

Neptune Investment Funds

Neptune China Fund
Neptune European Opportunities Fund
Neptune Global Alpha Fund
Neptune Global Equity Fund
Neptune Global Income Fund
Neptune Income Fund
Neptune India Fund
Neptune Japan Opportunities Fund
Neptune Latin America Fund
Neptune Russia and Greater Russia Fund
Neptune UK Mid Cap Fund
Neptune UK Opportunities Fund
Neptune US Income Fund
Neptune US Opportunities Fund

Annual Report and Financial Statements | 31 December 2017

www.neptunefunds.com



Neptune Investment Funds

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Neptune Investment Funds

Notes

Please read the following important notes and definitions to aid your understanding of the technical terms used in this annual report and financial statements.

Accumulation Shares

Shares that do not pay a dividend but reinvest any income earned from the fund's underlying holdings into the value of the shares. All Neptune funds have accumulation shares.

Annual Management Charge

The annual fee charged by Neptune, calculated on a daily basis, for managing the fund.

Distribution

This is the dividend that is paid to investors, based on the income earned from the fund's underlying holdings. Where applicable, investors in an income share class may receive a distribution, whereas in accumulation shares the distribution is reinvested into the value of the shares.

Equalisation

Equalisation applies to shares purchased during a distribution period, known as 'Group 2' shares. It is the average amount of income included in the purchase price of all the Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax, but must be deducted from the cost of the shares for capital gains tax purposes. The equalisation amount for each share class and distribution is shown in the distribution table. Group 2 shares revert to being Group 1 shares following the first distribution after their purchase.

Equities

These are shares in companies. Shareholders are the owners of a company and can vote on important matters such as the appointment of directors. They also participate in the potential increase in value of the company through increases in the value of its shares, if the company is successful for example. Neptune funds predominantly invest in equities.

Fair Value Hierarchy

The fair value hierarchy gives information on how the fair value of the underlying investments has been measured in arriving at the valuation of the assets in the fund:

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that can be accessed at the measurement date (31 December 2017). This will generally include quoted equities, highly liquid bonds and exchange traded derivatives.

Level 2 – uses inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. This means the valuation has been derived using observable market inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spreads.

Level 3 – valuation inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. Level 3 assets might include unquoted equities.

Fixed Interest Investments

These are bond or debt securities issued by governments and companies that carry rights to a fixed rate of interest paid by the issuer to investors. At the end of the payment term, the issuer repays the capital sum.

Growth Fund

A fund seeking capital growth aims to maximise the value of the money invested, rather than specifically aiming to produce income. In contrast, a fund may seek to maximise income over capital growth. Neptune's fund range includes funds that seek capital growth, funds that seek to generate income and funds that aim to produce income and grow capital.

Income Shares

Income shareholders receive all the income generated by the fund's underlying holdings in the form of a distribution. This is in contrast to accumulation shares. These two choices are important: some investors want income so they opt for income shares. Other investors want growth so they opt for accumulation shares.

ISA (Individual Savings Account)

An ISA is a tax efficient means of investing. All UK tax payers are eligible to invest within an ISA. Due to their tax advantages, the Government limits how much investors can pay into an ISA in each tax year. The current ISA limit is £20,000 for tax year 2017/18, which can be invested in cash, shares or any combination of the two. All Neptune funds are eligible to be held in an ISA; Neptune, however, only offers stocks & shares ISAs. Investors can also transfer existing ISAs which are currently held with other fund providers into our funds.

Junior ISA (Junior Individual Savings Account)

Junior ISAs were launched by the Government to enable parents/guardians to invest in a tax friendly vehicle for their children.

Once a parent or guardian opens a Junior ISA for their child, anyone is able to make a contribution up to the annual limit. The current Junior ISA limit is £4,128 for the tax year 2017/18, which can be invested in cash, shares or any combination of the two. Neptune, however, only offers stocks & shares Junior ISAs. From the age of 16 a child can register to be their own contact. When the child reaches 18 their account is automatically converted into an 'adult' ISA and they are entitled to full access to their investments and savings. All Neptune funds are eligible to be held in a Junior ISA.

Macroeconomics

Analysis of a country or region's economy as a whole. Alongside global industry sector analysis and rigorous stockpicking, macroeconomics forms an important part of Neptune's investment process.

Notes (continued)

Negative Equalisation

Equalisation that is applied to each share class when in a deficit position, also known as 'negative equalisation', rather than applying a nil rate. Negative equalisation should be applied to avoid any possible distortion of distribution yields when comparing share class performance in a sub-fund.

Neptune Investment Funds

A number of Neptune funds which have a similar legal structure and investment powers but differing investment objectives. Together, these funds – sometimes referred to as sub-funds – make up the Neptune Investment Funds umbrella, which forms a distinct legal company.

OEIC (Open-Ended Investment Company)

A type of fund in the UK that is structured as a company and has the ability to invest in equities and to adjust its investment criteria and fund size. The price of the shares is based on the underlying holdings of the fund. There are no bid and offer prices on Neptune OEIC shares; buyers and sellers receive the same price but an initial charge may be payable. An OEIC allows investment to be diversified away from holding a single or small number of companies.

OEICs are also referred to as Investment Companies with Variable Capital (ICVC).

Operating Charge Figure (OCF)

A measure of the charges associated with managing and operating a fund and therefore reflective of the cost of investing in a particular fund. These costs consist primarily of management fees as well as legal, auditor and operational expenses. The figure excludes transaction costs and is provided for each share class available within a fund.

The OCF shows the annual expenses of the fund expressed as a percentage of the average net asset value, which helps you compare the annual expenses to other classes, funds and different schemes.

The ACD caps the OCF as a percentage of the average net asset value. The OCF percentage cap for each share class is given in the Performance Record for the class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Sector

Globally, businesses can be classified into ten different sectors based on the nature of their industry. These are consumer discretionary, consumer staples, energy, financials, healthcare, industrials, information technology, materials, telecommunications and utilities. Neptune's investment process is based on sector industry analysis, investing our sub-funds based on how we believe each sector will perform.

Sub-Fund

A sub-fund, such as the Neptune Global Equity Fund, forms part of a wider group of funds which sit under the same umbrella known as an investment company. Each sub-fund has its own investment objective and is held separately from other sub-funds within the same umbrella.

UCITS (Undertakings for Collective Investment in Transferable Securities)

The UCITS legislation governs how a fund can be marketed in the European Union and is designed to allow cross border fund sales to investors of different nationalities.

To obtain UCITS status a fund must invest within defined but wide parameters. The fund may then be sold in any EU country, subject only to the marketing rules of that country and any necessary regulatory approval. All of Neptune's funds are UCITS compliant.

Yield

The amount of income generated by a fund's investments in relation to the price. Funds aiming to generate an income will seek to have a high yield whilst those funds focusing on capital growth typically have a smaller yield.

Statement of Authorised Corporate Director (ACD) Responsibilities

The Financial Conduct Authority's (FCA) Collective Investment Schemes Sourcebook (COLL) requires the ACD to prepare annual financial statements which give a true and fair view of the financial position of the Scheme at the end of each accounting period and of its revenue and expenditure and gains and losses for the period.

In preparing these financial statements, the ACD is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements in accordance with generally accepted accounting principles, the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association (IA), the COLL, Financial Reporting Standards (FRS) 102 and the Instrument of Incorporation, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Scheme will continue in operation; and
- take reasonable steps to prevent or detect fraud and other irregularities.

The ACD is responsible for keeping such accounting and other records as are necessary to enable it to comply with the COLL and to demonstrate at any time that such compliance has been achieved.

The ACD is responsible for the management of the Scheme in accordance with its Instrument of Incorporation, Scheme Particulars and the Regulations and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Neptune Investment Management Limited (Neptune) website is the responsibility of the ACD; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Certification of Financial Statements by Directors of the ACD

This report is signed in accordance with the requirements of the FCA COLL.

For
Neptune Investment Management Limited
ACD of Neptune Investment Funds
29 March 2018

Cross Holdings

Sub-Fund	Shares held	Holding £	Value £
Neptune Global Alpha Fund	Neptune Global Smaller Companies Fund	198,000	287,298
Neptune Global Alpha Fund	Neptune India Fund	1,205,000	3,120,950
Neptune Global Alpha Fund	Neptune Latin America Fund	2,885,000	3,069,640
Neptune Global Equity Fund	Neptune Emerging Markets Fund	4,245,000	7,106,130
Neptune Global Equity Fund	Neptune Global Technology Fund	2,174,000	3,637,102
Neptune Global Equity Fund	Neptune India Fund	1,258,000	3,258,220
Neptune Global Equity Fund	Neptune Latin America Fund	3,079,000	3,276,056
Neptune Global Equity Fund	Neptune Russia & Greater Russia Fund	2,449,000	2,882,473

There were no other cross holdings within the ICVC.

Statement of the Depositary's Responsibilities

in respect of the Scheme and Report of the Depositary to the Shareholders of Neptune Investment Funds ('the Company') for the year ended 31 December 2017

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

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

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

The Depositary must ensure that:

- the Company's cash flows are properly monitored* and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and

- the instructions of the Authorised Fund Manager ('the AFM') 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 Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

State Street Trustees Limited,
Depositary of Neptune Investment Funds
29 March 2018

*This requirement on the Depositary applied from 18 March 2016.

Independent Auditor's Report to the Members of Neptune Investment Funds

Opinion

We have audited the financial statements of Neptune Investment Funds ('the Company') for the year ended 31 December 2017 which comprise the accounting policies of the Company, the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Table(s) for each of the Company's sub-funds, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 December 2017 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis of 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our Report

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on page 250, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised

Independent Auditor's Report to the Members of Neptune Investment Funds (continued)

Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;

- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

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

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

Responsibilities of the ACD

As explained more fully in the ACD's responsibilities statement set out on page 5, the ACD 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 ACD 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 ACD is responsible for assessing the Company'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 ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP
Statutory Auditor
London
29 March 2018

Notes:

The maintenance and integrity of the Neptune Investment Managers Limited web site is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Financial Statements

for the year ended 31 December 2017

1 Accounting policies

(a) Basis of accounting

The financial statements of each sub-fund have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association (IA) in May 2014, Financial Reporting Standards (FRS) 102.

(b) Recognition of revenue

All dividends on investments marked ex-dividend up to the accounting date are included in revenue, net of attributable tax credits and withholding tax. Bank interest, interest on debt securities and other interest receivable is accrued up to the accounting date.

Revenue on debt securities is recognised on an effective yield basis, which takes account of the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security.

(c) Treatment of stock dividends and special dividends

The ordinary element of stock dividends is treated as revenue and forms part of any distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distribution. The tax accounting treatment follows the treatment of the principal amount.

(d) Treatment of expenses

For all Funds, the ACD's periodic charge and all other expenses are charged against revenue except for costs associated with the purchase and sale of investments, stamp duty reserve tax and set-up costs which are charged against capital. For the purposes of the distribution the ACD's periodic charge and all other expenses are charged against capital for the following Funds: Neptune Global Income Fund, Neptune Income Fund and Neptune US Income Fund.

The Funds' expenses are capped at a rate agreed with the ACD. Any expenses, above the Funds' capped rate will be rebated by the ACD and deducted from expenses. Details of the Funds' capped rate can be found in note 4 of the Notes to the Financial Statements of the individual Fund. This capping may cease at any time.

(e) Allocation of expenses to multiple share classes

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds, charges will be allocated between classes in accordance with the terms of issue of shares of those classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is considered fair to the shareholders generally but they will normally be allocated to all Funds pro-rata to the value of the net assets of the relevant Funds.

(f) Taxation

i. Corporation tax is provided at 20% on taxable revenue received after deduction of expenses.

ii. The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

(g) Distribution policy

The net revenue arising from investments accumulates during each accounting period and is available for distribution. Surplus revenue is allocated to shareholders in accordance with COLL 6.8.3R of the FCA Handbook of Rules and Regulations. In order to conduct a controlled dividend flow to shareholders interim distributions may be made at the ACD's discretion, up to a maximum of the distributable revenue available for the period.

Any revenue deficit will be borne by the capital account.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

(h) Basis of valuation of investments

All investments have been valued at their fair value at the 12 noon market rates on the last business day of the financial year. The fair value of equity and non-equity shares is the bid price, excluding any accrued interest. The fair value of collective investment schemes managed by the ACD is the quoted price for single priced funds and the bid price for dual priced funds. Where applicable, unquoted and suspended securities have been valued at the ACD's best estimate of their fair value.

(i) Exchange rates

Transactions in foreign currencies are recorded in sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the 12 noon exchange rates ruling on that date. Distribution rates for Euro and USD share classes are recorded in sterling and translated into Euro and USD respectively at the 12 noon exchange rates at the accounting date.

(j) Functional currency

The functional currency of the Fund is UK Sterling as it is the dominant capital raising currency for the Company and the currency of the location from which the Funds are managed.

Notes 2 to 9 are reflected in the notes of the individual Funds.

10 Related party transactions

Neptune is regarded as the controlling party by virtue of having the ability to act in concert in respect of the operations of the Funds.

Neptune, as ACD, is a related party, and acts as principal in respect of all transactions of shares in the Funds. The aggregate monies received and paid by the ACD through the issue and cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders for each Fund and amounts outstanding at the year end in notes 7 and 9.

In their capacity as Depositary, State Street Trustees Limited is considered to have an influence over the activities of the Funds. Depositary fees charged to State Street Trustees Limited are shown in note 4 and amounts due at the year end in note 9.

Amounts paid to Neptune in respect of the ACD's periodic charge are disclosed in note 4 and amounts due at the year end in note 9.

Where Funds have investments in other Neptune products, these are highlighted in the Funds' Portfolio Statements.

11 Shareholder funds

The Company has five share classes: 'A', 'B', 'C', 'D' and 'F'. The annual management charge on those shares is set out in the below table.

	A	B	C	D	F
Neptune China Fund	1.75%	1.25%	0.75%	—	—
Neptune European Opportunities Fund	1.75%	1.25%	0.75%	0.65%	—
Neptune Global Alpha Fund	2.00%	—	0.75%	—	—
Neptune Global Equity Fund	1.75%	1.25%	0.75%	—	—
Neptune Global Income Fund	—	—	0.75%	—	0.25%
Neptune Income Fund	1.60%	1.10%	0.75%	—	—
Neptune India Fund	1.75%	—	0.75%	—	—
Neptune Japan Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—
Neptune Latin America Fund	—	—	0.75%	—	—
Neptune Russia and Greater Russia Fund	1.75%	—	0.80%	—	—
Neptune UK Mid Cap Fund	1.60%	—	0.75%	0.65%	—
Neptune UK Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—
Neptune US Income Fund	—	—	0.75%	—	—
Neptune US Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

11 Shareholder funds (continued)

The ACD is entitled to take an annual fee out of the Funds or classes of shares.

The net asset of each share class, the net asset value per share and the number of shares in issue are given in the Net Asset Value per Share and Comparative Tables of each Fund.

12 Contingent liabilities and commitments

Details of contingent liabilities or outstanding commitments are set out in the notes to the financial statements for the relevant Fund.

13 Swing Pricing

All client transactions into and out of a Fund may result in the Investment Manager buying or selling the underlying investments of the Fund, thereby attracting dealing costs which would otherwise be borne by the Fund's current investors.

As a result, long-term investors could be adversely affected by other investors trading in and out of the Fund. This effect is known as dilution.

However, an adjustment to the NAV can be made if the Fund experiences net subscriptions or redemptions on a particular dealing day, to reduce the impact of dilution costs. This adjustment is called swing pricing. This is a technique which reduces the impact of dilution and helps to protect existing investors. It aims to ensure that investors subscribing or redeeming from a Fund bear the trading costs, i.e. the underlying bid/offer spreads and transaction costs.

The extent to which prices are swung is based on an estimated dealing cost made up of a number of elements, including bid-offer spreads, commissions and other transaction costs. Commissions and other costs (e.g. transaction tax) will be based on an historic analysis of actual trades. The estimated rates are reviewed and updated periodically.

14 Derivatives and other financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the Company's holding of financial instruments with the ACD's policy for managing these risks are set out below:

(a) Market price risk

Market price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. For an equity portfolio the risk is generally regarded as consisting of two elements, stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

(b) Currency risk

Currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Changes in the sterling exchange rate can affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms and the prices of imports sold in the UK. Investment in overseas securities will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates.

Changes in the value of currencies against the US dollar, Euro and Japanese yen can also result in fluctuations in the value of share classes denominated in these currencies.

Currency risk is managed through diversification where the investment objective of the Fund permits holding assets denominated in a variety of different currencies. The Investment Manager may also elect to hold cash balances in an alternate currency to the base currency of the Fund, or, where the Investment Manager perceives there is a material risk of depreciation in the value of a currency in which assets are held, hedge the value of the relevant assets held back to the base currency of the Fund using forward foreign exchange contracts.

Details of the foreign currency risk profile per Fund is set out in the notes to the financial statements of the relevant Fund.

(c) Interest rate risk

Interest rate risk is the risk that the value of the Company's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in the interest rate environment, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

By a careful assessment of economic and other relevant factors, the Investment Manager will seek to invest in those companies most likely to benefit, or be shielded from anticipated changes in interest rates.

Details of the interest rate risk profile per Fund is set out in the notes to the financial statements of the relevant Fund.

(d) Credit risk

The Company may find that companies in which it invests fail to settle their debts on a timely basis. The value of securities issued by such companies may fall as a result of the perceived increase in credit risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

(e) Liquidity risk

The main liability of the Company is the cancellation of any shares that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information, and inefficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with low dealing volumes, can restrict the Investment Manager's ability to execute substantial deals.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Company's assets consist of readily realisable securities.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

(f) Counterparty risk

Transactions in securities entered into by the Company give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. The Investment Manager minimises this risk by conducting trades only through brokers which have been approved by Neptune.

Due diligence is carried out on an ongoing basis by Neptune on the brokers with which the sub-funds trade and the banks which hold the sub-funds' cash which is overseen by the Neptune Counterparty Risk Committee. Such due diligence would include, inter alia, the financial and operating performance of the counterparty, its regulatory record and creditworthiness.

(g) Derivatives

Funds of the Company may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes.

The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional revenue or capital with an acceptably low level of risk and the use of these instruments must not cause the Fund to stray from its investment objective.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

(h) Fair value of financial assets and financial liabilities

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

15 Portfolio transaction costs

Details of portfolio transaction costs are set out in the notes to the financial statements for the relevant Fund.

16 Stock lending

Funds of the Company do not enter into stock lending arrangements.

Neptune China Fund

Investment Objective

The investment objective of the Neptune China Fund (the Fund) is to generate capital growth from investment predominantly in Chinese securities, or in the securities issued by companies transacting a significant proportion of their business in China.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

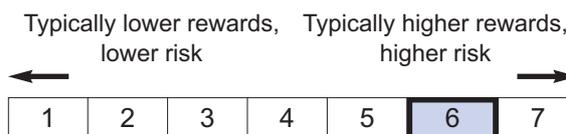
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- This Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune China Fund returned 33.05% in 2017, versus the MSCI China Index gain of 40.97%.*

Emerging markets had a very strong year whilst China in turn had an even stronger year. Official 2017 year-on-year GDP growth was higher than expected at 6.9% and this was despite being in the context of gradually tightening domestic monetary policy. In April, President Xi Jinping emphasised that 'financial security' was a top priority for the year and consequently China continued on a trend of deleveraging and tightening liquidity. After a very strong first half, there was some moderation in the second half, led by the infrastructure and property sectors. In the fourth quarter, expectations of further tightening raised concerns over China's bond market, which then spread to equities and drove stocks lower. However, the market has since recovered as concerns have eased, with many believing that reform will be implemented gradually and that economic growth will remain steady. China's economic indicators remain positive and the economy continues to grow at a healthy pace.

Stocks in the financials sector provided the most outperformance in 2017, as they benefited from supportive regulation, particularly our overweight position in PingAn Insurance, which performed well due to its focus on technology. We also benefited from our underweight positions in telecoms and consumer staples as well as the energy sector. Counteracting this were our industrials holdings, which were hurt by slowing activity and concerns over Beijing's crackdown on local government debt. There was also weaker performance from our technology holdings, particularly Tencent and Alibaba where there is an ongoing regulatory requirement for a 10% maximum holding in any stock, versus their combined 27% position in the benchmark.

The government has been expanding its efforts to scale back excess industrial capacity and, following reductions in coal and steel capacity, aluminium and construction materials are now being targeted, causing prices to rise. In anticipation of this trend, we added Maanshan Iron and Steel and Angang Steel to the portfolio. We also believe there are improving wage growth prospects in China, which will provide consumers with more disposable income and allow them to upgrade appliances and consumer goods. We previously held no positions in the consumer

staples sector; however, this premiumisation trend, along with political support towards a consumer-led economy, has provided grounds for us to add positions in both the consumer staples and discretionary sectors. These were funded by sales within our technology holdings as well as our industrials holdings, which we believe will continue to face headwinds from reduced fixed asset investment.

The biggest political event of the year was the 19th party congress, which saw President Xi Jinping announce a consolidation of power and deliver a speech highlighting the key themes for China's future development. Xi Jinping emphasised quality of growth over quantity and underlined the importance of encouraging the growth of the emerging technology sector. Over the long-term, this points to continued cuts in industrial excess capacity and further emphasis on deleveraging, with companies focussed on healthcare, environmental protection and technology to benefit from policy tailwinds. Xi Jinping's political thought was also added to the constitution, making him the most powerful leader since Mao, enabling him to enact these policies with relative ease going forward.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune China Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	CHINA 78.53% (2016 - 64.73%)		
	BASIC MATERIALS 2.57% (2016 - 0.00%)		
	INDUSTRIAL METALS & MINING 2.57%		
606,000	Angang Steel	409,168	1.31
1,122,000	Maanshan Iron & Steel	391,002	1.26
	CONSUMER GOODS 7.28% (2016 - 4.80%)		
	FOOD PRODUCERS 1.31%		
185,000	China Mengniu Dairy	407,318	1.31
	PERSONAL GOODS 5.97%		
199,000	ANTA Sports Products	668,050	2.15
47,500	Hengan International	390,214	1.25
113,900	Shenzhou International	798,169	2.57
	CONSUMER SERVICES 8.46% (2016 - 4.60%)		
	GENERAL RETAILERS 5.64%		
778,000	China Maple Leaf Educational Systems	674,861	2.17
20,070	JD.com ADR	618,224	1.99
6,716	New Oriental Education & Technology ADR	460,325	1.48
	TRAVEL & LEISURE 2.82%		
11,019	Ctrip.com International ADR	364,867	1.17
1,036,000	Guangshen Railway	514,080	1.65
	FINANCIALS 14.84% (2016 - 16.23%)		
	BANKS 6.48%		
1,694,000	Bank of China	616,004	1.98
1,148,000	China Construction Bank	782,733	2.51
1,037,800	Industrial & Commercial Bank of China	618,164	1.99
	LIFE INSURANCE 8.36%		
211,800	China Pacific Insurance	753,140.00	2.42
240,000	Ping An Insurance	1,848,878	5.94
	HEALTH CARE 6.26% (2016 - 3.25%)		
	PHARMACEUTICALS & BIOTECHNOLOGY 6.26%		
446,000	3SBio	647,887	2.08
1,258,200	China Animal Healthcare*	—	—
304,000	CSPC Pharmaceutical	454,276	1.46
177,900	Shanghai Fosun Pharmaceutical	844,863	2.72
	INDUSTRIALS 3.43% (2016 - 5.95%)		
	CONSTRUCTION & MATERIALS 1.52%		
136,500	Anhui Conch Cement	473,100	1.52
	ELECTRONIC & ELECTRICAL EQUIPMENT 1.91%		
35,260	Hollysys Automation Technologies	593,429	1.91
	OIL & GAS 7.38% (2016 - 6.94%)		
	ALTERNATIVE ENERGY 2.88%		
1,627,200	Huaneng Renewables	406,802	1.31
1,715,400	Xinyi Solar	490,582	1.57
	OIL & GAS PRODUCERS 4.50%		
864,000	China Petroleum & Chemical	468,821	1.51
442,000	CNOOC	469,629	1.51
896,000	PetroChina	462,427	1.48

Neptune China Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	TECHNOLOGY 28.31% (2016 - 22.96%)		
	SOFTWARE & COMPUTER SERVICES 26.21%		
22,544	Alibaba ADR	2,874,999	9.24
11,099	Baidu ADR	1,927,939	6.20
87,200	Tencent	3,352,602	10.77
	TECHNOLOGY HARDWARE & EQUIPMENT 2.10%		
235,000	ZTE	652,041	2.10
	HONG KONG 19.29% (2016 - 33.06%)		
208,500	BOC Hong Kong	781,881	2.51
594,000	China Everbright International	625,505	2.01
62,500	China Mobile	469,049	1.51
242,000	China Resources Beer	641,672	2.06
172,000	China Resources Gas	461,765	1.49
462,000	China Unicom Hong Kong	462,003	1.49
1,429,000	Far East Consortium International	636,018	2.04
129,000	Galaxy Entertainment	765,943	2.46
311,400	Haier Electronics	631,062	2.03
150,000	Longtop Financial Technologies ADR*	—	—
54,000	Wasion	19,483	0.06
528,000	Xinyi Glass	508,004	1.63
	MACAU 0.00% (2016 - 1.29%)		
	UNITED STATES 1.45% (2016 - 0.00%)		
133,800	Samsonite International	452,339	1.45
	Portfolio of investments	30,889,318	99.27
	Net other assets	225,821	0.73
	Net assets	31,115,139	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

*Delisted security.

Stocks shown as ADRs represent American Depositary Receipts.

