	14.8%	6	12.3%	17
01/01/11 – 31/12/11	(1.1)%	11	(1.2)%	22

Table showing % return and ranking of the Higher Income Fund against IA Mixed Investment 40-85% Shares Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

On 1 January 2013, the Higher Income Fund transferred from the IA UK Equity & Bond Income Sector to the IA Mixed Investment 40-85% Shares Sector.

The Fund was managed in accordance with the new Sector requirements over the past 5 years, hence the performance graph compares the Fund to the new sector over that year.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.



# Higher Income Fund

## Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2016
Royal Dutch Shell 'B'	3.38%
GlaxoSmithKline	2.60%
Tesco 5.2% 05/03/2057	2.33%
BP	2.02%
China Merchants Holdings	1.78%
Royal Mail	1.63%
General Accident 8.875%	1.60%
Centrica	1.54%
TechnoPro Holdings	1.53%
RSA Insurance 7.375%	1.52%

## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.29%	0.79%	1.04%
31 December 2015	1.30%	0.80%	1.05%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile

Lower risk Higher risk  
Typically lower rewards Typically higher rewards



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 4 as its price has experienced average rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	124.50	110.60
Share Class B	128.60	114.00
Share Class C	309.50	274.70
<b>31 December 2015</b>		
Share Class A	135.50	118.50
Share Class B	139.10	122.00
Share Class C	320.70	284.40
<b>31 December 2014</b>		
Share Class A	132.00	122.60
Share Class B	135.10	125.20
Share Class C	302.50	277.00
<b>31 December 2013</b>		
Share Class A	132.00	119.20
Share Class B	134.40	121.10
Share Class C	286.40	258.20

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Net income distributions/accumulations	
	Net asset value (£)	Net asset value (p)	Number of shares in issue	Pence per share
<b>30 June 2016</b>				
Share Class A	65,846,473	121.78	54,068,827	1.6000
Share Class B	208,827,458	125.83	165,955,419	1.6500
Share Class C	23,501,237	306.88	7,658,001	3.1000
<b>31 December 2015</b>				
Share Class A	81,816,649	118.10	69,278,204	5.7074
Share Class B	193,932,981	121.74	159,302,241	5.8452
Share Class C	21,857,523	293.52	7,447,138	13.5628
<b>31 December 2014</b>				
Share Class A	133,776,820	125.62	106,492,357	5.5320
Share Class B	128,480,538	128.87	99,701,470	5.5996
Share Class C	19,486,647	297.27	6,555,177	12.3798
<b>31 December 2013</b>				
Share Class A	161,590,039	124.19	130,117,147	5.4074
Share Class B	54,366,143	126.74	42,894,909	5.5041
Share Class C	16,470,090	280.88	5,863,841	11.7765

# UK Equity Growth Fund

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2016 to 30 June 2016.

Over the period under review the UK Equity Growth Fund returned -13.2%\*, underperforming both the rise in the FTSE All-Share Index of 4.3% and the fall in the IA All Companies sector average of -2.8%, both measured on a similar basis.

The Fund's significant exposure to small and medium sized companies which fell sharply in the period contributed to the underperformance, the vast majority after the EU Referendum result. From a sector allocation perspective, the Fund benefited from being overweight in Electronic & Electricals and Healthcare, and from being underweight in Banks and Travel & Leisure. An underweight position in Mining, Oil & Gas and Tobacco and an overweight position in General Retailers and Media acted as a drag on performance.

At a stock level, Royal Dutch, IMI, Informa and Datalex were amongst the biggest contributors to performance, whilst significant detractors included Bellway, International Consolidated Airlines and ITV.

In respect of Fund activity, we added several new holdings including Blue Prism Group (Software), Morse's Club (Other Financials), Hotel Chocolat Group (Food Producers), Park Group (Other Financials) while adding to existing holdings in ITV (Media), Close Brothers Group (Other Financials), Legal & General (Life Insurance), Victrex (Chemicals) and Marshalls (Construction). We sold positions in Restaurant Group (Travel & Leisure), Hays (Support Services), Hunting (Oil & Gas Services), Quantum Pharma (Pharmaceuticals) and Paragon (Other Financials).

## Prospects

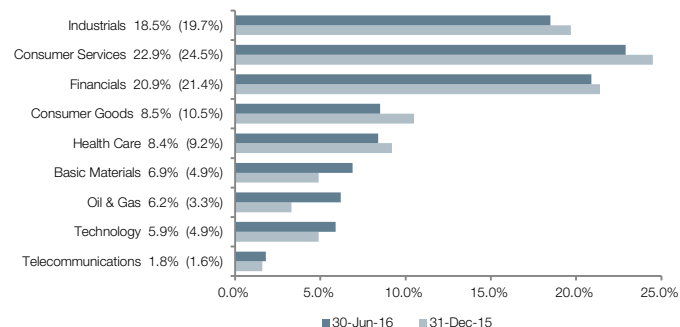
The decision of the UK electorate to vote to leave the European Union has caused heightened market volatility at a time when the global economy is still in a perilously fragile state. The UK must now spend a considerable period of time negotiating a new relationship with its neighbours and until the shape of that relationship is known, the UK's outlook will be shrouded in uncertainty. Sterling ended the quarter at \$1.33, a thirty-one year low with most forecasts predicting it could fall even further from here. The drop in Sterling is a positive for UK exporters but negative for importers and consumers as it is likely to push inflation into higher territory. Despite the loss of the country's AAA credit rating, the yield on 10-year gilts closed out Q2 at 0.86%, its lowest level in history as investors sought safe haven assets following the referendum outcome. An immediate impact of Brexit is that the Bank of England will now almost certainly move to lower interest rates, in order to stabilise economic activity. Already GDP growth forecasts for the UK have been revised considerably lower following the referendum. Meanwhile in the US the Fed is likely to delay any rate rises, given some soft recent domestic data as well as the impact of Brexit on the wider global economy.

\* Mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

**Please note:** Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

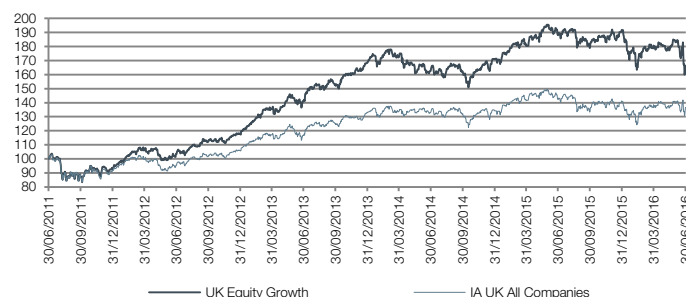
## Asset allocation at 30 June 2016

The figures in brackets show allocation at 31 December 2015



Figures exclude cash

## Performance



Graph showing the return of the UK Equity Growth Fund compared to IA UK All Companies Sector Average from 30 June 2011 to 30 June 2016, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

Period	UK Equity Growth Fund		IA UK All Companies Sector Average	
	Total Return	Rank	Total Return	Number
01/01/16 – 30/06/16	(13.2)%	268	(2.8)%	280
01/01/15 – 31/12/15	11.0%	48	4.8%	277
01/01/14 – 31/12/14	0.4%	137	0.7%	272
01/01/13 – 31/12/13	43.0%	9	26.2%	261
01/01/12 – 31/12/12	24.2%	34	15.4%	279
01/01/11 – 31/12/11	(2.7)%	34	(6.9)%	295

Table showing % return and ranking of the UK Equity Growth Fund against IA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Performance for the current period is based on B Class shares. Historically, this has been based on A Class shares.

# UK Equity Growth Fund

## Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2016
Royal Dutch Shell 'B'	3.32%
ITV	3.32%
RELX	2.88%
BP	2.47%
Bellway	2.42%
Scapa Group	2.35%
Lloyds Banking Group	2.17%
Fevertree Drinks	2.15%
Shire	2.10%
Prudential	2.04%

## Ongoing Charges Figures

As at	Class A	Class B	Class C
30 June 2016	1.54%	0.79%	1.29%
31 December 2015	1.54%	0.79%	1.29%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

## Risk Reward Profile

Lower risk Higher risk  
Typically lower rewards Typically higher rewards



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.

As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.

Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.

The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

## Share prices

Calendar year	Share price range	
	Highest for the year (p)	Lowest for the year (p)
<b>30 June 2016</b>		
Share Class A	239.80	203.10
Share Class B	244.80	207.70
Share Class C	327.70	278.00
<b>31 December 2015</b>		
Share Class A	252.40	216.80
Share Class B	257.90	220.90
Share Class C	341.70	293.20
<b>31 December 2014</b>		
Share Class A	233.00	196.00
Share Class B	237.60	200.40
Share Class C	313.00	264.40
<b>31 December 2013</b>		
Share Class A	222.30	159.10
Share Class B	227.60	161.80
Share Class C	297.60	211.50

## Fund size & Net income distributions/accumulations

Calendar year	Fund size		Net income distributions/accumulations	
	Net asset value (£)	Net asset value (p)	Number of shares in issue	Pence per share
<b>30 June 2016</b>				
Share Class A	13,252,982	209.64	6,321,759	0.8000
Share Class B	129,954,938	214.18	60,675,501	1.1000
Share Class C	13,154,551	288.08	4,566,313	1.0000
<b>31 December 2015</b>				
Share Class A	21,938,103	243.49	9,009,810	1.8569
Share Class B	150,249,944	248.08	60,564,151	3.8141
Share Class C	16,007,375	332.79	4,810,002	3.4485
<b>31 December 2014</b>				
Share Class A	36,749,670	220.57	16,661,594	0.9894
Share Class B	127,479,878	224.64	56,747,985	2.6815
Share Class C	15,805,410	298.26	5,299,129	2.0431
<b>31 December 2013</b>				
Share Class A	38,601,369	221.05	17,463,020	1.3395
Share Class B	99,327,152	225.07	44,131,486	2.9366
Share Class C	17,131,237	296.78	5,772,419	2.5414

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