Neptune China Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £
China Life Insurance	998,763
China Pacific Insurance	766,377
China Resources Beer	626,131
ZTE	566,302
Samsonite International	482,886

Sales	Proceeds £
Tencent	1,724,413
China Mobile	1,496,551
Alibaba ADR	1,145,649
China Life Insurance	986,929
BBMG	985,839

Neptune China Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 2.15%			
Change in net asset per share			
Opening net asset value per share	346.35	297.57	299.37
Return before operating charges	118.08	54.94	4.40
Operating charges	(8.09)	(6.16)	(6.20)
Return after operating charges	109.99	48.78	(1.80)
Distributions	(0.28)	(2.73)	(2.33)
Retained distributions on accumulation shares	0.28	2.73	2.33
Closing net asset value per share	456.34	346.35	297.57
After direct transaction costs of:*	0.77	1.08	1.05
Performance			
Return after operating charges	31.76%	16.39%	(0.60)%
	£	£	£
Other information			
Closing net asset value	11,396,482	10,196,044	12,731,382
Closing number of shares	2,497,347	2,943,857	4,278,444
Operating Charge Figure	1.98%	2.00%	1.97%
Direct transaction costs	0.19%	0.35%	0.33%
OCF/TER cap	2.10%	2.10%	2.50%
Prices			
Highest share price	473.60p	380.60p	391.80p
Lowest share price	347.50p	242.50p	254.80p

C Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.16%			
Change in net asset per share			
Opening net asset value per share	141.76	120.57	120.14
Return before operating charges	48.54	22.44	1.69
Operating charges	(1.64)	(1.25)	(1.26)
Return after operating charges	46.90	21.19	0.43
Distributions	(1.63)	(1.88)	(1.72)
Retained distributions on accumulation shares	1.63	1.88	1.72
Closing net asset value per share	188.66	141.76	120.57
After direct transaction costs of:*	0.31	0.45	0.42
Performance			
Return after operating charges	33.08%	17.58%	0.36%
	£	£	£
Other information			
Closing net asset value	19,717,546	19,994,890	11,939,988
Closing number of shares	10,451,468	14,104,561	9,903,251
Operating Charge Figure	0.98%	0.98%	1.01%
Direct transaction costs	0.19%	0.35%	0.33%
OCF/TER cap	1.10%	1.10%	1.00%
Prices			
Highest share price	195.60p	155.40p	157.60p
Lowest share price	142.30p	98.37p	102.90p

*Comparative figures for A Accumulation and C Accumulation for 2016 have been restated due to reworking of the direct transaction costs.

Neptune China Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation USD (Share class name changed from B Accumulation USD on 1 August 2016)

	31 December 2017	31 December 2016	31 December 2015
OCF cap from 1 January 2018: 1.16%	(p)	(p)	(p)
Change in net asset per share			
Opening net asset value per share	82.72	70.53	70.64
Return before operating charges*	28.43	12.92	1.01
Operating charges*	—	(0.73)	(1.12)
Return after operating charges	28.43	12.19	(0.11)
Distributions	(1.87)	(0.89)	(0.77)
Retained distributions on accumulation shares	1.87	0.89	0.77
Closing net asset value per share	111.15	82.72	70.53
After direct transaction costs of:*	0.19	0.26	0.25
Performance			
Return after operating charges	34.37%	17.28%	(0.16)%
	£	£	£
Other information			
Closing net asset value	1,111	827	7,289,574
Closing number of shares	1,000	1,000	10,335,257
Operating Charge Figure	0.98%	1.00%	1.52%
Direct transaction costs	0.19%	0.35%	0.33%
OCF/TER cap	1.10%	1.10%	2.50%
Prices			
Highest share price	152.50¢	112.80¢	136.20¢
Lowest share price	102.00¢	83.61¢	93.85¢

*Comparative figures for C Accumulation USD for 2016 have been restated due to reworking of the direct transaction costs.

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 15.

Details of the distribution per share for the year are shown in the distribution tables on page 28.

Status

Neptune China Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune China Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
	Note	£	£	£	£
Income					
Net capital gains	2		8,548,372		6,896,152
Revenue	3	641,556		1,080,052	
Expenses	4	(399,723)		(476,253)	
Interest payable and similar charges		(419)		(3,842)	
Net revenue before taxation		241,414		599,957	
Taxation	5	(32,129)		(57,786)	
Net revenue after taxation			209,285		542,171
Total return before distributions			8,757,657		7,438,323
Distributions	6		(219,668)		(579,997)
Change in net assets attributable to shareholders from investment activities			8,537,989		6,858,326

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
		£	£	£	£
Opening net assets attributable to shareholders			30,191,761		32,400,314
Amounts received on issue of shares		3,721,241		13,811,335	
Amounts paid on cancellation of shares		(11,560,658)		(23,501,423)	
			(7,839,417)		(9,690,088)
Dilution adjustment charged			17,486		92,247
Change in net assets attributable to shareholders from investment activities			8,537,989		6,858,326
Retained distribution on accumulation shares			207,320		530,962
Closing net assets attributable to shareholders			31,115,139		30,191,761

Neptune China Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed Assets					
Investments		30,889,318		29,914,935	
Current Assets					
Debtors	7	171,272		330,300	
Cash and bank balances	8	115,290		76,630	
Total current assets		286,562		406,930	
Total assets		31,175,880		30,321,865	
Liabilities					
Creditors					
Other creditors	9	(60,741)		(130,104)	
Total liabilities		(60,741)		(130,104)	
Net assets attributable to shareholders		31,115,139		30,191,761	

The accompanying notes are an integral part of these Financial Statements.

Neptune China Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	8,618,060	6,860,460
Forward currency contracts	114,370	(86,320)
Currency (losses)/gains	(167,769)	138,596
Transaction charges	(16,289)	(16,584)
Net capital gains	<u>8,548,372</u>	<u>6,896,152</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	1	1
Overseas dividends	641,555	1,080,051
Total revenue	<u>641,556</u>	<u>1,080,052</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	343,581	404,154
ACD's fee rebate*	(7)	—
Distribution fees	12,377	19,299
Printing costs	3,043	3,600
Registration fees	5,603	6,432
Transfer agent fees	4,021	5,973
	<u>368,618</u>	<u>439,458</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	11,847	6,935
Safe custody fees	6,530	8,731
	<u>18,377</u>	<u>15,666</u>
<i>Other expenses:</i>		
Audit fee	4,596	5,913
FCA fee	218	234
Legal and professional fees	5,888	15,746
Publication costs	2,026	(764)
	<u>12,728</u>	<u>21,129</u>
Total expenses	<u>399,723</u>	<u>476,253</u>

*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Overseas withholding tax	32,129	57,786
Total taxation for the year	<u>32,129</u>	<u>57,786</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	241,414	599,957
Corporation tax at 20% (2016: 20%)	48,283	119,991
Effects of:		
Movement in excess management expenses	80,028	96,023
Non-taxable overseas dividends	(128,311)	(216,014)
Overseas withholding tax	32,129	57,786
Current tax charge for the year	<u>32,129</u>	<u>57,786</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £1,723,855 (2016: £1,643,827) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
Interim	131,046	501,597
Final	76,274	29,366
Add: Amounts deducted on cancellation of shares	20,181	32,129
Deduct/add: Amounts received on issue of shares	(7,833)	16,905
Net distribution for the year	<u>219,668</u>	<u>579,997</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	209,285	542,171
Equalisation on conversion of shares	154	2,065
Revenue deficit borne by capital	10,227	35,764
Movement in revenue account	2	(3)
Net distribution for the year	<u>219,668</u>	<u>579,997</u>

Details of the distribution per share are set out in the distribution tables on page 28.

Neptune China Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	5,413	4,751
Rebate borne by ACD	313	311
Amounts receivable for issue of shares	25,433	12,447
Prepaid expenses	55	58
Sales awaiting settlement	140,058	312,733
Total debtors	<u>171,272</u>	<u>330,300</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	115,290	76,630
	<u>115,290</u>	<u>76,630</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	27,006	27,952
Accrued expenses	32,876	25,197
Amounts payable on cancellation of shares	859	76,950
Interest payable	—	5
Total creditors	<u>60,741</u>	<u>130,104</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 23. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £308,893 (2016: £299,149).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £311,500 (2016: £303,090).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total	Total
	£	£
Hong Kong dollar	24,310,219	24,498,880
US dollar	6,839,784	5,810,093
Total	<u>31,150,003</u>	<u>30,308,973</u>

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Equities	10,768,886	21,820,998	18,471,708	31,282,349
Trades in the year before transaction costs	10,768,886	21,820,998	18,471,708	31,282,349
Commissions				
Equities	9,836	36,133	(21,013)	(48,037)
Total commissions	9,836	36,133	(21,013)	(48,037)
Taxes				
Equities	10,693	18,465	(17,603)	(29,518)
Total taxes	10,693	18,465	(17,603)	(29,518)
Total costs	20,529	54,598	(38,616)	(77,555)
Total net trades in the year after transaction costs	<u>10,789,415</u>	<u>21,875,596</u>	<u>18,433,092</u>	<u>31,204,794</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.16% (2016: 0.18%).

Neptune China Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.09	0.17	(0.11)	(0.15)
Taxes Equities	0.10	0.08	(0.10)	(0.09)

Total transaction cost expressed as a percentage of average NAV:

For the year ended	31 December 2017 %	31 December 2016 %
Commissions	0.10	0.22
Taxes	0.09	0.13
Total	0.19	0.35

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2017	
		C Accumulation	C Accumulation USD
Opening shares in issue	2,943,857	14,104,561	1,000
Creations during the year	55,093	2,024,426	—
Cancellations during the year	(471,484)	(5,750,765)	—
Share converted during the year	(30,119)	73,246	—
Closing shares in issue	2,497,347	10,451,468	1,000

18 Fair value hierarchy

Valuation technique	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	30,889,318	—	29,914,935	—
	30,889,318	—	29,914,935	—

The Fund has no Level 2 or Level 3 financial instruments.

Neptune China Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares (p)				
Group 1	0.2839	—	0.2839	2.7332
Group 2	0.2839	—	0.2839	2.7332
C Accumulation shares (p)				
Group 1	0.8971	—	0.8971	1.6749
Group 2	0.8971	—	0.8971	1.6749
B Accumulation USD shares (¢)				
Group 1	1.2122	—	1.2122	1.0974
Group 2	1.2122	—	1.2122	1.0974

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation shares (p)				
Group 1	0.7297	—	0.7297	0.2082
Group 2	—	0.7297	0.7297	0.2082
C Accumulation USD shares (¢)				
Group 1	1.2610	—	1.2610	—
Group 2	1.2610	—	1.2610	—

Neptune European Opportunities Fund

Investment Objective

The investment objective of the Neptune European Opportunities Fund is to generate capital growth by investing predominantly in a concentrated portfolio of securities selected from European markets, excluding the UK, with a view to attaining top quartile performance within the appropriate peer group*.

Other eligible asset classes are collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for effective portfolio management.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to qualify and to be included in an Individual Savings Account.

*The Fund's peer group is the Investment Association's 'Europe excluding the UK' category.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune European Opportunities Fund returned 21.68% in 2017, significantly outperforming the MSCI Europe ex UK Index's 16.75% gain.*

The first half of 2017 saw a slight pause in value's previous outperformance of growth, as election fears distracted from Europe's improving macroeconomic landscape. Uncertainty rose ahead of the Dutch election, although fears proved to be unfounded. Geert Wilders won only 13% of the vote in Holland, providing a set-back to populism. European markets were also fairly muted at the beginning of the second quarter, as investors were unwilling to make an outright call on the results of the French Presidential election. Centrist and pro-European Emmanuel Macron's substantial victory, with nearly double the votes of the anti-EU Marine Le Pen, marked a turning point in sentiment towards European equities.

With election fears lifted, the underlying strength of European corporates returned to investors' focus. First quarter earnings results were solid, with more than two thirds of European companies beating their earnings expectations; financials and industrials led the way. Intesa and BNP, both holdings in the Fund, published good earnings.

The economic picture in the Eurozone continued to strengthen over the second half of the year. Strong purchasing managers' index composites and continued GDP growth provided a strong backdrop for equities to build on the success of the second quarter's earnings season. This coincided with a synchronised global recovery and subsequent improvement in the industrial economy, providing a boost to the Fund's overweight position in material stocks. The sector also benefited from supply side reform and capacity cutting in China.

Typically, this macroeconomic economic backdrop would have been strongly supportive of value style equities; however, as was the case for most of 2017, value stocks were suppressed somewhat by external factors. Both decreasing confidence in President Trump's ability to push through reform and tensions

with North Korea compressed bond yields and led to the relative outperformance of growth-style equities with "bond-like" earnings visibility.

Angela Merkel's failure to reach a coalition in the fourth quarter of the year did not prove to be a major stumbling block for investors, particularly given the German economy's strong showing over the year. However, the events in Catalonia did create some market volatility; a dynamic which we believe has provided some opportunities, with the Fund topping up its allocation to Spanish financials in the light of more attractive valuations.

We maintained our overweight position in financials throughout the year and into 2018; Mario Draghi's speech declaring the end of new regulations for European banks and the finalisation of the bank capital rules was a major development for the sector. Now that banks have a clear indication of their regulatory expenditure they can confidently commit to higher dividend pay-outs.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune European Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	AUSTRIA 2.53% (2016 - 1.28%)		
143,438	Erste Bank	4,594,438	1.02
154,197	Voestalpine	6,818,225	1.51
	BELGIUM 3.49% (2016 - 1.44%)		
145,155	KBC	9,135,302	2.03
63,961	Solvay	6,583,157	1.46
	CANADA 4.15% (2016 - 3.68%)		
82,770	Agrium	7,019,658	1.56
768,275	Potash Corporation of Saskatchewan	11,679,208	2.59
	DENMARK 2.22% (2016 - 3.16%)		
7,741	AP Moller - Maersk	9,982,263	2.22
	FRANCE 18.73% (2016 - 23.70%)		
206,327	BNP Paribas	11,374,135	2.53
256,601	Bouygues	9,875,493	2.19
104,567	Cie de Saint-Gobain	4,286,912	0.95
932,884	Credit Agricole	11,443,364	2.54
148,210	Klepierre†	4,790,685	1.06
161,659	Renault	11,999,930	2.67
283,548	Société Générale	10,810,678	2.40
471,782	Television Francaise 1	5,142,538	1.14
213,854	TOTAL	8,772,073	1.95
292,827	Vivendi	5,832,952	1.30
	GERMANY 21.35% (2016 - 14.24%)		
9,339	Bayer	860,119	0.19
49,433	Bayerische Motoren Werke	3,806,691	0.85
103,370	Bilfinger SE	3,644,881	0.81
1,452,793	Commerzbank	16,100,047	3.58
76,850	Continental	15,372,874	3.42
255,152	Daimler	15,999,081	3.55
151,372	Deutsche Bank	2,127,461	0.47
148,142	Porsche Automobil Preference Shares	9,178,701	2.04
227,487	RWE	3,414,205	0.76
180,984	Salzgitter	7,591,589	1.69
101,270	Volkswagen Preference Shares	14,942,870	3.32
20,681	Wacker Chemie	3,005,705	0.67
	ITALY 7.56% (2016 - 7.94%)		
324,700	Assicurazioni Generali	4,364,715	0.97
460,465	Eni	5,662,664	1.26
3,226,634	Intesa Sanpaolo	7,907,409	1.76
949,567	Saipem	3,216,788	0.72
919,632	UniCredit	12,827,073	2.85
	LUXEMBOURG 3.33% (2016 - 0.00%)		
620,947	ArcelorMittal	14,985,955	3.33
	NETHERLANDS 3.53% (2016 - 6.72%)		
299,005	ING	4,079,008	0.91
1,391,453	PostNL	5,044,613	1.12
515,871	SBM Offshore	6,758,270	1.50

Neptune European Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	NORWAY 4.53% (2016 - 7.80%)		
3,816,355	Agrinos	559,810	0.12
422,321	DNB	5,817,520	1.29
411,239	Yara International	14,050,793	3.12
	PORTUGAL 1.05% (2016 - 0.00%)		
19,741,221	Banco Comercial Portugues	4,746,836	1.05
	SPAIN 11.53% (2016 - 9.20%)		
1,460,214	Banco Bilbao Vizcaya Argentaria	9,184,645	2.04
2,449,718	Banco Santander	11,889,520	2.64
3,404,795	Bankia	12,065,906	2.68
2,500,174	CaixaBank	8,624,965	1.92
314,510	Repsol	4,153,787	0.92
314,510	Repsol Rights 10/01/18	106,321	0.02
2,828,517	Sacyr	5,885,216	1.31
	SWEDEN 8.98% (2016 - 5.05%)		
375,644	Alfa Laval	6,579,923	1.46
353,945	Sandvik	4,602,763	1.02
904,370	SKF	14,837,437	3.30
2,164,626	SSAB AB B Shares	7,145,710	1.59
1,780,160	SSAB AB A Shares	7,229,201	1.61
	SWITZERLAND 0.85% (2016 - 7.52%)		
67,758	Adecco	3,814,659	0.85
	UNITED KINGDOM 5.36% (2016 - 7.08%)		
815,180	Antofagasta	8,123,269	1.80
410,092	Rio Tinto	16,036,648	3.56
	Portfolio of investments	446,486,659	99.19
	Net other assets	3,628,884	0.81
	Net assets	450,115,543	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

†Real Estate Investment Trust.

Neptune European Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Rio Tinto	16,366,265
UniCredit	15,137,611
Daimler	14,991,614
TOTAL	14,666,861
Volkswagen Preference Shares	13,904,729

Sales	Proceeds £
Zodiac Aerospace	17,877,152
Deutsche Bank	17,112,445
Intesa Sanpaolo	17,063,944
TOTAL	15,001,535
BNP Paribas	13,902,072

Neptune European Opportunities Fund

Fund Information

Performance Record

A Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 2.06%			
Change in net asset per share			
Opening net asset value per share	470.39	374.10	345.29
Return before operating charges	105.50	109.18	37.33
Operating charges	(9.84)	(6.85)	(7.32)
Return after operating charges	95.66	102.33	30.01
Distributions	(13.35)	(6.04)	(1.20)
Closing net asset value per share	552.70	470.39	374.10
After direct transaction costs of:	1.64	1.58	1.62
Performance			
Return after operating charges	20.34%	27.35%	8.69%
	£	£	£
Other information			
Closing net asset value	2,480,020	2,400,245	5,451,711
Closing number of shares	448,711	510,271	1,457,268
Operating Charge Figure	1.88%	1.87%	1.93%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	2.00%	2.00%	2.50%
Prices			
Highest share price	565.30p	474.10p	407.30p
Lowest share price	470.90p	298.60p	334.90p

A Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 2.06%			
Change in net asset per share			
Opening net asset value per share	535.21	419.39	385.62
Return before operating charges	120.97	123.59	41.66
Operating charges	(11.32)	(7.77)	(7.89)
Return after operating charges	109.65	115.82	33.77
Distributions	(7.45)	(6.34)	(1.51)
Retained distributions on accumulation shares	7.45	6.34	1.51
Closing net asset value per share	644.86	535.21	419.39
After direct transaction costs of:	1.88	1.79	1.81
Performance			
Return after operating charges	20.49%	27.62%	8.76%
	£	£	£
Other information			
Closing net asset value	53,427,076	48,010,391	74,515,391
Closing number of shares	8,285,007	8,970,412	17,767,496
Operating Charge Figure	1.88%	1.87%	1.86%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	2.00%	2.00%	2.50%
Prices			
Highest share price	657.10p	536.50p	455.00p
Lowest share price	535.70p	334.50p	374.10p

Neptune European Opportunities Fund

Fund Information (continued)

Performance Record (continued)

B Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.56%			
Change in net asset per share			
Opening net asset value per share	476.50	384.41	355.38
Return before operating charges	107.07	109.32	38.50
Operating charges	(7.33)	(4.93)	(5.37)
Return after operating charges	99.74	104.39	33.13
Distributions	(13.55)	(12.30)	(4.10)
Closing net asset value per share	562.69	476.50	384.41
After direct transaction costs of:	1.66	1.57	1.67
Performance			
Return after operating charges	20.93%	27.16%	9.32%
	£	£	£
Other information			
Closing net asset value	3,083,809	3,409,076	31,097,818
Closing number of shares	548,043	715,436	8,089,786
Operating Charge Figure	1.38%	1.36%	1.38%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.50%	1.50%	2.50%
Prices			
Highest share price	575.10p	480.20p	419.90p
Lowest share price	477.30p	306.60p	344.80p

B Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.56%			
Change in net asset per share			
Opening net asset value per share	569.34	443.93	406.27
Return before operating charges	128.91	131.33	43.89
Operating charges	(8.86)	(5.92)	(6.23)
Return after operating charges	120.05	125.41	37.66
Distributions	(9.46)	(7.73)	(2.16)
Retained distributions on accumulation shares	9.46	7.73	2.16
Closing net asset value per share	689.39	569.34	443.93
After direct transaction costs of:	2.01	1.87	1.92
Performance			
Return after operating charges	21.09%	28.25%	9.27%
	£	£	£
Other information			
Closing net asset value	2,908,146	3,226,237	11,013,550
Closing number of shares	421,842	566,664	2,480,919
Operating Charge Figure	1.38%	1.37%	1.39%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.50%	1.50%	2.50%
Prices			
Highest share price	701.90p	570.70p	480.00p
Lowest share price	570.30p	354.20p	394.20p

Neptune European Opportunities Fund

Fund Information (continued)

Performance Record (continued)

C Income

	31 December 2017	31 December 2016	31 December 2015
OCF cap from 1 January 2018: 1.06%	(p)	(p)	(p)
Change in net asset per share			
Opening net asset value per share	136.81	109.54	101.04
Return before operating charges	30.80	31.50	10.95
Operating charges	(1.35)	(0.92)	(0.96)
Return after operating charges	29.45	30.58	9.99
Distributions	(3.90)	(3.31)	(1.49)
Closing net asset value per share	162.36	136.81	109.54
After direct transaction costs of:	0.48	0.46	0.47
Performance			
Return after operating charges	21.53%	27.92%	9.89%
	£	£	£
Other information			
Closing net asset value	48,380,157	45,330,050	65,563,011
Closing number of shares	29,797,489	33,134,402	59,851,251
Operating Charge Figure	0.88%	0.87%	0.86%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.00%	1.00%	1.00%
Prices			
Highest share price	165.80p	137.90p	119.50p
Lowest share price	137.20p	87.48p	98.05p

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
OCF cap from 1 January 2018: 1.06%	(p)	(p)	(p)
Change in net asset per share			
Opening net asset value per share	167.35	129.84	118.19
Return before operating charges*	37.98	38.63	12.77
Operating charges*	(1.67)	(1.12)	(1.12)
Return after operating charges	36.31	37.51	11.65
Distributions	(3.24)	(2.84)	(1.25)
Retained distributions on accumulation shares	3.24	2.84	1.25
Closing net asset value per share	203.66	167.35	129.84
After direct transaction costs of:	0.59	0.56	0.56
Performance			
Return after operating charges	21.70%	28.89%	9.86%
	£	£	£
Other information			
Closing net asset value	189,280,433	135,796,858	174,043,398
Closing number of shares	92,937,380	81,144,317	134,048,231
Operating Charge Figure	0.88%	0.87%	0.86%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.00%	1.00%	1.00%
Prices			
Highest share price	207.20p	167.70p	139.80p
Lowest share price	167.80p	103.70p	114.70p

*The comparative figures for C Accumulation 2015 have been restated due to the annualisation of the operating charges.

Neptune European Opportunities Fund

Fund Information (continued)

Performance Record (continued)

D Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 0.96%			
Change in net asset per share			
Opening net asset value per share	133.89	103.77	94.39
Return before operating charges	30.39	30.92	10.19
Operating charges	(1.18)	(0.80)	(0.81)
Return after operating charges	29.21	30.12	9.38
Distributions	(2.67)	(2.37)	(1.04)
Retained distributions on accumulation shares	2.67	2.37	1.04
Closing net asset value per share	163.10	133.89	103.77
After direct transaction costs of:	0.47	0.45	0.43
Performance			
Return after operating charges	21.82%	29.03%	9.94%
	£	£	£
Other information			
Closing net asset value	30,620,554	16,699,682	28,699,195
Closing number of shares	18,773,918	12,472,364	27,655,691
Operating Charge Figure	0.78%	0.77%	0.78%
Direct transaction costs	0.31%	0.43%	0.41%
OCF/TER cap	0.90%	0.90%	1.00%
Prices			
Highest share price	165.90p	134.20p	111.70p
Lowest share price	134.20p	82.87p	91.59p

E Income (Launched 1 December 2017)

	31 December 2017
	(p)
OCF cap from 1 January 2018: 0.86%	
Change in net asset per share	
Opening net asset value per share	100.00
Return before operating charges	2.48
Operating charges	(0.05)
Return after operating charges	2.43
Distributions	—
Closing net asset value per share	102.43
After direct transaction costs of:	0.32
Performance	
Return after operating charges	2.43%
	£
Other information	
Closing net asset value	37,972,054
Closing number of shares	37,069,718
Operating Charge Figure	0.70%
Direct transaction costs	0.31%
OCF/TER cap	0.80%
Prices	
Highest share price	103.10p
Lowest share price	99.81p

Neptune European Opportunities Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation EUR

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 2.06%			
Change in net asset per share			
Opening net asset value per share	165.57	129.74	119.30
Return before operating charges	37.43	38.15	12.90
Operating charges	(3.50)	(2.32)	(2.46)
Return after operating charges	33.93	35.83	10.44
Distributions	(2.30)	(1.96)	(0.54)
Retained distributions on accumulation shares	2.30	1.96	0.54
Closing net asset value per share	199.50	165.57	129.74
After direct transaction costs of:	0.58	0.54	0.56
Performance			
Return after operating charges	20.49%	27.62%	8.75%
	£	£	£
Other information			
Closing net asset value	7,917,288	8,181,782	31,010,791
Closing number of shares	3,968,634	4,941,560	23,902,438
Operating Charge Figure	1.88%	1.86%	1.88%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	2.00%	2.00%	2.50%
Prices			
Highest share price	229.50¢	195.30¢	137.63¢
Lowest share price	196.10¢	131.60¢	116.93¢

B Accumulation EUR

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.56%			
Change in net asset per share			
Opening net asset value per share	172.00	134.09	122.69
Return before operating charges	38.94	39.71	13.25
Operating charges	(2.68)	(1.80)	(1.85)
Return after operating charges	36.26	37.91	11.40
Distributions	(2.86)	(2.33)	(0.95)
Retained distributions on accumulation shares	2.86	2.33	0.95
Closing net asset value per share	208.26	172.00	134.09
After direct transaction costs of:	0.61	0.57	0.58
Performance			
Return after operating charges	21.08%	28.27%	9.29%
	£	£	£
Other information			
Closing net asset value	23,637,126	28,190,906	46,076,996
Closing number of shares	11,349,850	16,390,279	34,362,137
Operating Charge Figure	1.38%	1.37%	1.37%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.50%	1.50%	2.50%
Prices			
Highest share price	239.40¢	202.80¢	141.88¢
Lowest share price	103.90¢	136.10¢	120.22¢

Neptune European Opportunities Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation EUR

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.06%			
Change in net asset per share			
Opening net asset value per share	99.03	76.84	70.00
Return before operating charges	22.48	22.86	7.53
Operating charges	(0.99)	(0.67)	(0.69)
Return after operating charges	21.49	22.19	6.84
Distributions	(1.91)	(1.68)	(0.72)
Retained distributions on accumulation shares	1.91	1.68	0.72
Closing net asset value per share	120.52	99.03	76.84
After direct transaction costs of:	0.35	0.33	0.33
Performance			
Return after operating charges	21.70%	28.88%	9.79%
	£	£	£
Other information			
Closing net asset value	50,408,880	32,735,576	19,450,353
Closing number of shares	41,824,820	33,055,849	25,314,150
Operating Charge Figure	0.88%	0.87%	0.90%
Direct transaction costs	0.31%	0.43%	0.43%
OCF/TER cap	1.00%	1.00%	1.00%
Prices			
Highest share price	138.40¢	116.70¢	81.11¢
Lowest share price	119.50¢	78.01¢	68.61¢

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 30.

Details of the distributions per share for the year are shown in the distribution tables on pages 48 and 49.

Status

Neptune European Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune European Opportunities Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		70,028,445		37,755,123
Revenue	3	10,563,529		10,378,462	
Expenses	4	(4,344,156)		(3,562,498)	
Interest payable and similar charges		(3,067)		(7,878)	
Net revenue before taxation		6,216,306		6,808,086	
Taxation	5	(310,697)		(203,884)	
Net revenue after taxation			5,905,609		6,604,202
Total return before distributions			75,934,054		44,359,325
Distributions	6		(7,080,128)		(7,336,735)
Change in net assets attributable to shareholders from investment activities			68,853,926		37,022,590

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
		£	£	£	£
Opening net assets attributable to shareholders			323,980,804		486,922,214
Amounts received on issue of shares		190,617,036		96,729,205	
Amounts paid on cancellation of shares		(138,852,489)		(301,236,518)	
			51,764,547		(204,507,313)
Dilution adjustment charged			10,314		87,962
Stamp duty reserve tax*			—		429
Change in net assets attributable to shareholders from investment activities			68,853,926		37,022,590
Retained distribution on accumulation shares			5,505,951		4,454,232
Unclaimed distributions			1		690
Closing net assets attributable to shareholders			450,115,543		323,980,804

*Relating to write off of prior year excess accrual.

Neptune European Opportunities Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed Assets					
Investments		446,486,659		320,122,889	
Current Assets					
Debtors	7	3,267,137		2,299,308	
Cash and bank balances	8	1,313,205		2,996,189	
Total current assets		4,580,342		5,295,497	
Total assets		451,067,001		325,418,386	
Liabilities					
Creditors					
Distributions payable		(204,581)		(275,742)	
Other creditors	9	(746,877)		(1,161,840)	
Total liabilities		(951,458)		(1,437,582)	
Net assets attributable to shareholders		450,115,543		323,980,804	

The accompanying notes are an integral part of these Financial Statements.

Neptune European Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	70,440,394	37,708,327
Forward currency contracts	260	—
Currency (losses)/gains	(375,597)	84,685
Transaction charges	(36,612)	(37,889)
Net capital gains	<u>70,028,445</u>	<u>37,755,123</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	(3,333)	44,999
Scrip dividends	1,331,989	1,222,795
UK dividends	244,588	84,699
Overseas dividends	8,990,285	9,025,969
Total revenue	<u>10,563,529</u>	<u>10,378,462</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	3,848,451	3,222,671
Distribution fees	64,011	63,567
Printing costs	11,246	10,593
Registration fees	14,511	16,092
Transfer agent fees	56,780	48,503
	<u>3,994,999</u>	<u>3,361,426</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	107,238	48,577
Safe custody fees	69,153	80,576
	<u>176,391</u>	<u>129,153</u>
<i>Other expenses:</i>		
Audit fee	27,151	12,899
FCA fee	218	234
Legal and professional fees	136,446	60,012
Publication costs	8,951	(1,226)
	<u>172,766</u>	<u>71,919</u>
Total Expenses	<u>4,344,156</u>	<u>3,562,498</u>

The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	310,697	203,884
Total taxation for the year	<u>310,697</u>	<u>203,884</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	6,216,306	6,808,086
Corporation tax at 20% (2016: 20%)	1,243,261	1,361,617
Effects of:		
Movement in excess management expenses	870,111	705,075
Overseas withholding tax	310,697	203,884
Revenue not subject to taxation	(2,113,372)	(2,066,692)
Current tax charge for the year	<u>310,697</u>	<u>203,884</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £15,959,596 (2016: £15,089,485) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	7,082,787	4,943,327
Final	205,426	587,596
Add: Amounts deducted on cancellation of shares	324,300	2,055,802
Deduct: Amounts received on issue of shares	(532,385)	(249,990)
Net distribution for the year	<u>7,080,128</u>	<u>7,336,735</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	5,905,609	6,604,202
Expenses charged to capital	653,980	553,122
Equalisation on conversion of shares	2,100	16,344
Revenue deficit borne by capital	518,416	163,075
Movement in revenue account	23	(8)
Net distribution for the year	<u>7,080,128</u>	<u>7,336,735</u>

Details of the distribution per share are set out in the distribution tables on pages 48 and 49.

Neptune European Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

	31 December 2017	31 December 2016
7 Debtors		
	£	£
Accrued revenue	211,557	186,358
Amounts receivable for issue of shares	1,661,860	788,148
Overseas tax recoverable	1,393,651	1,324,744
Prepaid expenses	69	58
Total debtors	<u>3,267,137</u>	<u>2,299,308</u>
8 Cash and bank balances		
	£	£
Cash and bank balances	1,313,205	2,996,189
	<u>1,313,205</u>	<u>2,996,189</u>
9 Creditors		
	£	£
ACD's periodic charge	321,644	251,056
Rebate borne by ACD	2,641	2,641
Accrued expenses	106,590	75,078
Amounts payable on cancellation of shares	265,520	816,097
Depository's fees	50,482	16,883
Interest payable	—	85
Total creditors	<u>746,877</u>	<u>1,161,840</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depository are shown in note 4 on page 42. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Neptune European Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £4,464,867 (2016: £3,201,229).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £4,238,086 (2016: £2,986,884).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total	Total
	£	£
Danish krone	9,990,693	10,244,715
Euro	330,113,833	210,369,460
Norwegian krone	20,625,430	25,421,476
Swedish krona	40,395,034	16,350,185
Swiss franc	3,869,592	24,344,915
US dollar	18,813,972	11,957,635
Total	<u>423,808,554</u>	<u>298,688,386</u>

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	489,420,382	475,167,156	434,836,880	680,923,084
Trades in the year before transaction costs	489,420,382	475,167,156	434,836,880	680,923,084
Commissions				
Equities	521,062	536,247	(416,121)	(530,919)
Total commissions	521,062	536,247	(416,121)	(530,919)
Taxes				
Equities	456,232	287,233	(22)	(6,326)
Total taxes	456,232	287,233	(22)	(6,326)
Total costs	977,294	823,480	(416,143)	(537,245)
Total net trades in the year after transaction costs	490,397,676	475,990,636	434,420,737	680,385,839

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.05% (2016: 0.06%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.11	0.11	(0.10)	(0.08)
Taxes				
Equities	0.09	0.06	—	—
Total transaction cost expressed as a percentage of NAV: For the year ended			31 December 2017 %	31 December 2016 %
Commissions			0.21	0.34
Taxes			0.10	0.09
Total			0.31	0.43

Neptune European Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017			
	A Income	A Accumulation	B Income	B Accumulation
Opening shares in issue	510,271	8,970,412	715,436	566,664
Creations during the year	22,028	1,448,605	38,419	99,336
Cancellations during the year	(83,588)	(2,018,737)	(205,812)	(223,999)
Shares converted during the year	—	(115,273)	—	(20,159)
Closing shares in issue	<u>448,711</u>	<u>8,285,007</u>	<u>548,043</u>	<u>421,842</u>
	C Income	C Accumulation	D Accumulation	E Income
Opening shares in issue	33,134,402	81,144,317	12,472,364	—
Creations during the year	21,508,078	29,408,664	8,041,605	37,069,718
Cancellations during the year	(24,844,991)	(18,050,331)	(1,740,051)	—
Shares converted during the year	—	434,730	—	—
Closing shares in issue	<u>29,797,489</u>	<u>92,937,380</u>	<u>18,773,918</u>	<u>37,069,718</u>
	A Accumulation	B Accumulation	C Accumulation	
	EUR	EUR	EUR	
Opening shares in issue	4,941,560	16,390,279	33,055,849	
Creations during the year	495,192	9,306,921	23,896,148	
Cancellations during the year	(1,455,192)	(14,359,774)	(15,127,177)	
Shares converted during the year	(12,926)	12,424	—	
Closing shares in issue	<u>3,968,634</u>	<u>11,349,850</u>	<u>41,824,820</u>	

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Level 1	445,926,849	—	319,113,299	—
Level 3	559,810	—	1,009,590	—
	<u>446,486,659</u>	<u>—</u>	<u>320,122,889</u>	<u>—</u>

The Fund has no Level 2 financial instruments.

Neptune European Opportunities Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Income shares (p)				
Group 1	11.2506	—	11.2506	3.4920
Group 2	8.5759	2.6747	11.2506	3.4920
A Accumulation shares (p)				
Group 1	7.4520	—	7.4520	6.3420
Group 2	6.0323	1.4197	7.4520	6.3420
B Income shares (p)				
Group 1	11.4164	—	11.4164	9.7301
Group 2	8.5628	2.8536	11.4164	9.7301
B Accumulation shares (p)				
Group 1	9.4633	—	9.4633	7.7271
Group 2	7.2834	2.1799	9.4633	7.7271
C Income shares (p)				
Group 1	3.2834	—	3.2834	2.5749
Group 2	2.2232	1.0602	3.2834	2.5749
C Accumulation shares (p)				
Group 1	3.2359	—	3.2359	2.5612
Group 2	2.2735	0.9624	3.2359	2.5612
D Accumulation shares (p)				
Group 1	2.6619	—	2.6619	2.0924
Group 2	2.0133	0.6486	2.6619	2.0924
A Accumulation EUR shares (¢)				
Group 1	2.6224	—	2.6224	2.3717
Group 2	2.1020	0.5204	2.6224	2.3717
B Accumulation EUR shares (¢)				
Group 1	3.2497	—	3.2497	2.8225
Group 2	2.7129	0.5368	3.2497	2.8225
C Accumulation EUR shares (¢)				
Group 1	2.1786	—	2.1786	1.8349
Group 2	1.6458	0.5328	2.1786	1.8349

Neptune European Opportunities Fund

Distribution Table

for the year ended 31 December 2017 (continued) – in pence/cents per share

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Income shares (p)				
Group 1	2.1024	—	2.1024	2.5452
Group 2	1.4736	0.6288	2.1024	2.5452
A Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Income shares (p)				
Group 1	2.1375	—	2.1375	2.5703
Group 2	1.3404	0.7971	2.1375	2.5703
B Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Income shares (p)				
Group 1	0.6156	—	0.6156	0.7375
Group 2	0.3021	0.3135	0.6156	0.7375
C Accumulation shares (p)				
Group 1	—	—	—	0.2748
Group 2	—	—	—	0.2748
D Accumulation shares (p)				
Group 1	0.0045	—	0.0045	0.2780
Group 2	—	0.0045	0.0045	0.2780
E Income shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
A Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation EUR shares (¢)				
Group 1	—	—	—	0.1910
Group 2	—	—	—	0.1910

Neptune Global Alpha Fund

Investment Objective

The investment objective of the Neptune Global Alpha Fund (the Fund) is to generate a positive total return, from investment predominantly in equities and bonds, with a view to attaining top quartile performance amongst the relevant peer group.

There is no predetermined exposure to the two asset classes. There are also no constraints on the regional, sectorial or geographical allocation policy adopted by the Fund.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

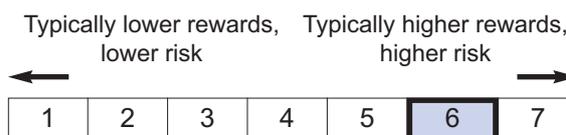
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

The Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Neptune Global Alpha Fund

Investment Manager's Report

for the year ended 31 December 2017

Over the last year, the Neptune Global Alpha Fund has gained 25.33% in comparison to the IA Flexible Investment sector average return of 11.08%*. This outperformance saw the Fund rank 1st out of 151 competitors in the IA Flexible sector for the year.

Our emerging markets exposure was been particularly beneficial over the past year. The magnitude of the emerging markets' outperformance over developed markets was supportive of our positioning, with our Chinese exposure a major source of alpha returning 75% for the year. Strong stockpicking within the US also drove returns.

Over the year we positioned the portfolio to benefit from the return of global deflation, trimming our consumer staples exposure in favour of more cyclical value plays, such as materials. Metal prices have been supported by the synchronised global recovery, in combination with Chinese supply-side measures, enabling strong performance from the entire sector and significant outperformance from our favoured stocks, Antofagasta and Glencore.

The global macroeconomic backdrop remains supportive of our emerging markets overweight; the region is experiencing underlying economic growth and earnings growth far in excess of the major developed markets, whilst we continue to see positive momentum in earnings revisions. Emerging markets in general are still on a significant discount to their developed market peers and we prefer those economies undergoing political and economic reform, in particular the more cyclical economies of Russia and Latin America as well as the ongoing structural growth story in India.

We also retain significant exposure to Japan. Earnings growth has been incredibly strong yet it

continues to be underestimated by the market. Japanese companies are now very cheap, with further gains likely due to rising profitability and continued earnings surprises, whilst the market continues to see widespread support from local investors. With Abe's third arrow of reform prompting businesses to become more shareholder friendly, we believe Japanese equities are starting to show signs of a much anticipated rerating. One particular Japanese stock, Optex, the sensor manufacturer, returned 121.7% in 2017 and was the Fund's top contributor to performance in the year.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Global Alpha Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	CHILE 2.21% (2016 - 0.00%)		
200,000	Antofagasta	1,993,000	2.21
	CHINA 10.24% (2016 - 6.63%)		
18,000	Alibaba ADR	2,295,510	2.55
11,500	Baidu ADR	1,997,594	2.22
265,000	Ping An Insurance	2,041,470	2.27
75,000	Tencent	2,883,545	3.20
	CYPRUS 1.91% (2016 - 2.09%)		
250,000	Globaltrans Investment GDR	1,720,756	1.91
	HONG KONG 3.12% (2016 - 2.51%)		
1,875,000	Mandarin Oriental International	2,803,166	3.12
	ISRAEL 0.00% (2016 - 2.14%)		
	JAPAN 18.63% (2016 - 18.94%)		
158,000	CYBERDYNE	2,017,291	2.24
65,000	Jafco	2,791,981	3.10
55,000	Komatsu	1,473,543	1.64
264,000	Mitsubishi Chemical	2,146,388	2.39
50,000	Mitsubishi Estate	644,632	0.72
30,000	OKUMA	1,476,076	1.64
85,000	Optex	3,326,762	3.70
60,000	Sony	2,006,121	2.23
36,000	Sumitomo Realty & Development	876,647	0.97
	RUSSIA 1.81% (2016 - 6.43%)		
130,000	Sberbank of Russia ADR	1,631,795	1.81
	SWITZERLAND 2.36% (2016 - 0.00%)		
550,000	Glencore	2,127,950	2.36
	UNITED KINGDOM 13.41% (2016 - 4.07%)		
35,000	LivaNova	2,075,935	2.31
3,041	Navenio (Private Equity)	224,998	0.25
198,000	Neptune Global Smaller Companies Fund†	287,298	0.32
1,205,000	Neptune India Fund†	3,120,950	3.47
2,885,000	Neptune Latin America Fund†	3,069,640	3.41
22,000	Pentair	1,141,886	1.27
322	Vaccitech 'A' (Private equity)	350,223	0.39
16,000	Willis Towers Watson	1,792,487	1.99
	UNITED STATES 43.85% (2016 - 55.64%)		
3,500	Alphabet 'A'	2,734,695	3.04
4,200	Amazon.com	3,685,766	4.10
21,000	ANSYS	2,294,200	2.55
25,000	Brink's	1,458,942	1.62
55,000	Brown-Forman	2,799,355	3.11
23,000	Electronic Arts	1,792,472	1.99
25,000	Evercore	1,675,424	1.86
15,000	Facebook	1,974,873	2.20
25,000	First Republic Bank	1,612,515	1.79
15,000	Fortive	804,537	0.89
10,800	General Dynamics	1,629,331	1.81

Neptune Global Alpha Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
7,800	Intuitive Surgical	2,128,857	2.37
15,000	NVIDIA	2,190,689	2.44
16,000	Palo Alto Networks	1,738,726	1.93
25,000	Red Hat	2,240,868	2.49
61,000	RingCentral	2,182,843	2.43
15,000	SVB Financial	2,638,973	2.93
23,000	United Rentals	2,950,345	3.28
30,000	Varex Imaging	917,440	1.02
	FORWARD FOREIGN EXCHANGE CONTRACTS 0.00% (2016 - 1.41%)*		
	OPTIONS 0.15% (2016 - 0.00%)*		
428	S&P 500 E Mini Futures 2425 Put 16/03/2018	134,626	0.15
	Portfolio of investments	87,903,121	97.69
	Net other assets	2,075,418	2.31
	Net assets	89,978,539	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

*Derivatives.

Stocks shown as ADRs represent American Depositary Receipts.

Stocks shown as GDRs represent Global Depositary Receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Neptune India Fund†	3,056,340
Melrose Industries	2,424,198
Globaltrans Investment GDR	2,295,713
Brink's	2,152,500
Mitsubishi Chemical	2,130,291
Sales	Proceeds £
Sberbank of Russia ADR	3,556,872
East West Bancorp	2,543,379
Neptune India Fund†	2,263,100
Melrose Industries	2,086,949
Neptune US Mid Cap Fund†	1,957,000

Stocks shown as ADRs represent American Depositary Receipts.

Stocks shown as GDRs represent Global Depositary Receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

Neptune Global Alpha Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 2.23%			
Change in net asset per share			
Opening net asset value per share	397.46	377.36	374.30
Return before operating charges	104.00	27.46	11.14
Operating charges	(9.24)	(7.36)	(8.08)
Return after operating charges	94.76	20.10	3.06
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	492.22	397.46	377.36
After direct transaction costs of:	0.84	0.33	0.61
Performance			
Return after operating charges	23.84%	5.33%	0.82%
	£	£	£
Other information			
Closing net asset value	29,635,461	26,909,742	34,112,208
Closing number of shares	6,020,758	6,770,493	9,039,606
Operating Charge Figure	2.09%	2.08%	2.08%
Direct transaction costs	0.19%	0.09%	0.16%
OCF/TER cap	2.20%	2.20%	2.50%
Prices			
Highest share price	496.60p	402.70p	425.70p
Lowest share price	397.40p	290.40p	345.90p

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.03%			
Change in net asset per share			
Opening net asset value per share	440.70	413.35	404.37
Return before operating charges	116.04	30.69	12.53
Operating charges	(4.40)	(3.34)	(3.55)
Return after operating charges	111.64	27.35	8.98
Distributions	(2.69)	—	—
Retained distributions on accumulation shares	2.69	—	—
Closing net asset value per share	552.34	440.70	413.35
After direct transaction costs of:	0.93	0.36	0.66
Performance			
Return after operating charges	25.33%	6.62%	2.22%
	£	£	£
Other information			
Closing net asset value	60,343,078	50,347,067	54,263,968
Closing number of shares	10,924,880	11,424,231	13,127,772
Operating Charge Figure	0.89%	0.85%	0.84%
Direct transaction costs	0.19%	0.09%	0.16%
OCF/TER cap	1.00%	0.90%	1.00%
Prices			
Highest share price	556.60p	446.50p	462.20p
Lowest share price	440.70p	318.60p	377.70p

Neptune Global Alpha Fund

Fund Information (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 51.

Details of the distributions per share for the year are shown in the distribution tables on page 63.

Status

Neptune Global Alpha Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Global Alpha Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		17,724,024		3,772,265
Revenue	3	1,175,629		632,851	
Expenses	4	(1,005,855)		(972,673)	
Interest payable and similar charges		(1,127)		(1,108)	
Net revenue/(expense) before taxation		168,647		(340,930)	
Taxation	5	(56,005)		(72,995)	
Net revenue/(expense) after taxation			112,642		(413,925)
Total return before distributions/equalisation			17,836,666		3,358,340
Distribution/equalisation	6		(286,806)		44,825
Change in net assets attributable to shareholders from investment activities			17,549,860		3,403,165

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		77,256,766		88,376,176
Amounts received on issue of shares	12,383,152		8,821,241	
Amounts paid on cancellation of shares	(17,504,627)		(23,344,888)	
		(5,121,475)		(14,523,647)
Dilution adjustment charged		4,008		1,072
Change in net assets attributable to shareholders from investment activities		17,549,860		3,403,165
Retained distribution on accumulation shares		289,380		—
Closing net assets attributable to shareholders		89,978,539		77,256,766

Neptune Global Alpha Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed Assets					
Investments		87,903,121		77,150,819	
Current Assets					
Debtors	7	34,839		159,067	
Cash and bank balances	8	<u>2,263,081</u>		<u>193,344</u>	
Total current assets		<u>2,297,920</u>		<u>352,411</u>	
Total assets		<u>90,201,041</u>		<u>77,503,230</u>	
Liabilities					
Investment liabilities			—		(680)
Creditors					
Other creditors	9	<u>(222,502)</u>		<u>(245,784)</u>	
Total liabilities			<u>(222,502)</u>		<u>(246,464)</u>
Net assets attributable to shareholders		<u>89,978,539</u>		<u>77,256,766</u>	

The accompanying notes are an integral part of these Financial Statements.

Neptune Global Alpha Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	19,913,944	10,033,492
Derivative contracts	(1,186,909)	—
Forward currency contracts	(1,286,663)	(6,417,157)
Currency gains	320,357	162,922
Transaction charges	(32,388)	(6,992)
Broker's commission on futures	(4,317)	—
Net capital gains	<u>17,724,024</u>	<u>3,772,265</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	2,565	227
UK dividends	53,445	—
Overseas dividends	1,097,232	630,405
Franked income from collective investment schemes	22,387	2,219
Total revenue	<u>1,175,629</u>	<u>632,851</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	917,817	888,806
Distribution fees	12,193	12,714
Printing costs	4,236	4,560
Registration fees	5,878	6,434
Transfer agent fees	10,877	11,918
	<u>951,001</u>	<u>924,432</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	28,465	11,840
Safe custody fees	11,437	10,138
	<u>39,902</u>	<u>21,978</u>
<i>Other expenses:</i>		
Audit fee	6,609	7,167
FCA fee	218	234
Legal and professional fees	6,558	17,620
Publication costs	1,567	1,242
	<u>14,952</u>	<u>26,263</u>
Total expenses	<u>1,005,855</u>	<u>972,673</u>

Neptune Global Alpha Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	56,005	72,995
Total taxation for the year	<u>56,005</u>	<u>72,995</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue/(expense) before taxation	168,647	(340,930)
Corporation tax at 20% (2016: 20%)	33,729	(68,186)
Effects of:		
Movement in excess management expenses	174,319	187,991
Overseas tax expensed	(2,969)	(694)
Overseas withholding tax	56,005	72,995
Revenue not subject to taxation	(205,079)	(119,111)
Current tax charge for the year	<u>56,005</u>	<u>72,995</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £2,488,528 (2016: £2,314,209) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distribution/equalisation

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	228,649	—
Final	60,731	—
Deduct: Amounts deducted on cancellation of shares	(882)	(55,939)
Deduct/add: Amounts received on issue of shares	(1,692)	11,114
Net distribution/equalisation for the year	<u>286,806</u>	<u>(44,825)</u>
Reconciliation of net revenue/(expense) after taxation to distributions/equalisation		
Net revenue/(expense) after taxation	112,642	(413,925)
Equalisation on conversion of shares	1,056	10,410
Revenue deficit borne by capital	173,117	358,409
Movement in revenue account	(9)	281
Net distribution/equalisation for the year	<u>286,806</u>	<u>(44,825)</u>

Details of the distribution per share are set out in the distribution table on page 63.

Neptune Global Alpha Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	30,360	92,077
Amounts receivable for issue of shares	4,425	66,932
Prepaid expenses	54	58
Total debtors	<u>34,839</u>	<u>159,067</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	2,263,081	193,344
	<u>2,263,081</u>	<u>193,344</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	75,696	71,793
Accrued expenses	44,543	26,895
Amounts payable on cancellation of shares	102,263	147,096
Total creditors	<u>222,502</u>	<u>245,784</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depository are shown in note 4 on page 58. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £877,685 (2016: £760,685).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £740,975 (2016: £588,035).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Hong Kong dollar	—	1,789,689
Japanese yen	16,774,537	250,219
US dollar	57,322,942	56,763,598
Total	<u>74,097,479</u>	<u>58,803,506</u>

Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative Exposure £	Collateral Posted £	Collateral Received £	Collateral Asset Class
2017	RBC Europe	134,626	—	—	Cash
2016	Brown Brothers Harriman	508,187	—	—	Cash
	Royal Bank of Scotland	43,693	—	—	Cash
	State Street	529,721	—	—	Cash

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	55,614,954	40,635,126	63,999,984	64,355,823
Options	—	—	—	—
Trades in the year before transaction costs	<u>55,614,954</u>	<u>40,635,126</u>	<u>63,999,984</u>	<u>64,355,823</u>
Commissions				
Equities	49,323	20,677	(77,287)	(47,201)
Options	2,679	—	(1,638)	—
Total commissions	<u>52,002</u>	<u>20,677</u>	<u>(78,925)</u>	<u>(47,201)</u>
Taxes				
Equities	22,044	—	—	(1,710)
Options	—	—	—	—
Total taxes	<u>22,044</u>	<u>—</u>	<u>—</u>	<u>(1,710)</u>
Total costs	<u>74,046</u>	<u>20,677</u>	<u>(78,925)</u>	<u>(48,911)</u>
Total net trades in the year after transaction costs	<u>55,689,000</u>	<u>40,655,803</u>	<u>63,921,059</u>	<u>64,306,912</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.09% (2016: 0.10%).

Neptune Global Alpha Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.09	0.05	(0.12)	(0.07)
Options	—	—	—	—
Taxes				
Equities	0.04	—	—	—
Options	—	—	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.16	0.09
Taxes	0.02	—
Total	0.18	0.09

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017	
	A Accumulation	C Accumulation
Opening shares in issue	6,770,493	11,424,231
Creations during the year	560,746	1,900,375
Cancellations during the year	(1,226,769)	(2,474,810)
Share converted during the year	(83,712)	75,084
Closing shares in issue	6,020,758	10,924,880

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	80,850,012	—	72,923,595	—
Level 2	6,477,888	—	4,227,224	(680)
Level 3	575,221	—	—	—
	87,903,121	—	77,150,819	(680)

Neptune Global Alpha Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation shares				
Group 1	2.1355	—	2.1355	—
Group 2	1.1501	0.9854	2.1355	—

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation shares				
Group 1	0.5559	—	0.5559	—
Group 2	0.4185	0.1374	0.5559	—

Neptune Global Equity Fund

Investment Objective

The investment objective of the Neptune Global Equity Fund (the Fund) is to generate capital growth from a concentrated portfolio of global securities, selected from across world equity markets, with a view to attaining top quartile performance within the appropriate peer group.

This is an international Fund but there will be no restrictions in terms of regional allocation.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

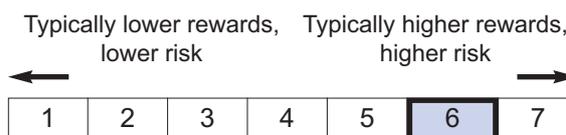
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Neptune Global Equity Fund

Investment Manager's Report

for the year ended 31 December 2017

The Neptune Global Equity Fund returned 20.52% over the last year, outperforming the MSCI World benchmark's 12.42% gain and IA Global sector average return of 14.05%. This performance saw the Fund rank in the first quartile of the IA peer group for the year.

The Neptune Global Equity Fund's significant emerging market exposure contributed strongly to the Fund's outperformance over the year. The Chinese market was the standout performer, where our tech holdings were particularly beneficial, especially Tencent Holdings, which contributed 19.4% of the Fund's performance in the final quarter of the year. This was mirrored in the West, with our US technology exposure also driving returns.

The key change from a portfolio perspective was increasing exposure to the commodity related sectors; energy and materials. Metal prices have been supported by the synchronised global recovery in combination with Chinese supply-side measures, enabling strong performance from the entire sector and significant outperformance from our favoured stocks, Antofagasta and Glencore.

The global macroeconomic backdrop remains supportive of our emerging markets overweight; the region is experiencing underlying economic growth and earnings growth far in excess of the major developed markets, whilst we continue to see positive momentum in earnings revisions. Emerging markets in general are still on a significant discount to their developed market peers and we prefer those economies undergoing political and economic reform, in particular the more cyclical economies of Russia and Latin America as well as the ongoing structural growth story in India.

Technology continues to be a key overweight in the Neptune Global Equity Fund. Our global industry research seeks to identify those companies at the forefront of industry disruption, capitalising on long

run secular themes such as increasing internet penetration in China as well as the likes of Facebook, Amazon and Alphabet, which are key beneficiaries of network effects.

We also remain overweight Japan. Earnings growth has been incredibly strong yet it continues to be underestimated by the market. Japanese companies are now very cheap, with further gains likely due to rising profitability and continued earnings surprises, whilst the market continues to see widespread support from local investors. With Abe's third arrow of reform prompting businesses to become more shareholder friendly, we believe Japanese equities are starting to show signs of a much anticipated rerating.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Global Equity Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	CANADA 0.00% (2016 - 0.00%)		
99,500	Nebex Resources *	—	—
	CHILE 1.28% (2016 - 0.00%)		
260,000	Antofagasta	2,590,900	1.28
	CHINA 10.69% (2016 - 6.28%)		
39,000	Alibaba ADR	4,973,606	2.46
29,000	Baidu ADR	5,037,411	2.49
500,000	Ping An Insurance	3,851,829	1.90
202,000	Tencent	7,766,349	3.84
	HONG KONG 3.92% (2016 - 2.63%)		
5,300,000	Mandarin Oriental International	7,923,617	3.92
	JAPAN 13.29% (2016 - 14.77%)		
220,000	CYBERDYNE	2,808,886	1.39
6,000	FANUC	1,067,787	0.53
110,000	Jafco	4,724,890	2.34
240,000	Japan Exchange	3,094,234	1.53
9,000	Keyence	3,735,577	1.85
75,000	Komatsu	2,009,377	0.99
265,000	Mitsubishi Chemical	2,154,518	1.06
65,000	Mitsubishi Estate	838,022	0.41
110,000	Mitsui Fudosan	1,825,559	0.90
23,000	OKUMA	1,131,658	0.56
105,000	Sony	3,510,712	1.73
	NETHERLANDS 1.71% (2016 - 0.00%)		
140,000	Royal Dutch Shell	3,452,675	1.71
	RUSSIA 1.06% (2016 - 5.08%)		
155,000	MMC Norilsk Nickel ADR	2,140,047	1.06
	SWITZERLAND 0.96% (2016 - 0.00%)		
500,000	Glencore	1,934,500	0.96
	UNITED KINGDOM 15.75% (2016 - 10.22%)		
810,000	HSBC	6,184,350	3.06
4,245,000	Neptune Emerging Markets Fund†	7,106,130	3.51
2,174,000	Neptune Global Technology Fund†	3,637,102	1.80
1,258,000	Neptune India Fund†	3,258,220	1.61
3,079,000	Neptune Latin America Fund†	3,276,056	1.62
2,449,000	Neptune Russia & Greater Russia Fund†	2,882,473	1.43
400,000	Tullett Prebon	2,140,000	1.06
30,000	Willis Towers Watson	3,360,913	1.66
	UNITED STATES 50.84% (2016 - 59.62%)		
9,500	Alphabet 'A'	7,422,744	3.67
9,000	Amazon.com	7,898,069	3.90
42,000	Apple	5,317,335	2.63
65,000	Brink's	3,793,249	1.87
100,000	Brown-Forman	5,089,736	2.52
75,000	Citizens Financial	2,355,215	1.16
65,000	CME	7,038,076	3.48
25,000	Electronic Arts	1,948,340	0.96
25,000	Exxon Mobil	1,554,046	0.77

Neptune Global Equity Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
45,000	Facebook	5,924,617	2.93
75,000	Fortive	4,022,683	1.99
30,000	General Dynamics	4,525,921	2.24
17,000	Home Depot	2,387,032	1.18
23,000	Honeywell International	2,623,002	1.30
41,000	Johnson & Johnson	4,263,404	2.11
75,000	JPMorgan Chase	5,982,124	2.96
100,000	Microsoft	6,342,743	3.14
32,000	NVIDIA	4,673,469	2.31
45,000	Palo Alto Networks	4,890,166	2.42
30,000	Procter & Gamble	2,043,814	1.01
28,000	SVB Financial	4,926,083	2.43
14,000	UnitedHealth	2,307,204	1.14
65,000	Visa 'A' Shares	5,499,128	2.72
	FORWARD FOREIGN EXCHANGE CONTRACTS 0.00% (2016 - 0.98%)		
	OPTIONS 0.18% (2016 - 0.00%)		
1,149	S&P 500 E Mini Futures 2425 Put 16/03/2018	361,414	0.18
	Portfolio of investments	201,607,012	99.68
	Net other assets	638,842	0.32
	Net assets	202,245,854	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

*Non voting depositary receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Neptune Emerging Markets Fund†	6,577,052
HSBC	6,007,370
Neptune India Fund†	4,494,648
Willis Towers Watson	3,125,200
Antofagasta	3,087,017
Sales	Proceeds £
Neptune India Fund†	11,294,690
Neptune Russia & Greater Russia Fund†	6,734,325
Sberbank of Russia ADR	6,627,639
Walt Disney	5,165,310
Amazon.com	3,841,197

†Represents investment into a Neptune Collective Investment Scheme product.

Neptune Global Equity Fund

Fund Information

Performance Record

A Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.97%			
Change in net asset per share			
Opening net asset value per share	118.65	110.17	107.90
Return before operating charges	25.24	13.89	4.40
Operating charges	(2.33)	(1.91)	(2.13)
Return after operating charges	22.91	11.98	2.27
Distributions	(1.85)	(3.50)	—
Closing net asset value per share	139.71	118.65	110.17
After direct transaction costs of:	0.14	0.21	0.13
Performance			
Return after operating charges	19.31%	10.88%	2.10%
	£	£	£
Other information			
Closing net asset value	2,577,537	2,712,219	5,668,792
Closing number of shares	1,844,881	2,285,887	5,145,493
Operating Charge Figure	1.81%	1.81%	1.90%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	1.90%	1.90%	2.50%
Prices			
Highest share price	142.20p	120.60p	120.90p
Lowest share price	118.60p	88.96p	99.97p

A Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.97%			
Change in net asset per share			
Opening net asset value per share	377.33	339.60	332.50
Return before operating charges	80.68	43.72	13.44
Operating charges	(7.46)	(5.99)	(6.34)
Return after operating charges	73.22	37.73	7.10
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	450.55	377.33	339.60
After direct transaction costs of:	0.45	0.64	0.40
Performance			
Return after operating charges	19.40%	11.11%	2.14%
	£	£	£
Other information			
Closing net asset value	76,440,487	81,687,905	124,226,771
Closing number of shares	16,965,987	21,649,060	36,580,397
Operating Charge Figure	1.81%	1.80%	1.83%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	1.90%	1.90%	2.50%
Prices			
Highest share price	455.60p	381.10p	372.60p
Lowest share price	377.20p	273.90p	308.00p

Neptune Global Equity Fund

Fund Information (continued)

Performance Record (continued)

B Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.52%			
Change in net asset per share			
Opening net asset value per share	406.45	364.09	354.70
Return before operating charges	87.12	47.04	14.40
Operating charges	(6.07)	(4.68)	(5.01)
Return after operating charges	81.05	42.36	9.39
Distributions	(0.84)	(0.55)	(0.34)
Retained distributions on accumulation shares	0.84	0.55	0.34
Closing net asset value per share	487.50	406.45	364.09
After direct transaction costs of:	0.49	0.68	0.43
Performance			
Return after operating charges	19.94%	11.63%	2.65%
	£	£	£
Other information			
Closing net asset value	11,978,991	9,873,548	56,584,483
Closing number of shares	2,457,227	2,429,212	15,541,222
Operating Charge Figure	1.36%	1.34%	1.35%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	1.40%	1.50%	2.50%
Prices			
Highest share price	492.60p	410.50p	398.00p
Lowest share price	406.40p	293.80p	329.70p

C Income

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.06%			
Change in net asset per share			
Opening net asset value per share	121.37	110.30	108.23
Return before operating charges	25.96	14.15	4.10
Operating charges	(1.19)	(0.92)	(0.99)
Return after operating charges*	24.77	13.23	3.11
Distributions	(1.90)	(2.16)	(1.04)
Closing net asset value per share	144.24	121.37	110.30
After direct transaction costs of:	0.15	0.21	0.13
Performance			
Return after operating charges	20.40%	11.99%	2.87%
	£	£	£
Other information			
Closing net asset value	7,215,974	11,457,432	27,350,433
Closing number of shares	5,003,068	9,440,211	24,797,332
Operating Charge Figure	0.90%	0.87%	0.88%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	0.90%	1.00%	1.00%
Prices			
Highest share price	146.60p	123.30p	121.30p
Lowest share price	121.40p	89.09p	100.40p

*The comparative figures for C Income 2015 have been restated to reflect the correct return after operating charges.

Neptune Global Equity Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.06%			
Change in net asset per share			
Opening net asset value per share	148.57	132.47	128.40
Return before operating charges	31.92	17.23	5.23
Operating charges	(1.46)	(1.13)	(1.16)
Return after operating charges	30.46	16.10	4.07
Distributions	(1.07)	(0.81)	(0.84)
Retained distributions on accumulation shares	1.07	0.81	0.84
Closing net asset value per share	179.03	148.57	132.47
After direct transaction costs of:	0.18	0.25	0.16
Performance			
Return after operating charges	20.50%	12.15%	3.17%
	£	£	£
Other information			
Closing net asset value	100,726,117	99,120,268	102,058,128
Closing number of shares	56,262,212	66,714,494	77,040,083
Operating Charge Figure	0.90%	0.87%	0.87%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	0.90%	1.00%	1.00%
Prices			
Highest share price	180.80p	150.10p	144.30p
Lowest share price	148.60p	107.00p	119.80p

A Accumulation EUR

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.97%			
Change in net asset per share			
Opening net asset value per share	157.96	142.16	140.10
Return before operating charges	33.77	18.30	5.69
Operating charges	(3.11)	(2.50)	(3.63)
Return after operating charges	30.66	15.80	2.06
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	188.62	157.96	142.16
After direct transaction costs of:	0.19	0.27	0.17
Performance			
Return after operating charges	19.41%	11.11%	1.47%
	£	£	£
Other information			
Closing net asset value	205,792	231,058	453,543
Closing number of shares	109,106	146,276	319,036
Operating Charge Figure	1.81%	1.81%	2.50%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	1.90%	1.90%	2.50%
Prices			
Highest share price	193.40¢	190.20¢	218.10¢
Lowest share price	147.20¢	147.80¢	175.70¢

Neptune Global Equity Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation EUR (Share class name changed from B Accumulation EUR on 1 August 2016)

	31 December 2017	31 December 2016	31 December 2015
OCF cap from 1 January 2018: 1.06%	(p)	(p)	(p)
Change in net asset per share			
Opening net asset value per share	168.24	150.48	147.00
Return before operating charges*	36.14	19.18	6.00
Operating charges*	(1.65)	(1.42)	(2.52)
Return after operating charges	34.49	17.76	3.48
Distributions	(1.20)	(0.52)	—
Retained distributions on accumulation shares	1.20	0.52	—
Closing net asset value per share	202.73	168.24	150.48
After direct transaction costs of:	0.20	0.28	0.18
Performance			
Return after operating charges	20.50%	11.80%	2.37%
	£	£	£
Other information			
Closing net asset value	49,754	56,639	1,884,399
Closing number of shares	24,543	33,665	1,252,249
Operating Charge Figure*	0.90%	1.00%	1.65%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	0.90%	1.00%	2.50%
Prices			
Highest share price	231.80¢	201.40¢	230.00¢
Lowest share price	196.40¢	156.50¢	185.50¢

A Accumulation USD

	31 December 2017	31 December 2016	31 December 2015
OCF cap from 1 January 2018: 1.97%	(p)	(p)	(p)
Change in net asset per share			
Opening net asset value per share	119.81	107.83	105.80
Return before operating charges	25.62	13.89	4.24
Operating charges	(2.37)	(1.91)	(2.21)
Return after operating charges	23.25	11.98	2.03
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	143.06	119.81	107.83
After direct transaction costs of:	0.14	0.21	0.13
Performance			
Return after operating charges	19.41%	11.11%	1.92%
	£	£	£
Other information			
Closing net asset value	3,051,202	2,583,623	2,641,338
Closing number of shares	2,132,803	2,156,435	2,449,581
Operating Charge Figure	1.81%	1.80%	2.01%
Direct transaction costs	0.11%	0.19%	0.12%
OCF/TER cap	1.90%	1.90%	2.50%
Prices			
Highest share price	206.70¢	157.50¢	179.20¢
Lowest share price	155.70¢	126.40¢	149.50¢

*The comparative figures for C Accumulation EUR 2016 have been restated due to restatement of the operating charges percentage.

Neptune Global Equity Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation USD (Closed 20 December 2017)

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
Change in net asset per share			
Opening net asset value per share	126.71	112.82	110.00
Return before operating charges*	27.79	14.95	4.48
Operating charges*	—	(1.06)	(1.66)
Return after operating charges	27.79	13.89	2.82
Return to shareholders as a result of class closure	(154.50)	—	—
Distributions	(1.09)	(0.44)	(0.04)
Retained distributions on accumulation shares	1.09	0.44	0.04
Closing net asset value per share	—	126.71	112.82
After direct transaction costs of:	0.15	0.21	0.13
Performance			
Return after operating charges	21.93%	12.31%	2.56%
	£	£	£
Other information			
Closing net asset value	—	1,670	4,612,207
Closing number of shares	—	1,318	4,088,015
Operating Charge Figure*	—	1.00%	1.45%
Direct transaction costs	—	0.19%	0.12%
OCF/TER cap	—	1.00%	2.50%
Prices			
Highest share price	207.30¢ ^{**}	164.80¢	187.00¢
Lowest share price	155.70¢ ^{**}	132.40¢	156.20¢

*Comparative figures for C Accumulation USD 2016 have been restated due to restatement of the operating charges percentage.

**From 1 January 2017 to 20 December 2017.

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 65.

Details of the distributions per share for the year are shown in the distribution tables on pages 80 and 81.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Status

Neptune Global Equity Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Neptune Global Equity Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		36,429,187		19,521,781
Revenue	3	3,199,347		4,023,107	
Expenses	4	(2,429,815)		(3,026,491)	
Interest payable and similar charges		(609)		(3,532)	
Net revenue before taxation		768,923		993,084	
Taxation	5	(291,674)		(447,824)	
Net revenue after taxation			477,249		545,260
Total return before distributions			36,906,436		20,067,041
Distributions	6		(774,399)		(1,237,044)
Change in net assets attributable to shareholders from investment activities			36,132,037		18,829,997

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		207,724,362		325,480,094
Amounts received on issue of shares	7,804,966		13,296,431	
Amounts paid on cancellation of shares	(50,048,527)		(150,586,333)	
		(42,243,561)		(137,289,902)
Dilution adjustment charged		—		30,078
Stamp duty reserve tax*		—		1,442
Change in net assets attributable to shareholders from investment activities		36,132,037		18,829,997
Retained distribution on accumulation shares		633,016		672,381
Unclaimed distributions		—		272
Closing net assets attributable to shareholders		202,245,854		207,724,362

*Relating to write off of prior year excess accrual.

Neptune Global Equity Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed Assets					
Investments		201,607,012		206,857,052	
Current Assets					
Debtors	7	407,193		1,284,469	
Cash and bank balances	8	<u>742,202</u>		<u>1,257,928</u>	
Total current assets		<u>1,149,395</u>		<u>2,542,397</u>	
Total assets		<u>202,756,407</u>		<u>209,399,449</u>	
Liabilities					
Investment liabilities		—		(882)	
Creditors					
Bank overdraft	8	(2)		—	
Distribution payable		(63,069)		(85,513)	
Other creditors	9	<u>(447,482)</u>		<u>(1,588,692)</u>	
Total liabilities		<u>(510,553)</u>		<u>(1,675,087)</u>	
Net assets attributable to shareholders		<u>202,245,854</u>		<u>207,724,362</u>	

The accompanying notes are an integral part of these Financial Statements.

Neptune Global Equity Fund

Notes to the Financial Statements

for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	41,199,391	39,229,069
Derivative contracts	(3,096,353)	—
Forward currency contracts	(2,139,647)	(21,270,703)
Currency gains	506,789	1,575,374
Transaction charges	(12,202)	(11,959)
Transaction charges rebate	83	—
Issuance fee	(28,874)	—
Net capital gains	<u>36,429,187</u>	<u>19,521,781</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	2,280	19,589
UK dividends	208,968	—
Overseas dividends	2,988,099	4,003,518
Total revenue	<u>3,199,347</u>	<u>4,023,107</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,204,486	2,763,374
ACD's fee rebate*	(12,462)	(6)
Distribution fees	51,820	57,211
Printing costs	8,125	9,269
Registration fees	15,272	30,456
Transfer agent fees	27,181	38,930
	<u>2,294,422</u>	<u>2,899,234</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	63,652	38,211
Safe custody fees	23,492	28,805
	<u>87,144</u>	<u>67,016</u>
<i>Other expenses:</i>		
Audit fee	9,713	12,152
Legal and professional fees	9,568	19,187
Publication costs	27,359	28,902
Organisation	1,609	—
	<u>48,249</u>	<u>60,241</u>
Total Expenses	<u>2,429,815</u>	<u>3,026,491</u>

*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Neptune Global Equity Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	291,674	448,889
Foreign capital gains tax	—	(1,065)
Total taxation for the year	<u>291,674</u>	<u>447,824</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	768,923	993,084
Corporation tax at 20% (2016: 20%)	<u>153,785</u>	<u>198,617</u>
Effects of:		
Movement in excess management expenses	412,713	499,275
Overseas tax expenses	(11,458)	(5,797)
Revenue not subject to taxation	(555,040)	(692,095)
Irrecoverable overseas tax	291,674	448,889
Foreign capital gains tax	—	(1,065)
Current tax charge for the year	<u>291,674</u>	<u>447,824</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £16,858,587 (2016: £16,448,784) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	430,106	817,903
Final	338,250	300,900
Add: Amounts deducted on cancellation of shares	8,828	117,502
Deduct/add: Amounts received on issue of shares	(2,785)	739
Net distribution for the year	<u>774,399</u>	<u>1,237,044</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	477,249	545,260
Expenses charged to capital	105,927	220,250
Equalisation on conversion of shares	2,466	(7,679)
Revenue deficit borne by capital	188,723	233,323
Net movement in revenue account	34	246,955
Foreign capital gains tax	—	(1,065)
Net distribution for the year	<u>774,399</u>	<u>1,237,044</u>

Details of the distribution per share are set out in the distribution tables on pages 80 and 81.

Neptune Global Equity Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	24,189	416,709
Amounts receivable for issue of shares	27,293	14,024
Overseas tax recoverable	77,126	64,672
Prepaid expenses	62	58
Reimbursement of expenses receivable from ACD	8,928	70
Sales awaiting settlement	269,535	788,936
Rebate borne by transaction fee OCF	60	—
Total debtors	<u>407,193</u>	<u>1,284,469</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	742,202	1,257,928
Bank overdrafts	(2)	—
	<u>742,200</u>	<u>1,257,928</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	177,371	185,565
Accrued expenses	98,187	76,166
Amounts payable on cancellation of shares	171,924	937,666
Interest payable	—	26
Purchases awaiting settlement	—	389,269
Total creditors	<u>447,482</u>	<u>1,588,692</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 75. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,012,456 (2016: £2,048,309).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £1,692,539 (2016: £1,555,940).

Neptune Global Equity Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Euro	3,529,801	64,672
Hong Kong dollar	11,618,178	4,474,222
Japanese yen	26,916,316	516,137
Swiss franc	2,656	—
US dollar	127,186,970	150,493,979
Total	<u>169,253,921</u>	<u>155,549,010</u>

Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative Exposure £	Collateral Posted £	Collateral Received £	Collateral Asset Class
2017	RBC Europe	361,414	—	—	Cash
2016	Brown Brothers Harriman	536,781	—	—	Cash
	Royal Bank of Scotland	72,297	—	—	Cash
	State Street	1,416,199	—	—	Cash

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	<u>70,504,264</u>	<u>162,152,029</u>	<u>115,757,332</u>	<u>327,230,144</u>
Trades in the year before transaction costs	<u>70,504,264</u>	<u>162,152,029</u>	<u>115,757,332</u>	<u>327,230,144</u>
Commissions				
Equities	54,195	88,193	(99,732)	(280,483)
Options	6,925	—	(4,140)	—
Total commissions	<u>61,120</u>	<u>88,193</u>	<u>(103,872)</u>	<u>(280,483)</u>
Taxes				
Equities	58,660	95,389	—	(14,954)
Total taxes	<u>58,660</u>	<u>95,389</u>	<u>—</u>	<u>(14,954)</u>
Total costs	<u>119,780</u>	<u>183,582</u>	<u>(103,872)</u>	<u>(295,437)</u>
Total net trades in the year after transaction costs	<u>70,624,044</u>	<u>162,335,611</u>	<u>115,653,460</u>	<u>326,934,707</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.07% (2016: 0.07%).

Neptune Global Equity Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.08	0.05	(0.09)	(0.09)
Taxes Equities	0.08	0.06	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.08	0.15
Taxes	0.03	0.04
Total	0.11	0.19

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017				
	A Income	A Accumulation	B Accumulation	C Income	C Accumulation
Opening shares in issue	2,285,887	21,649,060	2,429,212	9,440,211	66,714,494
Creations during the year	23,493	290,174	1,094,891	339,943	264,822
Cancellations during the year	(389,850)	(4,784,336)	(1,032,348)	(4,849,820)	(11,288,588)
Share converted during the year	(74,649)	(188,911)	(34,528)	72,734	571,484
Closing shares in issue	1,844,881	16,965,987	2,457,227	5,003,068	56,262,212

	A Accumulation EUR	C Accumulation EUR	A Accumulation USD	C Accumulation USD
Opening shares in issue	146,276	33,665	2,156,435	1,318
Creations during the year	—	1,102	329,058	—
Cancellations during the year	(37,170)	(10,224)	(352,690)	(1,318)
Share converted during the year	—	—	—	—
Closing shares in issue	109,106	24,543	2,132,803	—

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	181,447,031	—	183,597,972	—
Level 2	20,159,981	—	23,259,080	(882)
	201,607,012	—	206,857,052	(882)

The Fund has no Level 3 financial instruments.

Neptune Global Equity Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Income shares (p)				
Group 1	0.9495	—	0.9495	2.7866
Group 2	0.4887	0.4608	0.9495	2.7866
B Accumulation shares (p)				
Group 1	0.6340	—	0.6340	0.5472
Group 2	0.5332	0.1008	0.6340	0.5472
C Income shares (p)				
Group 1	0.9735	—	0.9735	1.4245
Group 2	0.4976	0.4759	0.9735	1.4245
C Accumulation shares (p)				
Group 1	0.5853	—	0.5853	0.4920
Group 2	0.3716	0.2137	0.5853	0.4920
A Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation EUR shares (¢)				
Group 1	0.7559	—	0.7559	0.2752
Group 2	0.7559	—	0.7559	0.2752
A Accumulation USD shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation USD shares (¢)				
Group 1	1.4127	—	1.4127	0.2302
Group 2	1.4127	—	1.4127	0.2302

Neptune Global Equity Fund

Distribution Table

for the year ended 31 December 2017 (continued) – in pence/cents per share

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Income shares (p)				
Group 1	0.9014	—	0.9014	0.7171
Group 2	0.4692	0.4322	0.9014	0.7171
B Accumulation shares (p)				
Group 1	0.2077	—	0.2077	—
Group 2	—	0.2077	0.2077	—
C Income shares (p)				
Group 1	0.9282	—	0.9282	0.7322
Group 2	0.5015	0.4267	0.9282	0.7322
C Accumulation shares (p)				
Group 1	0.4798	—	0.4798	0.3227
Group 2	0.1876	0.2922	0.4798	0.3227
A Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation EUR shares (¢)				
Group 1	0.6084	—	0.6084	0.3304
Group 2	0.1663	0.4421	0.6084	0.3304
A Accumulation USD shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation USD shares (¢)				
Group 1	—	—	—	0.3057
Group 2	—	—	—	0.3057

Neptune Global Income Fund

Investment Objective

The Investment objective of the Neptune Global Income Fund (the Fund) is to generate rising levels of income with the potential of capital growth by investing predominantly in a concentrated portfolio of global securities, selected from across world equity markets. The Fund aims to achieve top quartile performance, in terms of total return, against the appropriate peer group.

This is an international fund but there will be no restrictions in terms of regional allocation.

The Fund may also invest in collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

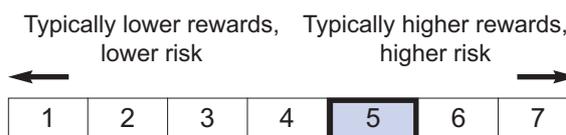
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times but the Fund may take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- The level of income is not guaranteed.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune Global Income Fund returned 6.90% in 2017, versus the MSCI World Index's gain of 12.42% and the IA Global Equity Income sector average return of 10.08%.*

Positive global economic data drove global stockmarkets higher over the first quarter of 2017. Emerging markets were the strongest performers, with India, China and Latin America outpacing their developed market peers. The Trump trade continued, buoyed by promised tax reforms, infrastructure spending and deregulation, although this lost momentum towards the end of March following Trump's failure to repeal Obamacare.

After a strong start to 2017, global equity markets continued to make ground in the second quarter of the year, although returns for UK-based investors were more subdued due to the relative strength of sterling. This was largely as a result of the UK's general election in June, which saw the Conservative Party fail to extend their parliamentary majority. This was seen, perhaps wrongly in our view, to lead to an increased likelihood of a so-called "soft brexit" yet nevertheless also led to subsequent sterling strength.

While investors were pre-occupied with a number of headline risks – the French election, Chinese tightening and Trump to name a few – Emmanuel Macron's triumph saw political risk in Europe significantly recede, allowing the strength of European corporates to shine through. Manufacturing data in the US continued to accelerate, which allowed the Federal Reserve to continue raising rates.

Global equity markets continued to appreciate during the third quarter of 2017, although sterling returns were impacted by the continued strength of the pound which rose by 3% during the quarter helped by – in our view – misplaced, hawkish comments from the Bank of England. Markets continued to be buoyed by the evidence of coordinated economic strength around the world, shrugging off ongoing headline risks including a war of words between US President Donald Trump and North Korea.

Global equity markets put in another strong quarter to finish off a good year of returns, which albeit were reduced for UK-based investors by the continued strength in sterling. The dollar in fact endured its worst year since 2003. Sterling was helped by the Bank of England choosing to raise interest rates. We consider this a policy mistake, putting pressure on the in debt UK consumer at a time when real wages are pressuring living conditions.

The portfolio benefited from further evidence of a sustained global economic recovery, which boosted our holdings with significant overseas earnings in spite of sterling strength. Our US exposure also outperformed, as the market rallied on positive economic data and the prospect of tax reforms – particularly benefiting our exposure to US financials.

We are optimistic about the global economy in 2018. We continue to focus on high quality, cash generative companies which have a clear capacity for continued dividend growth.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investments in emerging markets are higher risk and potentially more volatile than those in established markets. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Global Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	AUSTRALIA 0.00% (2016 - 1.64%)		
	BRAZIL 0.00% (2016 - 1.10%)		
	FRANCE 0.00% (2016 - 2.01%)		
	GERMANY 0.00% (2016 - 3.10%)		
	INDIA 0.00% (2016 - 1.77%)		
	ITALY 0.00% (2016 - 4.86%)		
	JAPAN 8.45% (2016 - 14.00%)		
27,000	Mitsubishi Chemical	219,517	3.07
8,500	Mitsubishi Gas Chemical	180,875	2.52
5,100	TechnoPro	204,973	2.86
	NETHERLANDS 3.09% (2016 - 1.62%)		
9,000	Royal Dutch Shell	221,355	3.09
	RUSSIA 4.90% (2016 - 0.00%)		
11,300	MMC Norilsk Nickel ADR	156,016	2.18
15,500	Sberbank of Russia ADR	194,560	2.72
	SINGAPORE 0.00% (2016 - 1.45%)		
	SWEDEN 0.00% (2016 - 0.61%)		
	SWITZERLAND 3.08% (2016 - 3.37%)		
57,000	Glencore	220,533	3.08
	UNITED KINGDOM 23.32% (2016 - 13.47%)		
37,000	BP	192,215	2.68
4,400	Croda International	193,864	2.71
38,500	DS Smith	198,853	2.78
14,000	Halma	176,260	2.46
27,000	HSBC	206,145	2.88
4,200	Rio Tinto	164,241	2.29
35,500	Tullett Prebon	189,925	2.65
4,400	Unilever	180,818	2.52
1,500	Willis Towers Watson	168,046	2.35
	UNITED STATES 53.62% (2016 - 46.89%)		
3,200	AbbVie	231,577	3.23
2,800	Adient	164,748	2.30
3,575	Altria	188,573	2.63
2,250	Apple	284,857	3.98
2,155	CME	233,339	3.26
3,800	CMS Energy	133,281	1.86
6,400	Columbia Banking System	208,557	2.91
900	General Dynamics	135,778	1.90
1,900	Honeywell International	216,683	3.03
3,500	Intercontinental Exchange	182,596	2.55
2,000	Johnson & Johnson	207,971	2.90
2,890	JPMorgan Chase	230,511	3.22
2,900	LyondellBasell Industries	238,585	3.33
1,100	McDonald's	140,892	1.97
4,375	Microsoft	277,495	3.87
2,142	PepsiCo	189,176	2.64

Neptune Global Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
4,800	SunTrust Banks	232,442	3.25
1,200	UnitedHealth	197,760	2.76
3,200	Wells Fargo	145,133	2.03
	FORWARD FOREIGN EXCHANGE CONTRACTS 0.00% (2016 - 0.84%)		
	OPTIONS 0.16% (2016 - 0.00%) [†]		
29	FTSE 100 Index 7100 Put 16/03/2018	9,425	0.13
7	S&P 500 E Mini Futures 2425 Put 16/03/2018	2,202	0.03
	Portfolio of investments	6,919,777	96.62
	Net other assets	241,906	3.38
	Net assets	7,161,683	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

[†]Derivatives

Stocks shown as ADRs represent American Depositary Receipts.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
HSBC	220,482
Mitsubishi Chemical	217,871
Honeywell International	216,976
SunTrust Banks	208,793
BP	202,250

Sales	Proceeds £
Automatic Data Processing	216,337
Wells Fargo	211,133
Toyota Motor	180,782
Trend Micro	170,566
Nissan Motor	169,984

Neptune Global Income Fund

Fund Information

Performance Record

C Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.20%			
Change in net asset per share			
Opening net asset value per share	128.95	120.11	120.39
Return before operating charges	10.42	14.70	5.49
Operating charges	(1.67)	(1.55)	(1.45)
Return after operating charges	8.75	13.15	4.04
Distributions	(4.00)	(4.31)	(4.32)
Closing net asset value per share	133.70	128.95	120.11
After direct transaction costs of:	0.36	0.21	0.18
Performance			
Return after operating charges	6.79%	10.95%	3.36%
	£	£	£
Other information			
Closing net asset value	1,163,196	1,477,708	562,910
Closing number of shares	870,031	1,145,954	468,668
Operating Charge Figure	1.30%	1.30%	1.20%
Direct transaction costs	0.28%	0.18%	0.15%
OCF/TER cap	1.30%	1.30%	1.00%
Prices			
Highest share price	135.50p	130.60p	133.30p
Lowest share price	122.50p	103.90p	112.60p

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.20%			
Change in net asset per share			
Opening net asset value per share	147.81	132.76	128.36
Return before operating charges*	12.20	16.78	5.97
Operating charges*	(1.94)	(1.73)	(1.57)
Return after operating charges	10.26	15.05	4.40
Distributions	(4.65)	(4.84)	(4.79)
Retained distributions on accumulation shares	4.65	4.84	4.79
Closing net asset value per share	158.07	147.81	132.76
After direct transaction costs of:	0.42	0.24	0.20
Performance			
Return after operating charges	16.94%	11.34%	3.43%
	£	£	£
Other information			
Closing net asset value	1,115,645	1,105,927	2,192,300
Closing number of shares	705,813	748,214	1,651,293
Operating Charge Figure	1.30%	1.30%	1.17%
Direct transaction costs	0.28%	0.18%	0.15%
OCF/TER cap	1.30%	1.30%	1.00%
Prices			
Highest share price	159.10p	148.50p	143.40p
Lowest share price	141.60p	114.90p	122.50p

*The comparative figures for C Accumulation 2016 have been restated due to reworking of the operating charges.

Neptune Global Income Fund

Fund Information (continued)

Performance Record (continued)

F Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.20%			
Change in net asset per share			
Opening net asset value per share	130.76	120.58	121.66
Return before operating charges	10.65	14.84	3.66
Operating charges	(0.33)	(0.30)	(0.31)
Return after operating charges	10.32	14.54	3.35
Distributions	(4.08)	(4.36)	(4.43)
Closing net asset value per share	137.00	130.76	120.58
After direct transaction costs of:	0.36	0.21	0.20
Performance			
Return after operating charges	7.89%	12.06%	2.75%
	£	£	£

Other information

Closing net asset value	2,714,191	2,716,038	783,607
Closing number of shares	1,981,190	2,077,118	649,848
Operating Charge Figure	0.25%	0.25%	0.25%
Direct transaction costs	0.28%	0.18%	0.15%
OCF/TER cap	0.25%	0.25%	0.25%

Prices

Highest share price	138.80p	133.90p	134.30p
Lowest share price	124.60p	104.50p	113.10p

F Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.20%			
Change in net asset per share			
Opening net asset value per share	148.65	132.15	128.46
Return before operating charges	12.38	16.83	4.02
Operating charges	(0.38)	(0.33)	(0.33)
Return after operating charges	12.00	16.50	3.69
Distributions	(4.69)	(4.83)	(4.78)
Retained distributions on accumulation shares	4.69	4.83	4.78
Closing net asset value per share	160.65	148.65	132.15
After direct transaction costs of:	0.42	0.24	0.19
Performance			
Return after operating charges	8.07%	12.49%	2.87%
	£	£	£

Other information

Closing net asset value	2,168,651	2,243,748	879,043
Closing number of shares	1,349,954	1,509,402	665,168
Operating Charge Figure	0.25%	0.25%	0.25%
Direct transaction costs	0.28%	0.18%	0.15%
OCF/TER cap	0.25%	0.25%	0.25%

Prices

Highest share price	161.60p	149.30p	143.00p
Lowest share price	142.80p	114.60p	121.80p

Neptune Global Income Fund

Fund Information (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 83.

Details of the distributions per share for the year are shown in the distribution tables on pages 97 and 98.

Status

Neptune Global Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Global Income Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		386,691		866,977
Revenue	3	237,877		286,206	
Expenses	4	(93,506)		(107,511)	
Interest payable and similar charges		(43)		(268)	
Net revenue before taxation		144,328		178,427	
Taxation	5	(22,864)		(23,886)	
Net revenue after taxation			121,464		154,541
Total return before distributions			508,155		1,021,518
Distributions	6		(217,103)		(266,212)
Change in net assets attributable to shareholders from investment activities			291,052		755,306

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		7,543,421		4,417,860
Amounts received on issue of shares	1,179,081		8,473,105	
Amounts paid on cancellation of shares	(1,951,720)		(6,240,856)	
		(772,639)		2,232,249
Dilution adjustment charged		3,844		8,793
Change in net assets attributable to shareholders from investment activities		291,052		755,306
Retained distribution on accumulation shares		96,005		129,213
Closing net assets attributable to shareholders		7,161,683		7,543,421

Neptune Global Income Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		6,919,777		7,296,417	
Current assets					
Debtors	7	60,515		75,516	
Cash and bank balances	8	251,662		261,691	
Total current assets		312,177		337,207	
Total assets		7,231,954		7,633,624	
Liabilities					
Creditors					
Distribution payable		(26,169)		(33,434)	
Other creditors	9	(44,102)		(56,769)	
Total liabilities		(70,271)		(90,203)	
Net assets attributable to shareholders		7,161,683		7,543,421	

The accompanying notes are an integral part of these Financial Statements.

Neptune Global Income Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	400,485	1,168,721
Derivative contracts	(30,757)	—
Forward currency contracts	(82,545)	(436,212)
Currency gains	47,635	72,880
Transaction charges	(4,758)	(12,899)
Transaction fee rebate	56,631	74,487
Net capital gains	<u>386,691</u>	<u>866,977</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	104	21
UK dividends	74,007	59,643
Overseas dividends	163,766	226,542
Total revenue	<u>237,877</u>	<u>286,206</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	28,616	31,977
Distribution fees	48,243	49,286
Printing costs	2,371	1,368
Registration fees	2,317	1,857
Transfer agent fees	938	1,087
	<u>82,485</u>	<u>85,575</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,589	3,698
Safe custody fees	597	1,609
	<u>3,186</u>	<u>5,307</u>
<i>Other expenses:</i>		
Audit fee	4,487	4,741
FCA fee	218	234
Legal and professional fees	2,730	10,083
Publication costs	400	1,571
	<u>7,835</u>	<u>16,629</u>
Total expenses	<u>93,506</u>	<u>107,511</u>

Neptune Global Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Overseas withholding tax	18,651	19,535
Foreign capital gains tax	4,213	4,351
Total taxation for the year	<u>22,864</u>	<u>23,886</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	<u>144,328</u>	<u>178,427</u>
Corporation tax at 20% (2016: 20%)	28,866	35,685
Effects of:		
Expenses not deductible for tax purposes	11,326	389
Movement in excess management expenses	3,605	20,921
Overseas tax expensed	(423)	(1)
Overseas withholding tax	18,651	19,535
Revenue not subject to taxation	(43,374)	(56,994)
Foreign capital gains tax	4,213	4,351
Current tax charge for the year	<u>22,864</u>	<u>23,886</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £36,754 (2016: £32,760) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
1st Quarter	56,695	31,694
Interim	56,707	102,378
3rd Quarter	53,538	69,081
Final	48,234	59,950
Add: Amounts deducted on cancellation of shares	6,150	22,561
Deduct: Amounts received on issue of shares	(4,221)	(19,452)
Net distribution for the year	<u>217,103</u>	<u>266,212</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	121,464	154,541
Expenses charged to capital	93,506	107,511
Tax relief from capital	(2,080)	(191)
Foreign capital gains tax	4,213	4,351
Net distribution for the year	<u>217,103</u>	<u>266,212</u>

Details of the distribution per share are set out in the distribution tables on pages 97 and 98.

Neptune Global Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	7,689	27,518
Rebate borne by ACD	14,199	14,811
Amounts receivable for issue of shares	29,922	30,063
Overseas tax recoverable	3,069	2,764
Prepaid expenses	54	360
Sales awaiting settlement	5,582	—
Total debtors	<u>60,515</u>	<u>75,516</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	251,662	261,691
	<u>251,662</u>	<u>261,691</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	2,315	2,540
Accrued expenses	37,378	34,855
Amounts payable on cancellation of units	4,409	19,374
Total creditors	<u>44,102</u>	<u>56,769</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 91. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Neptune Global Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £69,082 (2016: £72,326).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £52,329 (2016: £54,745).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Australian dollar	—	123,815
Brazilian real	—	83,168
Euro	2,908	876,978
Indian rupee	—	132,794
Japanese yen	606,875	34,454
Swedish krona	—	45,761
Swiss franc	1,907	256,059
US dollar	4,621,179	3,921,456
Total	<u>5,232,869</u>	<u>5,474,485</u>

Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative Exposure £	Collateral Posted £	Collateral Received £	Collateral Asset Class
2017	RBC Europe	11,627	—	—	Cash
2016	Brown Brothers Harriman	25,107	—	—	Cash
	Royal Bank of Scotland	1,572	—	—	Cash
	State Street	37,105	—	—	Cash

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	5,190,096	6,714,186	5,934,433	4,899,139
Options	—	—	—	—
Trades in the year before transaction costs	5,190,096	6,714,186	5,934,433	4,899,139
Commissions				
Equities	4,584	3,045	(4,365)	(2,429)
Options	100	—	—	—
Total commissions	4,684	3,045	(4,365)	(2,429)
Taxes				
Equities	10,156	6,520	(263)	(303)
Options	—	—	—	—
Total taxes	10,156	6,520	(263)	(303)
Total costs	14,840	9,565	(4,628)	(2,732)
Total net trades in the year after transaction costs	5,204,936	6,723,751	5,929,805	4,896,407

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.05% (2016: 0.13%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.09	0.05	(0.07)	(0.05)
Options	—	—	—	—
Taxes				
Equities	0.20	0.10	—	(0.01)
Options	—	—	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.13	0.08
Taxes	0.15	0.10
Total	0.28	0.18

Neptune Global Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	C Income	31 December 2017		F Accumulation
		C Accumulation	F Income	
Opening shares in issue	1,145,954	748,214	2,077,118	1,509,402
Creations during the year	128,827	231,281	284,065	198,886
Cancellations during the year	(404,750)	(273,682)	(379,993)	(358,334)
Closing shares in issue	<u>870,031</u>	<u>705,813</u>	<u>1,981,190</u>	<u>1,349,954</u>

18 Fair value hierarchy

Valuation technique	Assets	Liabilities	Assets	Liabilities
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Level 1	6,919,777	—	7,232,633	—
Level 2	—	—	63,784	—
	<u>6,919,777</u>	<u>—</u>	<u>7,296,417</u>	<u>—</u>

The Fund has no Level 3 financial instruments.

Neptune Global Income Fund

Distribution Table

for the period ended 31 December 2017 – in pence per share

1st Quarter

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 31 March 2017

	Net Revenue	Equalisation	Paid 31 May 2017	Paid 31 May 2016
C Income shares				
Group 1	1.0375	—	1.0375	0.7907
Group 2	0.3864	0.6511	1.0375	0.7907
C Accumulation shares				
Group 1	1.1877	—	1.1877	0.8773
Group 2	0.7876	0.4001	1.1877	0.8773
F Income shares				
Group 1	1.0534	—	1.0534	0.7963
Group 2	0.6143	0.4391	1.0534	0.7963
F Accumulation shares				
Group 1	1.1976	—	1.1976	0.8736
Group 2	0.7972	0.4004	1.1976	0.8736

Interim

Group 1-Shares purchased prior to 1 April 2017

Group 2-Shares purchased on or after 1 April 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
C Income shares				
Group 1	1.0651	—	1.0651	1.4195
Group 2	0.8800	0.1851	1.0651	1.4195
C Accumulation shares				
Group 1	1.2325	—	1.2325	1.5820
Group 2	0.8206	0.4119	1.2325	1.5820
F Income shares				
Group 1	1.0845	—	1.0845	1.4400
Group 2	0.4024	0.6821	1.0845	1.4400
F Accumulation shares				
Group 1	1.2429	—	1.2429	1.5755
Group 2	0.8570	0.3859	1.2429	1.5755

Neptune Global Income Fund

Distribution Table

for the period ended 31 December 2017 (continued) – in pence per share

3rd Quarter

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 30 September 2017

	Net Revenue	Equalisation	Paid 30 November 2017	Paid 30 November 2016
C Income shares				
Group 1	0.9960	—	0.9960	1.0703
Group 2	0.3520	0.6440	0.9960	1.0703
C Accumulation shares				
Group 1	1.1590	—	1.1590	1.2078
Group 2	0.3102	0.8488	1.1590	1.2078
F Income shares				
Group 1	1.0167	—	1.0167	1.0798
Group 2	0.7862	0.2305	1.0167	1.0798
F Accumulation shares				
Group 1	1.1751	—	1.1751	1.2087
Group 2	0.8056	0.3695	1.1751	1.2087

Final

Group 1-Shares purchased prior to 1 October 2017

Group 2-Shares purchased on or after 1 October 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
C Income shares				
Group 1	0.9039	—	0.9039	1.0291
Group 2	0.2602	0.6437	0.9039	1.0291
C Accumulation shares				
Group 1	1.0660	—	1.0660	1.1729
Group 2	0.6123	0.4537	1.0660	1.1729
F Income shares				
Group 1	0.9239	—	0.9239	1.0419
Group 2	0.3536	0.5703	0.9239	1.0419
F Accumulation shares				
Group 1	1.0773	—	1.0773	1.1753
Group 2	0.3588	0.7185	1.0773	1.1753

Neptune Income Fund

Investment Objective

The investment objective of the Neptune Income Fund (the Fund) is to generate a rising level of income. Whilst income is the main objective there is also potential for capital growth, from an actively managed portfolio invested predominantly in UK securities and UK fixed interest stocks, with some overseas exposure. The Fund aims to achieve top quartile performance, in terms of total return, against the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- The level of income is not guaranteed.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Fixed interest stocks are the debts of governments and companies generally in the form of bonds. Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the borrower (i.e. the bond issuer). Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in repaying their financial obligations.
- The Investment Manager aims to remove the impact of changes in exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significant negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune Income Fund returned 11.55% in 2017, versus the FTSE All-Share Index's 13.10% return and the IA UK Equity Income sector average gain of 11.47%.* This performance saw the Fund rank in the second quartile of its IA peer group for the year.

The UK market, along with most global markets, experienced a strong start to 2017, with significant positive returns across the market cap spectrum. In a shift from 2016, the FTSE 250 outperformed the FTSE 100 as sterling stabilised around \$1.24 following significant weakness last year. The gold price rallied almost 8%, having fallen sharply at the end of 2016, while the oil price reversed some of 2016's gains.

After a strong first quarter, the UK market continued to appreciate during the second but returns diverged across the market cap spectrum. Once again sterling was a key driver of performance and strengthened by almost 4% against the dollar during the period. This was due to the general election in June, which saw the Conservative Party fail to extend their parliamentary majority. This was seen, wrongly in our view, to lead to an increased likelihood of a so-called 'soft brexit.' Relative sterling strength led to the outperformance of the FTSE 250 against the more international FTSE 100.

The third quarter saw limited portfolio changes, all for stock specific reasons as opposed to sector shifts. One of the new investments was the US conglomerate Honeywell, where we felt its high growth products were underappreciated by the market. Our sale of Exxon Mobil made way for new overseas holdings. We also sold BT on what we believed were growing risks of a dividend cut. Additionally, we believed that in the medium-term the value of its infrastructure may fall due to alternative technologies including 5G.

The UK stockmarket continued its strong performance in the fourth quarter of the year and sterling continued to strengthen. These currency moves had less of a divergent impact on large versus mid-cap performance compared to previous

quarters during the year. The Fund's long-held concerns over the health of the UK domestic economy continue to be reflected in recent economic data. Most notably, real wage growth has continued to be negative as nominal wage increases have slowed and inflationary pressures persist. As anticipated, the Bank of England raised rates for the first time in ten years.

The portfolio benefited from further evidence of a sustained global economic recovery, which boosted our holdings with significant overseas earnings in spite of sterling strength. Our US exposure also outperformed, as the market rallied on positive economic data and the prospect of tax reforms – particularly benefiting our exposure to US financials.

As we look into 2018, we are optimistic about the global economy and we continue to believe in the relative strength of US economy particularly versus the UK. There are increasing signs the UK economy is headed for tougher times. The Neptune Income Fund will thus remain positioned for a stronger US dollar.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	UNITED KINGDOM 71.69% (2016 - 74.48%)		
	BASIC MATERIALS 12.37% (2016 - 6.18%)		
	CHEMICALS 6.05%		
141,000	Croda International	6,212,460	3.03
202,000	Johnson Matthey	6,203,420	3.02
	MINING 6.32%		
430,000	BHP Billiton	6,505,900	3.17
165,000	Rio Tinto	6,452,325	3.15
	CONSUMER GOODS 11.57% (2016 - 11.46%)		
	BEVERAGES 3.05%		
231,000	Diageo	6,249,705	3.05
	PERSONAL GOODS 2.91%		
145,000	Unilever	5,958,775	2.91
	TOBACCO 5.61%		
125,000	British American Tobacco	6,198,750	3.02
168,000	Imperial Tobacco	5,307,960	2.59
	CONSUMER SERVICES 8.86% (2016 - 17.56%)		
	MEDIA 5.90%		
3,700,000	ITV	6,060,600	2.95
808,000	UBM	6,039,800	2.95
	TRAVEL & LEISURE 2.96%		
380,000	Compass	6,076,200	2.96
	FINANCIALS 15.21% (2016 - 18.39%)		
	BANKS 3.03%		
813,000	HSBC	6,207,255	3.03
	FINANCIAL SERVICES 6.16%		
545,000	Intermediate Capital	6,213,000	3.03
1,200,000	Tullett Prebon	6,420,000	3.13
	LIFE INSURANCE 6.01%		
2,240,000	Legal & General	6,124,160	2.99
329,000	Prudential	6,203,295	3.02
	HEALTH CARE 2.98% (2016 - 5.94%)		
	PHARMACEUTICALS & BIOTECHNOLOGY 2.98%		
465,000	GlaxoSmithKline	6,103,125	2.98
	INDUSTRIALS 8.72% (2016 - 0.00%)		
	AEROSPACE & DEFENSE 2.82%		
1,010,000	BAE Systems	5,777,200	2.82
	ELECTRONIC & ELECTRICAL EQUIPMENT 3.07%		
500,000	Halma	6,295,000	3.07
	GENERAL INDUSTRIALS 2.83%		
1,125,000	DS Smith	5,810,625	2.83
	OIL & GAS 3.06% (2016 - 3.62%)		
	OIL & GAS PRODUCERS 3.06%		
1,210,000	BP	6,285,950	3.06
	TECHNOLOGY 5.94% (2016 - 3.00%)		
	SOFTWARE & COMPUTER SERVICES 5.94%		
240,838	Micro Focus International	6,037,808	2.94
780,000	Sage	6,162,000	3.00

Neptune Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	TELECOMMUNICATIONS 2.98% (2016 - 8.33%)		
	MOBILE TELECOMMUNICATIONS 2.98%		
2,620,000	Vodafone	6,121,630	2.98
	JERSEY 3.03% (2016 - 2.99%)		
795,000	Phoenix	6,212,925	3.03
	NETHERLANDS 3.17% (2016 - 3.66%)		
265,000	Royal Dutch Shell	6,517,675	3.17
	SWITZERLAND 3.21% (2016 - 0.00%)		
1,700,000	Glencore	6,577,300	3.21
	UNITED STATES 18.75% (2016 - 19.75%)		
49,000	Apple	6,203,557	3.02
65,000	CME	7,038,076	3.43
55,000	Honeywell International	6,272,395	3.06
76,000	JPMorgan Chase	6,061,886	2.96
100,000	Microsoft	6,342,743	3.09
135,000	SunTrust Banks	6,537,429	3.19
	DERIVATIVES 0.42% (2016 - 0.00%)		
	OPTIONS 0.42% (2016 - 0.00%)		
	FTSE 100 Index 7100 Put 16/03/2018	727,350	0.35
	S&P 500 E Mini Futures 2425 Put 16/03/2018	127,077	0.07
	Portfolio of investments	205,645,356	100.26
	Net other liabilities	(528,045)	(0.26)
	Net assets	205,117,311	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Comparative figures shown above in brackets relate to 31 December 2016.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
BHP Billiton	7,155,747
SunTrust Banks	6,633,184
Exxon Mobil	6,589,347
Glencore	6,490,786
Smiths	6,486,714
Sales	Proceeds £
Standard Life	6,735,856
Wells Fargo	6,714,967
AstraZeneca	6,686,540
WPP	6,327,621
Smiths	6,209,862

Neptune Income Fund

Fund Information

Performance Record

A Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.81%			
Change in net asset per share			
Opening net asset value per share	171.70	158.34	158.30
Return before operating charges	21.09	24.67	10.42
Operating charges	(3.02)	(2.69)	(2.77)
Return after operating charges	18.07	21.98	7.65
Distributions	(7.13)	(8.62)	(7.61)
Closing net asset value per share	182.64	171.70	158.34
After direct transaction costs of:	0.41	0.25	0.30
Performance			
Return after operating charges	10.53%	13.88%	4.83%
	£	£	£

Other information

Closing net asset value	23,106,596	25,520,832	47,768,466
Closing number of shares	12,651,658	14,863,144	30,167,794
Operating Charge Figure	1.69%	1.68%	1.68%
Direct transaction costs	0.23%	0.16%	0.18%
OCF/TER cap	1.80%	1.80%	2.50%

Prices

Highest share price	185.80p	176.90p	175.70p
Lowest share price	170.10p	141.00p	148.80p

A Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.81%			
Change in net asset per share			
Opening net asset value per share	341.58	299.10	285.25
Return before operating charges	42.44	47.64	18.89
Operating charges	(6.06)	(5.16)	(5.04)
Return after operating charges	36.38	42.48	13.85
Distributions	(14.33)	(16.52)	(7.61)
Retained distributions on accumulation shares	14.33	16.52	7.61
Closing net asset value per share	377.96	341.58	299.10
After direct transaction costs of:	0.81	0.48	0.55
Performance			
Return after operating charges	10.65%	14.20%	4.86%
	£	£	£

Other information

Closing net asset value	30,436,573	31,462,606	49,731,105
Closing number of shares	8,052,948	9,210,957	16,627,162
Operating Charge Figure	1.69%	1.68%	1.68%
Direct transaction costs	0.23%	0.16%	0.18%
OCF/TER cap	1.80%	1.80%	2.50%

Prices

Highest share price	378.10p	349.60p	316.60p
Lowest share price	338.30p	266.50p	275.10p

Neptune Income Fund

Fund Information (continued)

Performance Record (continued)

B Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.31%			
Change in net asset per share			
Opening net asset value per share	181.05	166.15	165.29
Return before operating charges	22.28	25.93	8.87
Operating charges	(2.25)	(1.99)	(2.05)
Return after operating charges	20.03	23.94	6.82
Distributions	(7.54)	(9.04)	(5.96)
Closing net asset value per share	193.54	181.05	166.15
After direct transaction costs of:	0.43	0.26	0.32
Performance			
Return after operating charges	11.06%	14.41%	4.13%
	£	£	£
Other information			
Closing net asset value	19,568,688	19,197,965	27,424,157
Closing number of shares	10,110,745	10,603,560	16,505,891
Operating Charge Figure	1.19%	1.18%	1.19%
Direct transaction costs	0.23%	0.16%	0.18%
OCF/TER cap	1.30%	1.30%	2.50%
Prices			
Highest share price	196.90p	186.50p	183.80p
Lowest share price	179.40p	148.00p	155.90p

C Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 0.96%			
Change in net asset per share			
Opening net asset value per share	120.77	110.45	109.47
Return before operating charges*	14.89	17.31	7.83
Operating charges	(1.06)	(0.94)	(0.95)
Return after operating charges*	13.83	16.37	6.88
Distributions	(5.04)	(6.05)	(5.90)
Closing net asset value per share	129.56	120.77	110.45
After direct transaction costs of:	0.29	0.18	0.21
Performance			
Return after operating charges	11.45%	14.82%	6.28%
	£	£	£
Other information			
Closing net asset value	72,937,695	69,023,414	72,313,721
Closing number of shares	56,296,166	57,153,017	65,473,842
Operating Charge Figure	0.84%	0.83%	0.83%
Direct transaction costs	0.23%	0.16%	0.18%
OCF/TER cap	0.90%	0.90%	1.00%
Prices			
Highest share price	131.80p	124.50p	122.00p
Lowest share price	119.70p	98.41p	103.50p

*The comparative figures for C Income 2015 have been restated due to reworking of the operating charges.

Neptune Income Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 0.96%			
Change in net asset per share			
Opening net asset value per share	146.26	126.98	120.07
Return before operating charges*	18.23	20.37	7.97
Operating charges	(1.30)	(1.09)	(1.06)
Return after operating charges*	16.93	19.28	6.91
Distributions	(6.16)	(7.05)	(8.01)
Retained distributions on accumulation shares	6.16	7.05	8.01
Closing net asset value per share*	163.19	146.26	126.98
After direct transaction costs of:	0.35	0.20	0.23
Performance			
Return after operating charges	11.58%	15.18%	5.75%
	£	£	£
Other information			
Closing net asset value	59,067,759	55,789,122	42,638,306
Closing number of shares	36,195,103	38,144,803	33,578,034
Operating Charge Figure	0.84%	0.83%	0.84%
Direct transaction costs	0.23%	0.16%	0.18%
OCF/TER cap	0.90%	0.90%	1.00%
Prices			
Highest share price	163.20p	149.80p	133.70p
Lowest share price	145.00p	113.30p	116.50p

*The comparative figures for C Accumulation 2016 have been restated due to reworking of the operating charges.

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 100.

Details of the distributions per share for the year are shown in the distribution tables on page 113.

Status

Neptune Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Income Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		15,538,789		18,931,910
Revenue	3	8,363,170		10,146,470	
Expenses	4	(2,249,181)		(2,387,861)	
Interest payable and similar charges		(1,045)		(1,525)	
Net revenue before taxation		6,112,944		7,757,084	
Taxation	5	(177,250)		1,028,067	
Net revenue after taxation			5,935,694		8,785,151
Total return before distributions			21,474,483		27,717,061
Distributions	6		(8,184,824)		(11,111,696)
Change in net assets attributable to shareholders from investment activities			13,289,659		16,605,365

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		201,219,996		241,148,208
Amounts received on issue of shares	19,150,103		2,851,706	
Amounts paid on cancellation of shares	(32,064,800)		(63,774,315)	
		(12,914,697)		(60,922,609)
Dilution adjustment charged		2,149		—
Change in net assets attributable to shareholders from investment activities		13,289,659		16,605,365
Retained distribution on accumulation shares		3,512,166		4,362,197
Unclaimed distributions		8,038		26,835
Closing net assets attributable to shareholders		205,117,311		201,219,996

Neptune Income Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investment assets		205,645,356		202,981,255	
Current assets					
Debtors	7	937,000		1,271,617	
Cash and bank balances	8	885,053		781,189	
Total current assets		1,822,053		2,052,806	
Total assets		207,467,409		205,034,061	
Liabilities					
Creditors					
Distribution payable		(1,958,082)		(3,368,910)	
Other creditors	9	(392,016)		(445,155)	
Total liabilities		(2,350,098)		(3,814,065)	
Net assets attributable to shareholders		205,117,311		201,219,996	

The accompanying notes are an integral part of these Financial Statements.

Neptune Income Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	19,535,240	18,975,857
Derivative contracts	(4,007,408)	—
Currency gains/(losses)	14,056	(38,840)
Transaction charges	(3,099)	(5,107)
Net capital gains	<u>15,538,789</u>	<u>18,931,910</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	145	696
UK dividends	6,195,404	7,909,859
Overseas dividends	2,167,621	1,928,753
Withholding tax reclaims - Interest	—	307,162
Total revenue	<u>8,363,170</u>	<u>10,146,470</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,062,152	2,215,117
Distribution fees	30,481	35,077
Printing costs	8,104	8,008
Registration fees	18,912	20,859
Transfer agent fees	27,460	33,079
	<u>2,147,109</u>	<u>2,312,140</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	62,974	33,287
Safe custody fees	16,042	16,477
	<u>79,016</u>	<u>49,764</u>
<i>Other expenses:</i>		
Audit fee	10,055	11,058
FCA fee	218	234
Legal and professional fees	8,707	11,211
Publication costs	4,076	3,454
	<u>23,056</u>	<u>25,957</u>
Total expenses	<u>2,249,181</u>	<u>2,387,861</u>

Neptune Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Overseas withholding tax	177,250	202,330
Withholding tax reclaims prior year adjustments	—	(1,230,397)
Total taxation for the year	<u>177,250</u>	<u>(1,028,067)</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	6,112,944	7,757,084
Corporation tax at 20% (2016: 20%)	<u>1,222,589</u>	<u>1,551,417</u>
Effects of:		
Expenses not deductible for tax purposes	—	2,242
Movement in excess management expenses	450,016	414,064
Overseas withholding tax	177,250	202,330
Revenue not subject to taxation	(1,672,605)	(1,967,723)
Withholding tax reclaims prior year adjustments	—	(1,230,397)
Current tax charge for the year	<u>177,250</u>	<u>(1,028,067)</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £15,783,266 (2016: £15,331,007) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
Interim	4,579,374	4,644,095
Final	3,449,060	5,883,606
Add: Amounts deducted on cancellation of shares	323,222	621,241
Deduct: Amounts received on issue of shares	(166,832)	(37,246)
Net distribution for the year	<u>8,184,824</u>	<u>11,111,696</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	5,935,694	8,785,151
Expenses charged to capital	2,249,181	2,387,861
Equalisation on conversion of shares	(44)	(42)
Tax relief due to capital	—	(61,267)
Net movement in revenue account	(7)	(7)
Net distribution for the year	<u>8,184,824</u>	<u>11,111,696</u>

Details of the distribution per share are set out in the distribution tables on page 113.

Neptune Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

	31 December 2017	31 December 2016
7 Debtors	£	£
Accrued revenue	392,044	752,620
Amounts receivable for issue of shares	95,881	267,754
Overseas tax recoverable	280,644	251,183
Prepaid expenses	56	60
Sales awaiting settlement	168,375	—
Total debtors	<u>937,000</u>	<u>1,271,617</u>
8 Cash and bank balances	£	£
Cash and bank balances	<u>885,053</u>	<u>781,189</u>
9 Creditors	£	£
ACD's periodic charge	163,397	168,331
Accrued expenses	81,026	55,788
Amounts payable on cancellation of shares	147,593	221,036
Total creditors	<u>392,016</u>	<u>445,155</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 108. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent assets and liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,056,454 (2016: £2,029,813).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £391,243 (2016: £402,634).

Neptune Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Euro	372,757	360,604
US dollar	38,751,538	39,902,771
Total	<u>39,124,295</u>	<u>40,263,375</u>

Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative Exposure £	Collateral Posted £	Collateral Received £	Collateral Asset Class
2017	RBC Europe	854,427	—	—	Cash

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	82,994,881	78,859,712	100,711,144	132,631,394
Options	—	—	—	—
Trades in the year before transaction costs	<u>82,994,881</u>	<u>78,859,712</u>	<u>100,711,144</u>	<u>132,631,394</u>
Commissions				
Equities	70,252	29,742	(80,882)	(50,136)
Options	22,131	—	(14,629)	—
Total commissions	<u>92,383</u>	<u>29,742</u>	<u>(95,511)</u>	<u>(50,136)</u>
Taxes				
Equities	275,714	247,372	(757)	(1,240)
Options	—	—	—	—
Total taxes	<u>275,714</u>	<u>247,372</u>	<u>(757)</u>	<u>(1,240)</u>
Total costs	<u>368,097</u>	<u>277,114</u>	<u>(96,268)</u>	<u>(51,376)</u>
Total net trades in the year after transaction costs	<u>83,362,978</u>	<u>79,136,826</u>	<u>100,614,876</u>	<u>132,580,018</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.06% (2016: 0.05%).

Neptune Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.08	0.04	(0.08)	(0.04)
Options	—	—	—	—
Taxes				
Equities	0.33	0.31	—	—
Options	—	—	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.09	0.04
Taxes	0.14	0.12
Total	<u>0.23</u>	<u>0.16</u>

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017			
	A Income	A Accumulation	B Income	C Income
Opening shares in issue	14,863,144	9,210,957	10,603,560	57,153,017
Creations during the year	306,321	362,984	27,574	5,809,049
Cancellations during the year	(2,037,633)	(1,345,523)	(456,883)	(7,639,297)
Share converted during the year	(480,174)	(175,470)	(63,506)	973,397
Closing shares in issue	<u>12,651,658</u>	<u>8,052,948</u>	<u>10,110,745</u>	<u>56,296,166</u>
	C Accumulation			
Opening shares in issue	38,144,803			
Creations during the year	6,587,276			
Cancellations during the year	(8,783,800)			
Shares converted during the year	246,824			
Closing shares in issue	<u>36,195,103</u>			

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	205,645,356	—	202,981,255	—
	<u>205,645,356</u>	<u>—</u>	<u>202,981,255</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

Neptune Income Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Income shares				
Group 1	4.0352	—	4.0352	3.5279
Group 2	1.7455	2.2897	4.0352	3.5279
A Accumulation shares				
Group 1	8.0286	—	8.0286	6.6655
Group 2	5.5778	2.4508	8.0286	6.6655
B Income shares				
Group 1	4.2601	—	4.2601	3.7050
Group 2	1.5274	2.7327	4.2601	3.7050
C Income shares				
Group 1	2.8447	—	2.8447	2.4643
Group 2	1.4938	1.3509	2.8447	2.4643
C Accumulation shares				
Group 1	3.4444	—	3.4444	2.8342
Group 2	2.3981	1.0463	3.4444	2.8342

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Income shares				
Group 1	3.0985	—	3.0985	5.0876
Group 2	1.2251	1.8734	3.0985	5.0876
A Accumulation shares				
Group 1	6.3050	—	6.3050	9.8516
Group 2	1.9388	4.3662	6.3050	9.8516
B Income shares				
Group 1	3.2792	—	3.2792	5.3343
Group 2	0.7163	2.5629	3.2792	5.3343
C Income shares				
Group 1	2.1929	—	2.1929	3.5818
Group 2	0.8614	1.3315	2.1929	3.5818
C Accumulation shares				
Group 1	2.7165	—	2.7165	4.2136
Group 2	1.0180	1.6985	2.7165	4.2136

Neptune India Fund

Investment Objective

The investment objective of the Neptune India Fund (the Fund) is to generate capital growth from investment predominantly in Indian securities, or securities issued by companies transacting a significant proportion of their business in India.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

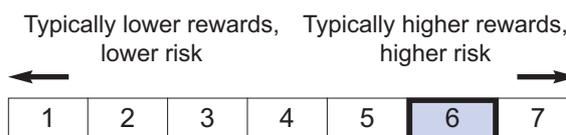
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune India Fund returned 24.89% in 2017, versus the MSCI India Index's return of 26.74%.*

India comfortably outperformed both emerging and global peers in the first quarter as the market rose 15.7%. A number of reasons drove this strong performance: the BJP and Narendra Modi won a stunning victory in the state election of Uttar Pradesh – India's most populous state. The margin of victory was unexpected and further lowered the political risk premium in India. The government now have a reasonably clear runway until the next general election in 2019, which will likely stimulate further reform activity in an attempt to drive higher India's medium-term growth potential. Flows into equity markets from both foreign and domestic investors continued to gather pace, whilst the rupee strengthened by 5% versus the dollar. Further, the effects from demonetisation were lower than expectations – largely due to the ability of the Indian populace to find ways to recycle demonetised cash back into formal channels. The worry of a negative wealth shock did not play out.

The market was far quieter in the second quarter of 2017, following the strong start to the year. Much of this was due to the near-term uncertainty over the GST (Goods and Services Tax bill), as a number of companies were forced into destocking to be ready for its implementation.

The Indian market underperformed emerging markets in the third quarter. This was not surprising though, following the disruptive (but in the longer term positive) steps from the government to introduce a unified Goods and Services tax bill and embark on its demonetisation program. A weak earning season weighed on equities whilst the Reserve Bank of India's decision to cut interest rates by 25bps was expected as inflation continues to come in below the Central Bank's expectations. Ongoing strong inflows from domestic channels continued with more than \$10bn invested from domestic sources. We see this as a long-term structural story rather than a cyclical flash in the pan.

The Indian market rebounded strongly in the fourth quarter though, with the market rising more than 10%. A number of important policy measures were announced, including plans to recapitalise the state owned banks. This surprised the markets positively whilst the BJP were successful in key state elections in December whilst the government announced the largest highway construction plan with more than

80,000km of roads set to be developed in the next five years.

Strong stock selection was a feature across a range of sectors. However, following the recapitalisation plans of the banking sector in the fourth quarter, value as a style performed well which had a negative impact on the Fund's relative performance. Negative attribution was driven primarily by the financials sector where all the troubled state owned banks performed very strongly.

The macroeconomic health of India continues to be strong; growth is accelerating whilst India's external vulnerabilities remain low. Meanwhile, the government remain busy and focused on their pro-growth and pro-reform agenda. We believe the set up for India over the next few years is particularly positive – alongside increased political stability, we have now passed through the short-term demand reset from demonetisation and the introduction of GST. Corporate earnings are set to rebound as return ratios will be driven higher by the combination of excess capacity, improving demand and operating leverage, and continued balance sheet restraint. India's macro scorecard remains amongst the healthiest in the emerging world whilst investor ownership has receded. The mid-cap space remains the most interesting for us.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune India Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	INDIA 98.02% (2016 - 96.05%)		
	BASIC MATERIALS 7.93% (2016 - 3.92%)		
	CHEMICALS 5.65%		
376,400	Deepak Nitrite	1,012,572	0.91
98,100	Finolex Industries	749,623	0.67
514,129	SH Kelkar	1,776,547	1.59
325,262	Tata Chemicals	2,757,769	2.48
	INDUSTRIAL METALS & MINING 2.28%		
799,439	Hindalco Industries	2,541,335	2.28
	CONSUMER GOODS 9.81% (2016 - 9.04%)		
	AUTOMOBILES & PARTS 6.47%		
35,726	Maruti Suzuki India	4,032,944	3.62
722,843	Motherson Sumi Systems	3,177,924	2.85
	PERSONAL GOODS 3.34%		
321,376	Godrej Consumer Products	3,722,407	3.34
	CONSUMER SERVICES 2.80% (2016 - 2.86%)		
	MEDIA 2.80%		
463,280	Zee Entertainment Enterprises	3,122,177	2.80
	FINANCIALS 29.59% (2016 - 23.70%)		
	BANKS 16.73%		
373,273	Axis Bank	2,432,491	2.18
250,000	Bank of Baroda	467,877	0.42
109,000	Canara Bank	455,259	0.41
21,258	HDFC Bank ADR	1,590,003	1.43
1,341,557	ICICI Bank	4,888,469	4.39
154,791	IndusInd Bank	2,954,364	2.65
618,000	State Bank of India	2,221,460	1.99
992,620	Yes Bank	3,626,768	3.26
	FINANCIAL SERVICES 9.11%		
144,963	Bharat Financial Inclusion	1,679,233	1.51
1,225,000	Equitas	2,101,549	1.89
191,889	Housing Development Finance	3,805,937	3.42
184,425	Indiabulls Housing Finance	2,552,507	2.29
	LIFE INSURANCE 1.75%		
287,242	MAX Financial Services	1,955,125	1.75
	REAL ESTATE INVESTMENT & SERVICES 2.00%		
603,178	Prestige Estates Projects	2,225,533	2.00
	HEALTH CARE 8.12% (2016 - 10.25%)		
	HEALTH CARE EQUIPMENT & SERVICES 2.15%		
741,232	Healthcare Global Enterprise	2,392,830	2.15
	PHARMACEUTICALS & BIOTECHNOLOGY 5.97%		
604,362	Sun Pharmaceutical Industries	3,989,226	3.58
161,568	Torrent Pharmaceuticals	2,660,309	2.39

Neptune India Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	INDUSTRIALS 20.13% (2016 - 22.44%)		
	CONSTRUCTION & MATERIALS 11.37%		
162,178	Asian Paints	2,179,535	1.96
378,413	Blue Star	3,571,732	3.21
607,746	IRB Infrastructure Developers	1,675,801	1.50
12,261	Shree Cement	2,566,647	2.30
294,234	The Ramco Cements	2,671,425	2.40
	INDUSTRIAL ENGINEERING 8.76%		
391,042	Bharat Forge	3,306,197	2.97
392,336	Mahindra & Mahindra	3,418,815	3.07
1,145,200	Sintex Plastics Technology	1,116,775	1.00
382,792	Tata Motors	1,912,394	1.72
	OIL & GAS 5.07% (2016 - 4.71%)		
	OIL & GAS PRODUCERS 5.07%		
500,055	Hindustan Petroleum	2,427,779	2.18
301,794	Reliance Industries	3,219,838	2.89
	TECHNOLOGY 9.10% (2016 - 13.27%)		
	SOFTWARE & COMPUTER SERVICES 9.10%		
291,100	Cyient	1,993,198	1.79
309,900	HCL Technologies	3,219,540	2.89
260,642	Infosys	3,146,935	2.83
212,980	Persistent Systems	1,769,348	1.59
	TELECOMMUNICATIONS 1.25% (2016 - 1.46%)		
	MOBILE TELECOMMUNICATIONS 1.25%		
316,386	Bharti Infratel	1,390,967	1.25
	UTILITIES 4.22% (2016 - 4.40%)		
	ELECTRICITY 1.58%		
758,598	Power Grid Corporation of India	1,761,459	1.58
	GAS, WATER & MULTIUTILITIES 2.64%		
999,432	Petronet LNG	2,945,895	2.64
	UNITED STATES 2.12% (2016 - 1.83%)		
44,661	Cognizant Technology Solutions	2,359,398	2.12
	Portfolio of investments	111,545,916	100.14
	Net other liabilities	(160,960)	(0.14)
	Net assets	111,384,956	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

Neptune India Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Equitas	2,551,764
Sun Pharmaceutical Industries	2,436,026
State Bank of India	2,352,206
Cyient	1,968,641
Hindalco Industries	1,944,378

Sales	Proceeds £
Tata Consultancy Services	3,267,317
Tata Motors	2,165,061
Housing Development Finance	2,043,202
Amara Raja Batteries	1,884,353
Kaveri Seed	1,861,324

Neptune India Fund

Fund Information

Performance Record

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.34%			
Change in net asset per share			
Opening net asset value per share	207.94	167.92	165.02
Return before operating charges	54.64	42.26	4.62
Operating charges	(2.81)	(2.24)	(1.72)
Return after operating charges	51.83	40.02	2.90
Distributions	(0.03)	(0.19)	(0.49)
Retained distributions on accumulation shares	0.03	0.19	0.49
Closing net asset value per share	259.77	207.94	167.92
After direct transaction costs of:	0.58	0.25	0.44
Performance			
Return after operating charges	24.93%	23.83%	1.76%
	£	£	£
Other information			
Closing net asset value	110,754,934	105,372,156	76,308,399
Closing number of shares	42,636,177	50,674,601	45,443,749
Operating Charge Figure	1.16%	1.18%	1.01%
Direct transaction costs	0.24%	0.13%	0.26%
OCF/TER cap	1.30%	1.20%	1.00%
Prices			
Highest share price	259.90p	234.10p	192.50p
Lowest share price	208.80p	146.50p	152.50p

A Accumulation USD (Launched 1 November 2017)

	31 December 2017
	(p)
OCF cap from 1 January 2018: 2.34%	
Change in net asset per share	
Opening net asset value per share	75.20
Return before operating charges	1.28
Operating charges	—
Return after operating charges	1.28
Distributions	(0.01)
Retained distributions on accumulation shares	0.01
Closing net asset value per share	76.48
After direct transaction costs of:	0.18
Performance	
Return after operating charges	1.70%
	£
Other information	
Closing net asset value	765
Closing number of shares	1,000
Operating Charge Figure	2.20%
Direct transaction costs	0.24%
OCF/TER cap	2.20%
Prices	
Highest share price	103.40¢*
Lowest share price	95.90¢*

*From 1 November 2017 to 31 December 2017.

Neptune India Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation USD (Launched 17 April 2015)

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.34%			
Change in net asset per share			
Opening net asset value per share	77.18	61.70	65.20
Return before operating charges*	20.27	16.18	(3.50)
Operating charges*	(1.06)	(0.70)	—
Return after operating charges	19.21	15.48	(3.50)
Distributions	(0.01)	(0.66)	(0.66)
Retained distributions on accumulation shares	0.01	0.66	0.66
Closing net asset value per share	96.39	77.18	61.70
After direct transaction costs of:**	0.22	0.48	0.16
Performance			
Return after operating charges	24.89%	25.09%	(5.37)%
	£	£	£
Other information			
Closing net asset value	629,257	13,499	617
Closing number of shares	652,827	17,491	1,000
Operating Charge Figure***	1.17%	1.20%	—
Direct transaction costs	0.24%	0.13%	0.26%
OCF/TER cap***	1.30%	1.20%	—
Prices			
Highest share price	130.40¢	107.20¢	102.40¢
Lowest share price	95.23¢	77.76¢	85.94¢

*The comparative figures for C Accumulation USD for 2016 and 2015 have been restated due to the restatement of the operating charges figures percentage.

**The comparative figures for C Accumulation USD for 2016 have been restated due to the reworking of the direct transaction costs.

***The comparative figures for C Accumulation USD for 2015 have been restated due to the restatement of the operating charges figure to nil.

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 115.

Details of the distributions per share for the year are shown in the distribution tables on page 128.

Status

Neptune India Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		21,968,449		19,044,063
Revenue	3	1,194,149		1,098,856	
Expenses	4	(1,192,908)		(1,126,567)	
Interest payable and similar charges		(2,746)		(1,545)	
Net expense before taxation		(1,505)		(29,256)	
Taxation	5	(2,393)		—	
Net expense after taxation			(3,898)		(29,256)
Total return before distributions			21,964,551		19,014,807
Distributions	6		3,920		(73,506)
Change in net assets attributable to shareholders from investment activities			21,968,471		18,941,301

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		105,385,655		86,846,485
Amounts received on issue of shares	35,347,336		20,225,928	
Amounts paid on cancellation of shares	(51,413,214)		(20,715,619)	
		(16,065,878)		(489,691)
Dilution adjustment charged		81,695		—
Change in net assets attributable to shareholders from investment activities		21,968,471		18,941,301
Retained distribution on accumulation shares		15,013		87,560
Closing net assets attributable to shareholders		111,384,956		105,385,655

Neptune India Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		111,545,916		103,148,183	
Current assets					
Debtors	7	204,978		209,373	
Cash and bank balances	8	504,006		2,328,767	
Total current assets		708,984		2,538,140	
Total assets		112,254,900		105,686,323	
Liabilities					
Creditors					
Bank overdrafts	8	(25,722)		—	
Other creditors	9	(844,222)		(300,668)	
Total liabilities		(869,944)		(300,668)	
Net assets attributable to shareholders		111,384,956		105,385,655	

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	22,359,800	18,494,590
Forward currency contracts	(1)	323,129
Currency (losses)/gains	(369,468)	248,372
Transaction charges	(21,540)	(18,646)
Issuance Fee	(342)	(3,382)
Net capital gains	<u>21,968,449</u>	<u>19,044,063</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	736	192
Overseas dividends	1,193,413	1,098,664
Total revenue	<u>1,194,149</u>	<u>1,098,856</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	782,644	748,808
ACD's fee rebate*	(3)	(5)
Distribution fees	12,192	12,714
Printing costs	4,977	4,906
Registration fees	5,361	6,053
Transfer agent fees	13,905	14,614
	<u>819,076</u>	<u>787,090</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	36,996	14,125
Safe custody fees	292,996	254,642
	<u>329,992</u>	<u>268,767</u>
<i>Other expenses:</i>		
Audit fee	7,241	7,497
FCA fee	218	234
Legal and professional fees	33,709	61,034
Publication costs	2,672	1,945
	<u>43,840</u>	<u>70,710</u>
Total expenses	<u>1,192,908</u>	<u>1,126,567</u>

*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Overseas withholding tax	2,391	—
Foreign Capital Gains Tax	2	—
Total taxation for the year	<u>2,393</u>	<u>—</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017	31 December 2016
	£	£
Net expense before taxation	(1,505)	(29,256)
Corporation tax at 20% (2016: 20%)	(301)	(5,851)
Effects of:		
Movement in excess management expenses	238,983	225,584
Non-taxable overseas dividends	(238,682)	(219,733)
Overseas withholding tax	2,391	—
Foreign Capital Gains Tax	2	—
Current tax charge for the year	<u>2,393</u>	<u>—</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £1,582,878 (2016: £1,343,895) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
Interim	2,497	87,517
Final	12,516	43
Deduct: Amounts deducted on cancellation of shares	(4,384)	(3,483)
Deduct: Income received on creation of shares	(14,549)	(10,571)
Net distribution for the year	<u>(3,920)</u>	<u>73,506</u>
Reconciliation of net expense after taxation to distributions		
Net expense after taxation	(3,898)	(29,256)
Equalisation on conversion of shares	—	28,964
Revenue deficit borne by capital	—	73,791
Movement on revenue account	(24)	7
Foreign Capital Gains Tax	2	—
Net distribution for the year	<u>(3,920)</u>	<u>73,506</u>

Details of the distribution per share are set out in the distribution tables on page 128.

Neptune India Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Rebate borne by ACD	1,722	1,718
Amounts receivable for issue of shares	203,202	207,598
Prepaid expenses	54	57
Total debtors	<u>204,978</u>	<u>209,373</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	504,006	2,328,767
Bank overdrafts	(25,722)	—
	<u>478,284</u>	<u>2,328,767</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	65,078	63,478
Accrued expenses	171,128	102,693
Amounts payable on cancellation of shares	608,016	134,488
Interest payable	—	9
Total creditors	<u>844,222</u>	<u>300,668</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 123. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,115,459 (2016: £1,031,482).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £1,114,410 (2016: £1,054,770).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Indian rupee	107,596,515	98,740,329
Swiss franc	1,518	—
US dollar	3,843,003	6,736,622
Total	<u>111,441,036</u>	<u>105,476,951</u>

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Equities	<u>26,371,463</u>	<u>17,117,090</u>	<u>40,579,366</u>	<u>19,270,680</u>
Trades in the year before transaction costs	<u>26,371,463</u>	<u>17,117,090</u>	<u>40,579,366</u>	<u>19,270,680</u>
Commissions				
Equities	<u>67,605</u>	<u>37,643</u>	<u>(94,739)</u>	<u>(44,553)</u>
Total commissions	<u>67,605</u>	<u>37,643</u>	<u>(94,739)</u>	<u>(44,553)</u>
Taxes				
Equities	<u>36,320</u>	<u>20,468</u>	<u>(52,861)</u>	<u>(23,921)</u>
Total taxes	<u>36,320</u>	<u>20,468</u>	<u>(52,861)</u>	<u>(23,921)</u>
Total costs	<u>103,925</u>	<u>58,111</u>	<u>(147,600)</u>	<u>(68,474)</u>
Total net trades in the year after transaction costs	<u>26,475,388</u>	<u>17,175,201</u>	<u>40,431,766</u>	<u>19,202,206</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.10% (2016: 0.18%).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.26	0.22	(0.23)	(0.23)
Taxes Equities	0.14	0.12	(0.13)	(0.12)

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.16	0.08
Taxes	0.08	0.05
Total	<u>0.24</u>	<u>0.13</u>

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	C Accumulation	31 December 2017	
		A Accumulation USD	C Accumulation USD
Opening shares in issue	50,674,601	—	17,491
Creations during the year	13,982,832	1,000	1,815,336
Cancellations during the year	(22,021,256)	—	(1,180,000)
Closing shares in issue	<u>42,636,177</u>	<u>1,000</u>	<u>652,827</u>

18 Fair value hierarchy

Valuation technique	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	111,545,916	—	103,148,183	—
	<u>111,545,916</u>	<u>—</u>	<u>103,148,183</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

Neptune India Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
C Accumulation shares (p)				
Group 1	0.0055	—	0.0055	0.1913
Group 2	0.0055	—	0.0055	0.1913
C Accumulation USD shares (¢)				
Group 1	0.0067	—	0.0067	0.5597
Group 2	0.0067	—	0.0067	0.5597

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
C Accumulation shares (p)				
Group 1	0.0292	—	0.0292	—
Group 2	—	0.0292	0.0292	—
A Accumulation USD shares (¢)				
Group 1	0.0200	—	0.0200	—
Group 2	0.0200	—	0.0200	—
C Accumulation USD shares (¢)				
Group 1	0.0137	—	0.0137	0.2994
Group 2	0.0137	—	0.0137	0.2994

Neptune Japan Opportunities Fund

Investment Objective

The investment objective of the Neptune Japan Opportunities Fund (the Fund) is to generate consistent capital growth by investing predominantly in a concentrated portfolio of Japanese securities with a view to attaining top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

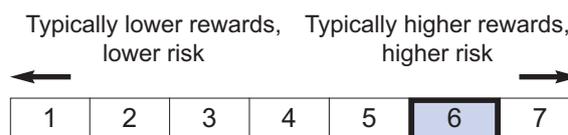
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The Investment Manager aims to remove the impact of changes in exchange rates between the yen and pounds sterling by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significant negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune Japan Opportunities Fund had a good 2017, returning 26.91% versus the TOPIX Index's gain of 15.60%. This performance saw the Fund rank 6th out of 68 competitors in the IA Japan sector for the year.

After an opening quarter when the Fund marginally underperformed, it never looked back, benefiting more or less equally from sterling's revived fortunes against the yen as well as the continued broad-based outperformance of the portfolio's holdings.

The year started off with the TOPIX Index trading quietly between the 1,500 and 1,550 before investors took fright over the implied negative consequences of the Trump administration's failure to secure a sufficient majority to reform Obama Care. Thereafter, the market rapidly regained its composure as Japanese corporate earnings reports for the full year ending rolled in ahead of analysts' forecasts, climbing on average by over 14% compared to expectations of only 6%.

The Fund's yen hedged position gained over 5%, whilst positive stock selection provided the balance of outperformance. The latter was largely due principally to the Fund being overweight in the industrials and materials sectors, which did relatively well out of the perceived improvement in global economic prospects.

The likely positive impetus came from the lagged effect of lower energy prices, particularly upon the non-OECD countries, accompanied by the EU's accelerating economic recovery; these influences were held to underpin the ongoing upgrades to global GDP growth rates, whereby every 1% increase in the latter would likely lift aggregate Japanese corporate profits by roughly 3%.

Japanese corporate earnings reports rolled in ahead of analysts' forecasts, climbing year-on-year by an average of over 19.4%, compared to expectations of only 13%. In particular, the manufacturing sector did well, lifting earnings by almost 62% year-on-year. The worst results came from the domestic defensive sectors, such as pharmaceuticals and utilities, whose annual changes were 9% and -22% respectively.

In the meantime, Prime Minister Abe's calling of another General Election saw him comfortably re-elected and the market ran up rapidly from the 1,600, to the year's high of 1,845 before consolidating to close 2017 at the 1,817.

The generally improving background to both the local Japanese as well as the global economy saw the smaller capitalised stocks outperform their bigger brethren throughout the year. Such conditions favoured the more cyclical sectors at the expense of the more defensive ones, and the lack of interest rate hikes kept the financials relatively subdued.

The Fund performed well with notable performance from stocks in the materials sector, namely Sumco, a silicon wafer producer, and both Mitsubishi Gas Chemical and Chemical Holdings. This performance was accompanied by strong contributions from a variety of industrials such as construction firms Taisei and Haseko, Komatsu, the construction equipment firm, and machine tool firms like Keyence and Okuma.

Looking ahead, we expect markets to continue their recovery as confidence returns, aided by the ongoing improvement in expectations regarding the global economy. Prime Minister Abe was quickest off the mark to visit President Trump and reiterate the close relationship between their respective nations. Since then there has been little direct policy action taken by the Japanese authorities – they have merely maintained their prevailing monetary and fiscal policies. However, once President Trump begins to enact his infrastructure buildout and finance programs then it is likely the Japanese government will announce further fiscal and monetary stimulatory measures as well as pour money into the US capital investment.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Japan Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	BASIC MATERIALS 19.63% (2016 - 18.53%)		
	CHEMICALS 17.91%		
411,000	Kansai Paint	7,905,057	2.65
1,293,800	Mitsubishi Chemical	10,518,927	3.52
662,500	Mitsubishi Gas Chemical	14,097,626	4.72
267,600	Nippon Paint	6,266,455	2.10
110,600	Shin-Etsu Chemical	8,326,390	2.79
910,000	Toray Industries	6,356,993	2.13
	INDUSTRIAL METALS & MINING 1.72%		
289,100	JFE	5,142,101	1.72
	CONSUMER GOODS 8.43% (2016 - 9.68%)		
	AUTOMOBILES & PARTS 6.22%		
244,400	NGK Spark Plug	4,401,700	1.47
559,400	NSK	6,524,046	2.19
161,200	Toyota Motor	7,646,213	2.56
	LEISURE GOODS 2.21%		
273,000	Bandai Namco	6,608,400	2.21
	FINANCIALS 13.61% (2016 - 16.29%)		
	BANKS 3.59%		
188,500	Sumitomo Mitsui Financial	6,031,020	2.02
159,700	Sumitomo Mitsui Trust	4,696,728	1.57
	FINANCIAL SERVICES 5.23%		
841,000	Daiwa Securities	3,910,568	1.31
167,000	Jafco	7,173,242	2.40
1,034,800	Nomura	4,525,833	1.52
	LIFE INSURANCE 1.71%		
333,000	Dai-ichi Life	5,085,091	1.71
	REAL ESTATE INVESTMENT & SERVICES 3.08%		
359,000	Mitsubishi Estate	4,628,458	1.55
275,000	Mitsui Fudosan	4,563,897	1.53
	INDUSTRIALS 39.09% (2016 - 39.00%)		
	CONSTRUCTION & MATERIALS 12.76%		
821,100	Haseko	9,446,517	3.16
904,000	Shimizu	6,915,665	2.32
1,176,600	Sumitomo Mitsui Construction	4,860,425	1.63
2,262,000	Sumitomo Osaka Cement	8,064,505	2.70
239,000	Taisei	8,819,554	2.95
	ELECTRONIC & ELECTRICAL EQUIPMENT 6.09%		
834,000	Hitachi	4,807,338	1.61
32,200	Keyence	13,365,065	4.48
	GENERAL INDUSTRIALS 1.00%		
1,445,000	Toshiba	2,984,580	1.00
	INDUSTRIAL ENGINEERING 19.24%		
703,700	Amada	7,096,031	2.38
741,000	Chiyoda	4,040,718	1.35
215,000	Chugai Ro	3,487,525	1.17

Neptune Japan Opportunities Fund

Investment Manager's Report for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
63,000	Daikin Industries	5,524,037	1.85
29,100	FANUC	5,178,767	1.73
300,000	Kimura Chemical Plants	1,219,538	0.41
264,700	Komatsu	7,091,763	2.38
109,800	Mitsubishi Heavy Industries	3,039,955	1.02
1,475,000	NTN	5,413,923	1.81
179,400	OKUMA	8,826,934	2.96
470,400	Toshiba Plant Systems & Services	6,500,985	2.18
	OIL & GAS 2.83% (2016 - 2.50%)		
	OIL & GAS PRODUCERS 2.83%		
1,765,400	JXTG	8,438,866	2.83
	TECHNOLOGY 11.02% (2016 - 9.31%)		
	LEISURE GOODS 4.53%		
49,900	Nintendo	13,520,046	4.53
	TECHNOLOGY HARDWARE & EQUIPMENT 6.49%		
1,060,000	Fujitsu	5,596,867	1.87
313,800	Oki Electric Industry	3,261,338	1.09
555,000	SUMCO	10,528,684	3.53
	FORWARD FOREIGN EXCHANGE CONTRACT 1.60%		
	(2016 - 0.68%)†		
	Sold JPY7,000,000,000 for GBP47,041,367 Settlement 09/01/2018	992,352	0.33
	Sold JPY7,000,000,000 for GBP47,047,342 Settlement 12/01/2018	995,428	0.33
	Sold JPY8,000,000,000 for GBP53,930,789 Settlement 19/01/2018	1,294,699	0.44
	Sold JPY5,000,000,000 for GBP33,878,575 Settlement 26/01/2018	977,686	0.33
	Sold JPY8,000,000,000 for GBP52,983,779 Settlement 02/02/2018	337,023	0.11
	Sold JPY6,000,000,000 for GBP39,654,609 Settlement 09/02/2018	164,897	0.06
	Portfolio of investments	287,200,456	96.21
	Net other assets	11,315,410	3.79
	Net assets	298,515,866	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

†Derivatives.

Neptune Japan Opportunities Fund

Investment Manager's Report for the year ended 31 December 2017 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £
SUMCO	3,890,881
Daikin Industries	3,511,392
Keyence	2,371,639
Mitsubishi Gas Chemical	2,211,371
Taisei	1,787,143

Sales	Proceeds £
Nintendo	3,035,945
Mitsubishi Gas Chemical	2,551,927
Keyence	2,414,845
JFE	1,930,776
Mitsubishi Chemical	1,838,552

Neptune Japan Opportunities Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.85%			
Change in net asset per share			
Opening net asset value per share	396.16	389.63	401.72
Return before operating charges	109.98	12.39	(5.09)
Operating charges	(7.47)	(5.86)	(7.00)
Return after operating charges	102.51	6.53	(12.09)
Distributions	(0.79)	(1.46)	—
Retained distributions on accumulation shares	0.79	1.46	—
Closing net asset value per share	498.67	396.16	389.63
After direct transaction costs of:	0.27	0.42	0.15
Performance			
Return after operating charges	25.88%	1.68%	(3.01)%
	£	£	£
Other information			
Closing net asset value	23,275,685	20,225,419	42,401,793
Closing number of shares	4,667,537	5,105,308	10,882,676
Operating Charge Figure	1.71%	1.70%	1.67%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	1.80%	1.80%	2.50%
Prices			
Highest share price	502.60p	411.20p	464.30p
Lowest share price	394.20p	288.70p	356.90p

B Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.35%			
Change in net asset per share			
Opening net asset value per share	418.36	409.42	419.97
Return before operating charges	116.49	13.44	(5.41)
Operating charges	(5.60)	(4.50)	(5.14)
Return after operating charges	110.89	8.94	(10.55)
Distributions	(1.48)	(2.90)	(1.20)
Retained distributions on accumulation shares	1.48	2.90	1.20
Closing net asset value per share	529.25	418.36	409.42
After direct transaction costs of:	0.28	0.46	0.16
Performance			
Return after operating charges	26.51%	2.18%	(2.51)%
	£	£	£
Other information			
Closing net asset value	5,972,505	5,360,286	126,216,314
Closing number of shares	1,128,480	1,281,252	30,828,332
Operating Charge Figure	1.21%	1.19%	1.17%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	1.30%	1.30%	2.50%
Prices			
Highest share price	533.40p	434.10p	486.40p
Lowest share price	416.90p	303.50p	374.60p

Neptune Japan Opportunities Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.00%			
Change in net asset per share			
Opening net asset value per share	192.25	187.48	191.63
Return before operating charges	53.65	6.19	(2.51)
Operating charges	(1.84)	(1.42)	(1.64)
Return after operating charges	51.81	4.77	(4.15)
Distributions	(1.77)	(1.92)	(1.32)
Retained distributions on accumulation shares	1.77	1.92	1.32
Closing net asset value per share	244.06	192.25	187.48
After direct transaction costs of:	0.13	0.20	0.07
Performance			
Return after operating charges	26.95%	2.55%	(2.16)%
	£	£	£
Other information			
Closing net asset value	203,946,469	172,532,496	247,231,600
Closing number of shares	83,563,957	89,742,932	131,871,356
Operating Charge Figure	0.86%	0.86%	0.82%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	1.00%	0.90%	1.00%
Prices			
Highest share price	246.00p	199.40p	222.30p
Lowest share price	191.80p	139.00p	171.40p

D Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 0.90%			
Change in net asset per share			
Opening net asset value per share	113.34	110.42	112.76
Return before operating charges	31.65	3.65	(1.48)
Operating charges	(0.96)	(0.73)	(0.86)
Return after operating charges	30.69	2.92	(2.34)
Distributions	(1.24)	(1.23)	(0.90)
Retained distributions on accumulation shares	1.24	1.23	0.90
Closing net asset value per share	144.03	113.34	110.42
After direct transaction costs of:	0.08	0.12	0.04
Performance			
Return after operating charges	27.08%	2.65%	(2.08)%
	£	£	£
Other information			
Closing net asset value	62,165,630	51,890,532	93,011,877
Closing number of shares	43,160,494	45,781,249	84,233,525
Operating Charge Figure	0.76%	0.75%	0.73%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	0.90%	0.80%	1.00%
Prices			
Highest share price	145.20p	117.60p	130.90p
Lowest share price	113.10p	81.90p	100.90p

Neptune Japan Opportunities Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation USD

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.85%			
Change in net asset per share			
Opening net asset value per share	98.56	96.93	100.18
Return before operating charges	27.36	3.09	(1.24)
Operating charges	(1.85)	(1.46)	(2.01)
Return after operating charges	25.51	1.63	(3.25)
Distributions	(0.51)	(0.37)	—
Retained distributions on accumulation shares	0.51	0.37	—
Closing net asset value per share	124.07	98.56	96.93
After direct transaction costs of:	0.07	0.10	0.04
Performance			
Return after operating charges	25.88%	1.68%	(3.24)%
	£	£	£
Other information			
Closing net asset value	1,987,978	2,263,540	2,299,007
Closing number of shares	1,602,273	2,296,620	2,371,756
Operating Charge Figure	1.71%	1.71%	1.93%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	1.80%	1.80%	2.50%
Prices			
Highest share price	167.80¢	144.50¢	179.60¢
Lowest share price	120.70¢	98.57¢	135.00¢

C Accumulation USD (Share class name changed from B Accumulation USD on 1 August 2016)

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.00%			
Change in net asset per share			
Opening net asset value per share	102.26	99.92	102.77
Return before operating charges*	28.58	3.18	(1.34)
Operating charges*	(1.02)	(0.84)	(1.51)
Return after operating charges	27.56	2.34	(2.85)
Distributions	(1.00)	(0.63)	(0.11)
Retained distributions on accumulation shares	1.00	0.63	0.11
Closing net asset value per share	129.82	102.26	99.92
After direct transaction costs of:	0.07	0.11	0.04
Performance			
Return after operating charges	26.95%	2.34%	(2.77)%
	£	£	£
Other information			
Closing net asset value	1,167,599	262,886	718,544
Closing number of shares	899,402	257,089	719,151
Operating Charge Figure*	0.86%	0.95%	1.40%
Direct transaction costs	0.06%	0.12%	0.04%
OCF/TER cap	1.00%	0.95%	2.50%
Prices			
Highest share price	175.60¢	140.20¢	184.80¢
Lowest share price	125.30¢	95.38¢	139.00¢

*The comparative figures for C Accumulation USD 2016 have been restated due to the restatement of the operating charge figure percentage.

Neptune Japan Opportunities Fund

Fund Information (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 130.

Details of the distributions per share for the year are shown in the distribution tables on page 145.

Status

Neptune Japan Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Japan Opportunities Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains/(losses)	2		58,764,803		(31,188,256)
Revenue	3	4,777,108		6,297,075	
Expenses	4	(2,315,138)		(2,606,601)	
Interest payable and similar charges		(2,249)		(13,073)	
Net revenue before taxation		2,459,721		3,677,401	
Taxation	5	(488,210)		(605,815)	
Net revenue after taxation			1,971,511		3,071,586
Total return before distributions			60,736,314		(28,116,670)
Distributions	6		(2,018,590)		(3,102,959)
Change in net assets attributable to shareholders from investment activities			58,717,724		(31,219,629)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		252,535,158		511,879,135
In specie transfer		—		—
Amounts received on issue of shares	73,716,517		69,266,849	
Amounts paid on cancellation of shares	(88,488,169)		(300,192,853)	
		(14,771,652)		(230,926,004)
Dilution adjustment charged		(79)		(10,520)
Change in net assets attributable to shareholders from investment activities		58,717,724		(31,219,629)
Retained distribution on accumulation shares		2,034,715		2,812,176
Closing net assets attributable to shareholders		298,515,866		252,535,158

Neptune Japan Opportunities Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		287,200,456		244,908,119	
Current assets					
Debtors	7	704,026		1,265,631	
Cash and bank balances	8	<u>10,928,117</u>		<u>14,657,376</u>	
Total current assets			<u>11,632,143</u>		<u>15,923,007</u>
Total assets			<u>298,832,599</u>		<u>260,831,126</u>
Liabilities					
Investment liabilities			—		(2,500,487)
Creditors					
Other creditors	9	<u>(316,733)</u>		<u>(5,795,481)</u>	
Total liabilities			<u>(316,733)</u>		<u>(8,295,968)</u>
Net assets attributable to shareholders			<u>298,515,866</u>		<u>252,535,158</u>

The accompanying notes are an integral part of these Financial Statements.

Neptune Japan Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains/(losses)	31 December 2017	31 December 2016
	£	£
Non-derivative securities	46,782,154	42,012,382
Forward currency contracts	20,156,763	81,679,793
Currency losses	(8,165,240)	(154,855,647)
Transaction charges	(8,874)	(24,784)
Net capital gains/(losses)	<u>58,764,803</u>	<u>(31,188,256)</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	861	1,761
Overseas dividends	4,776,247	6,295,314
Total revenue	<u>4,777,108</u>	<u>6,297,075</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,040,318	2,334,675
Distribution fees	39,188	38,141
Printing costs	9,180	9,575
Registration fees	7,715	9,714
Transfer agent fees	33,893	43,626
	<u>2,130,294</u>	<u>2,435,731</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	74,440	43,305
Safe custody fees	47,390	55,247
	<u>121,830</u>	<u>98,552</u>
<i>Other expenses:</i>		
Audit fee	11,692	13,490
FCA fee	218	234
Legal and professional fees	41,999	58,766
Publication costs	7,147	(172)
Organisation fees	1,958	—
	<u>63,014</u>	<u>72,318</u>
Total Expenses	<u>2,315,138</u>	<u>2,606,601</u>

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	488,210	605,815
Total taxation for the year	<u>488,210</u>	<u>605,815</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	2,459,721	3,677,401
Corporation tax at 20% (2016: 20%)	491,944	735,480
Effects of:		
Movement in excess management expenses	463,305	523,583
Overseas withholding tax	488,210	605,815
Revenue not subject to taxation	(955,249)	(1,259,063)
Current tax charge for the year	<u>488,210</u>	<u>605,815</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £4,542,050 (2016: £4,078,745) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	1,448,413	2,162,344
Final	586,302	649,832
Add: Amounts deducted on cancellation of shares	35,285	422,433
Deduct: Amounts received on issue of shares	(51,410)	(131,650)
Net distribution for the year	<u>2,018,590</u>	<u>3,102,959</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	1,971,511	3,071,586
Equalisation on conversion of shares	437	7,303
Revenue deficit borne by capital	46,648	24,001
Net movement in revenue account	(6)	69
Net distribution for the year	<u>2,018,590</u>	<u>3,102,959</u>

Details of the distribution per share are set out in the distribution tables on page 145.

Neptune Japan Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	87,557	47,038
Amounts receivable for issue of shares	616,404	1,218,535
Prepaid expenses	65	58
Total debtors	<u>704,026</u>	<u>1,265,631</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	10,928,117	14,657,376
	<u>10,928,117</u>	<u>14,657,376</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	190,005	176,058
Accrued expenses	107,353	71,381
Amounts payable on cancellation of shares	19,375	5,548,042
Total creditors	<u>316,733</u>	<u>5,795,481</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 140. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,872,005 (2016: £2,449,081).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £127,514 (2016: £42,589).

Neptune Japan Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments (continued)

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets/(liabilities)	
	31 December 2017	31 December 2016
	Total £	Total £
Danish krone	—	1,177
Japanese yen	12,751,417	4,269,242
US dollar	—	(11,565)
Total	<u>12,751,417</u>	<u>4,258,854</u>

Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative Exposure £	Collateral Posted £	Collateral Received £	Collateral Asset Class
2017	Brown Brothers Harriman	232,045	—	—	Cash
	Royal Bank of Canada	1,987,780	—	—	Cash
	Royal Bank of Scotland	2,056,195	—	—	Cash
	State Street	486,064	—	—	Cash
2016	Barclays	1,125,253	—	—	Cash
	Brown Brothers Harriman	—	—	—	Cash
	HSBC	834,642	—	—	Cash
	Royal Bank of Canada	—	—	—	Cash
	State Street	2,156,715	—	—	Cash

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	<u>51,050,580</u>	<u>4,007,960</u>	<u>56,243,066</u>	<u>337,837,681</u>
Trades in the year before transaction costs	<u>51,050,580</u>	<u>4,007,960</u>	<u>56,243,066</u>	<u>337,837,681</u>
Commissions				
Equities	<u>115,191</u>	<u>6,012</u>	<u>(39,592)</u>	<u>(344,374)</u>
Total commissions	<u>115,191</u>	<u>6,012</u>	<u>(39,592)</u>	<u>(344,374)</u>
Taxes				
Equities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>115,191</u>	<u>6,012</u>	<u>(39,592)</u>	<u>(344,374)</u>
Total net trades in the year after transaction costs	<u>51,165,771</u>	<u>4,013,972</u>	<u>56,203,474</u>	<u>337,493,307</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.20% (2016: 0.22%).

Neptune Japan Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.23	0.15	(0.07)	(0.10)
Taxes Equities	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended	31 December 2017 %	31 December 2016 %
Commissions	0.06	0.12
Taxes	—	—
Total	0.06	0.12

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

31 December 2017	A Accumulation	B Accumulation	C Accumulation
Opening shares in issue	5,105,308	1,281,252	89,742,932
Creations during the year	2,685,767	970,596	11,828,845
Cancellations during the year	(3,061,655)	(1,103,341)	(18,178,269)
Share converted during the year	(61,883)	(20,027)	170,449
Closing shares in issue	<u>4,667,537</u>	<u>1,128,480</u>	<u>83,563,957</u>
	D Accumulation	A Accumulation USD	C Accumulation USD
Opening shares in issue	45,781,249	2,296,620	257,089
Creations during the year	22,749,828	476,247	739,886
Cancellations during the year	(25,370,583)	(1,170,594)	(97,573)
Share converted during the year	—	—	—
Closing shares in issue	<u>43,160,494</u>	<u>1,602,273</u>	<u>899,402</u>

18 Fair value hierarchy

Valuation technique	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	282,438,371	—	240,693,920	—
Level 2	4,762,085	—	4,214,199	(2,500,487)
	<u>287,200,456</u>	<u>—</u>	<u>244,908,119</u>	<u>(2,500,487)</u>

The Fund has no Level 3 financial instruments.

Neptune Japan Opportunities Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares (p)				
Group 1	0.7913	—	0.7913	1.4643
Group 2	0.7913	—	0.7913	1.4643
B Accumulation shares (p)				
Group 1	1.2360	—	1.2360	2.4039
Group 2	1.2360	—	1.2360	2.4039
C Accumulation shares (p)				
Group 1	1.2612	—	1.2612	1.3871
Group 2	1.2612	—	1.2612	1.3871
D Accumulation shares (p)				
Group 1	0.8700	—	0.8700	0.8641
Group 2	0.8700	—	0.8700	0.8641
A Accumulation USD shares (¢)				
Group 1	0.6606	—	0.6606	0.4943
Group 2	0.6606	—	0.6606	0.4943
C Accumulation USD shares (¢)				
Group 1	0.9456	—	0.9456	0.7773
Group 2	0.9456	—	0.9456	0.7773

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation shares (p)				
Group 1	0.2442	—	0.2442	0.4935
Group 2	0.1278	0.1164	0.2442	0.4935
C Accumulation shares (p)				
Group 1	0.5062	—	0.5062	0.5308
Group 2	0.1630	0.3432	0.5062	0.5308
D Accumulation shares (p)				
Group 1	0.3663	—	0.3663	0.3636
Group 2	—	0.3663	0.3663	0.3636
A Accumulation USD shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation USD shares (¢)				
Group 1	0.3678	—	0.3678	0.3318
Group 2	—	0.3678	0.3678	0.3318

Neptune Latin America Fund

Investment Objective

The investment objective of the Neptune Latin America Fund (the Fund) is to generate capital growth from investment predominantly in Latin American securities, or in the securities issued by companies transacting a significant proportion of their business in Latin America.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

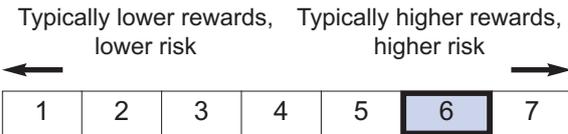
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

In 2017, Latin American markets built on the recovery seen through 2016, returning 13.41%* for the year. Argentina led the way, rising by 57%, as President Mauricio Macri continued to implement wide ranging structural reforms, and a strong showing in the October midterm elections increased his political capital, paving the way for deeper and broader reforms. Chile also performed strongly, particularly in the fourth quarter of the year, following the presidential election where Sebastien Pinera, of the centre-right Chile Vamos coalition, was elected. Pinera's pro-growth agenda aims to unleash productivity gains, stimulating an investment-led economic recovery. The Chilean economy grew by less than 2% per year from 2014-17 and Pinera aims to more than double this growth rate by the end of his term.

Returns in the region's largest markets were more subdued with Brazil and Mexico returning 13.7% and 6.2% respectively. Brazil continued to see its economic recovery gain traction, emerging from recession during the second quarter, although the market had a weak end to the year as the vote on the critical pension reform were postponed to February 2018. Mexico suffered from the rising tensions surrounding the NAFTA renegotiations, with escalating demands from the US.

Chile is the latest country in Latin America to elect a market-friendly and pro-business president – across Latin America the population under market-friendly governments has risen to 87%, sharply reversing the steady decline seen since the election of Lula in Brazil back in 2002, and significantly higher than the level of below 40% reached in 2015.

Structural reforms are at the top of the agenda as successive governments move away from the populist tendencies of the recent past, and look to raise productivity and economic activity. Argentina and Brazil are the two best examples, with the election of Mauricio Macri in Argentina in late 2015 and the impeachment of Dilma Rousseff in Brazil allowing Michel Temer to become President during 2016, and pursue an aggressive reform agenda. We have also seen a pro-business President elected in Peru, with Chile following suit most recently.

The Neptune Latin America Fund returned 18.63% in 2017, outperforming the MSCI Latin America Index's

13.41% gain.* Key contributors to performance were consumer discretionary stocks in Brazil, Magazine Luiza and Via Varejo, and we believe railroad operator Rumo Logistica which will be a key beneficiary of the Brazilian government's infrastructure concession program, and a number of reforms aimed at boosting investment in the sector. Our holdings in Argentina continued to generate strong returns as President Macri engaged in reforms to address the imbalances generated by the Kirchner government.

Looking across emerging markets, investors are crying out for reformist governments. In Asia we have seen this with India, and in Latin America Mexico, Argentina, Peru and now Chile have elected strong pro-market governments. Brazil is increasingly moving in that direction with the impeachment of Dilma Rousseff in 2016, paving the way for reforms under the new government. The populist tide has finally reversed as governments focus on structural reforms to raise productivity and economic growth.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investments in emerging markets are higher risk and potentially more volatile than those in established markets. References to specific sectors and securities are for illustration purposes only and should not be taken as a recommendation to buy or sell them. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Latin America Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	ARGENTINA 5.51% (2016 - 6.15%)		
56,500	Adecoagro	433,634	1.24
4,750	Banco Macro ADR	407,765	1.17
2,500	MercadoLibre	583,688	1.68
10,000	Pampa Energia ADR	495,948	1.42
	BRAZIL 56.56% (2016 - 59.78%)		
163,000	B3 - Brasil, Bolsa, Balcão	828,111	2.38
121,660	Banco Bradesco	864,560	2.48
117,000	Banco Bradesco Preference Shares	881,565	2.53
125,000	Banco do Brasil	887,458	2.55
212,000	Banco do Estado do Rio Grande do Sul Preference Shares	704,317	2.02
73,500	Cia de Saneamento de Minas Gerais-COPASA	709,269	2.03
62,000	Cia de Saneamento do Parana	827,100	2.37
61,448	Construtora Tenda	273,657	0.78
645,000	Direcional Engenharia	800,151	2.30
95,000	Energisa	577,601	1.66
29,666	Gafisa	135,426	0.39
21,892	Gafisa Rights 22/01/2018	16,119	0.05
185,000	Gerdau ADR	510,713	1.47
130,000	lochpe Maxion	664,517	1.91
123,850	Itau Unibanco ADR	1,185,197	3.40
229	Itausa - Investimentos Itau	537	—
540,843	Itausa - Investimentos Itau Preference Shares	1,305,678	3.75
165,000	Light	614,438	1.76
107	Lupatech 6.5% 15/04/2018†	—	—
24,200	Magazine Luiza	431,959	1.24
290,000	Minerva	688,458	1.97
510,000	Petroleo Brasileiro Preference Shares	1,830,897	5.25
1,653	Refinaria Petroleo Preference Shares 0%*	—	—
295,000	Rumo	852,372	2.45
95,000	Ser Educacional	656,027	1.88
155,000	Suzano Papel e Celulose	645,329	1.85
235,000	Vale ADR	2,120,156	6.08
128,000	Via Varejo	698,846	2.01
	CANADA 3.16% (2016 - 0.00%)		
85,000	Hudbay Minerals	569,120	1.63
620,000	Trevali Mining	530,801	1.53
	CHILE 7.80% (2016 - 5.23%)		
7,663,294	Banco de Chile	910,622	2.61
14,662	Banco de Credito e Inversiones	746,684	2.14
145,000	SACI Falabella	1,062,162	3.05
	COLOMBIA 0.38% (2016 - 0.80%)		
537,439	Constructora Concreto	131,945	0.38
	LUXEMBOURG 1.07% (2016 - 0.88%)		
11,000	Globant	371,890	1.07
	MEXICO 22.39% (2016 - 21.04%)		
845,000	Alfa	679,995	1.95
320,000	Alsea	758,474	2.18
505,000	Banco del Bajio	664,033	1.90
121,328	Cemex ADR	672,572	1.93

Neptune Latin America Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
98,000	Fomento Economico Mexicano	664,227	1.91
1,120,000	Genera	680,390	1.95
190,000	Grupo Financiero Banorte	766,919	2.20
200,000	Infraestructura Energetica Nova	721,175	2.07
930,000	Inmobiliaria Vesta	838,540	2.41
345,000	Mexichem	631,216	1.81
99,000	Promotora y Operadora de Infraestructura	723,783	2.08
	NORWAY 0.08% (2016 - 0.26%)		
189,700	Agrinos	27,827	0.08
	PERU 2.31% (2016 - 4.15%)		
5,250	Credicorp	805,325	2.31
	SPAIN 0.62% (2016 - 0.96%)		
29,500	Atento	216,149	0.62
	Portfolio of investments	34,805,342	99.88
	Net other assets	41,724	0.12
	Net assets	34,847,066	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

*Delisted security.

†Convertible Bond in default.

Stocks shown as ADRs represent American Depositary Receipts.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Genera	1,284,806
Cia de Saneamento do Parana Preference Shares	989,723
Infraestructura Energetica Nova	947,284
Vale ADR	943,828
Petroleo Brasileiro Preference Shares	918,835
Sales	Proceeds £
America Movil ADR	1,028,421
Magazine Luiza	954,345
Grupo Aeroportuario del Sureste ADR	682,039
Credicorp	628,879
Gruma	628,060

Neptune Latin America Fund

Fund Information

Performance Record

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.18%			
Change in net asset per share			
Opening net asset value per share	89.55	59.51	74.57
Return before operating charges	17.74	31.02	(14.25)
Operating charges	(1.07)	(0.98)	(0.81)
Return after operating charges	16.67	30.04	(15.06)
Distributions	(1.18)	(0.88)	(0.59)
Retained distributions on accumulation shares	1.18	0.88	0.59
Closing net asset value per share	106.22	89.55	59.51
After direct transaction costs of:	0.27	0.39	0.41
Performance			
Return after operating charges	18.62%	50.48%	(20.20)%
	£	£	£
Other information			
Closing net asset value	34,847,066	19,621,223	4,204,175
Closing number of shares	32,806,501	21,911,071	7,064,268
Operating Charge Figure	1.03%	1.22%	1.20%
Direct transaction costs	0.26%	0.49%	0.60%
OCF/TER cap	1.30%	1.30%	1.00%
Prices			
Highest share price	116.90p	101.10p	76.50p
Lowest share price	89.20p	55.71p	56.52p

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 147.

Details of the distributions per share for the year are shown in the distribution tables on page 159.

Status

Neptune Latin America Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Latin America Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		3,156,392		4,245,640
Revenue	3	710,356		309,670	
Expenses	4	(292,254)		(156,488)	
Interest payable and similar charges		(1,403)		(939)	
Net revenue before taxation		416,699		152,243	
Taxation	5	(61,044)		(23,178)	
Net revenue after taxation			355,655		129,065
Total return before distributions			3,512,047		4,374,705
Distributions	6		(355,647)		(129,062)
Change in net assets attributable to shareholders from investment activities			3,156,400		4,245,643

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		19,621,223		6,764,750
Amounts received on issue of shares	21,486,871		18,112,235	
Amounts paid on cancellation of shares	(9,773,567)		(9,694,401)	
		11,713,304		8,417,834
Dilution adjustment charged		15,863		35,443
Change in net assets attributable to shareholders from investment activities		3,156,400		4,245,643
Retained distribution on accumulation shares		340,276		157,553
Closing net assets attributable to shareholders		34,847,066		19,621,223

Neptune Latin America Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		34,805,342		19,474,005	
Current assets					
Debtors	7	117,197		97,799	
Cash and bank balances	8	172,482		94,870	
Total current assets		289,679		192,669	
Total assets		35,095,021		19,666,674	
Liabilities					
Creditors					
Other creditors	9	(247,955)		(45,451)	
Total liabilities		(247,955)		(45,451)	
Net assets attributable to shareholders		34,847,066		19,621,223	

The accompanying notes are an integral part of these Financial Statements.

Neptune Latin America Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	3,190,631	4,201,377
Forward currency contracts	(64)	(478,324)
Currency (losses)/gains	(11,308)	540,027
Transaction charges	(19,372)	(17,069)
Transaction charges Rebate	—	46
Issuance fee	(3,495)	(417)
Net capital gains	<u>3,156,392</u>	<u>4,245,640</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	94	12
Overseas dividends	710,262	309,658
Total revenue	<u>710,356</u>	<u>309,670</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	226,690	109,038
ACD's fee rebate*	—	(738)
Distribution fees	6,096	12,942
Printing costs	2,679	2,983
Registration fees	3,302	3,911
Transfer agent fees	4,148	2,058
	<u>242,915</u>	<u>130,194</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	10,106	4,511
Safe custody fees	33,481	11,973
	<u>43,587</u>	<u>16,484</u>
<i>Other expenses:</i>		
Audit fee	5,219	5,055
FCA fee	218	234
Legal and professional fees	454	3,317
Publication costs	(139)	1,204
	<u>5,752</u>	<u>9,810</u>
Total expenses	<u>292,254</u>	<u>156,488</u>

*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	61,044	23,178
Total taxation for the year	<u>61,044</u>	<u>23,178</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	416,699	152,243
Corporation tax at 20% (2016: 20%)	83,340	30,449
Effects of:		
Movement in excess management expenses	4,629	9,201
Overseas tax expensed	(9,570)	(3,821)
Overseas withholding tax	61,044	23,178
Revenue not subject to taxation	(78,399)	(35,829)
Current tax charge for the year	<u>61,044</u>	<u>23,178</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £542,754 (2016: £538,124) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	215,021	69,755
Final	125,255	87,798
Add: Amounts deducted on cancellation of shares	28,270	7,860
Deduct: Amounts received on issue of shares	(12,899)	(36,351)
Net distribution for the year	<u>355,647</u>	<u>129,062</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	355,655	129,065
Equalisation on conversion of shares	—	3
Revenue deficit borne by capital	—	1
Movement on revenue account	(8)	(7)
Net distribution for the year	<u>355,647</u>	<u>129,062</u>

Details of the distribution per share are set out in the distribution tables on page 159.

Neptune Latin America Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	108,671	61,476
Amounts receivable for issue of shares	8,213	35,981
Overseas tax recoverable	259	284
Prepaid expenses	54	58
Total debtors	<u>117,197</u>	<u>97,799</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	172,482	94,870
	<u>172,482</u>	<u>94,870</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	20,370	11,609
Rebate borne by ACD	1,800	11,653
Accrued expenses	42,045	19,385
Amounts payable on cancellation of shares	183,740	2,804
Total creditors	<u>247,955</u>	<u>45,451</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 153. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £348,053 (2016: £194,740).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £350,868 (2016: £196,306).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Brazilian real	15,976,285	8,818,667
Canadian dollar	1,099,921	—
Chilean peso	2,719,468	1,026,132
Columbian peso	131,944	156,441
Mexican peso	7,128,752	2,703,408
Norwegian krone	27,826	50,184
US dollar	8,002,558	6,875,805
Total	<u>35,086,754</u>	<u>19,630,637</u>

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	25,910,612	22,252,572	13,831,626	13,724,540
Trades in the year before transaction costs	25,910,612	22,252,572	13,831,626	13,724,540
Commissions				
Equities	50,123	34,060	(23,105)	(22,632)
Total commissions	50,123	34,060	(23,105)	(22,632)
Taxes				
Equities	3,090	3,428	(1,717)	(1,908)
Total taxes	3,090	3,428	(1,717)	(1,908)
Total costs	53,213	37,488	(24,822)	(24,540)
Total net trades in the year after transaction costs	25,963,825	22,290,060	13,806,804	13,700,000

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.25% (2016: 0.31%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.19	0.15	(0.17)	(0.16)
Taxes				
Equities	0.01	0.02	(0.01)	(0.01)

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.24	0.45
Taxes	0.02	0.04
Total	0.26	0.49

16 Post balance sheet events

There were no post balance sheet events.

Neptune Latin America Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

17 Share reconciliation

Reconciliation of the share movements in the year

31 December 2017	C Accumulation
Opening shares in issue	21,911,071
Creations during the year	20,365,231
Cancellations during the year	(9,469,801)
Share converted during the year	—
Closing shares in issue	<u>32,806,501</u>

18 Fair value hierarchy

Valuation technique	Assets	Liabilities	Assets	Liabilities
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Level 1	34,777,515	—	19,423,821	—
Level 3	27,827	—	50,184	—
	<u>34,805,342</u>	<u>—</u>	<u>19,474,005</u>	<u>—</u>

The Fund has no Level 2 financial instruments.

Neptune Latin America Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
C Accumulation shares				
Group 1	0.8028	—	0.8028	0.4793
Group 2	0.6961	0.1067	0.8028	0.4793

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
C Accumulation shares				
Group 1	0.3818	—	0.3818	0.4007
Group 2	0.3123	0.6595	0.3818	0.4007

Neptune Russia and Greater Russia Fund

Investment Objective

The investment objective of the Neptune Russia and Greater Russia Fund (the Fund) is to generate capital growth from investment predominantly in Russian and Greater Russian securities or securities issued by companies transacting a significant proportion of their business in Russia and Greater Russia.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

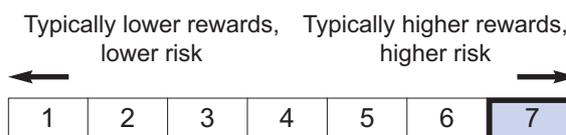
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 7 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

After a very strong recovery during 2016, particularly following the US election, the Russian market had a weak beginning to 2017, falling by 18.4% during the first half. Part of this was a result of the market getting ahead of itself in the period following the US election regarding hopes for imminent sanctions relief. During the second quarter, EU leaders formally extended sanctions by another six months to the end of January 2018, and the US Senate passed legislation that would make US sanctions on Russia more difficult to remove.

The Russian market bottomed at the end of June and posted steady gains through the third and fourth quarters, to finish the year down 2.36%. The growing frustration over the political gridlock in Washington and lack of tangible progress on President Trump's policy agenda continued to weigh on the dollar, which helped support emerging market equities and commodity prices, with oil prices rising 40% during the second half of the year to finish the year a little above \$65. The medium-term outlook for oil remains largely unchanged, with US shale production likely to ramp up quickly with oil prices above \$60.

We continue to believe that the current oil price should be something of a Goldilocks level for Russia. The rally through 2016 reduced the stress on the budget, and the stronger ruble has helped anchor inflation, which has allowed the Central Bank to lower rates. However, the government is very aware of the need to diversify the economy away from natural resources, and the oil price shock will help to drive reforms, which will stimulate stronger economic growth in the medium term.

The Russian economy continued to show signs of a gradual recovery and grew by around 2% in 2017 with a similar level expected in 2018. Inflation continued to fall to a record low of 2.5% in November and December, which allowed the Central Bank to cut interest rates by more than expected in December to 7.75%. With real interest rates still above 5%, there is still room for the Central Bank to continue reducing interest rates over the course of 2018.

The Neptune Russia and Greater Russia Fund proved more resilient than the benchmark and returned 5.3% for the year, outperforming the MSCI Russia Large Cap Index return of -2.36%*. Key contributors were our holdings in the IT and industrials sectors, including Yandex, Mail.ru and Globaltrans.

The Russian benchmarks continue to be heavily weighted in the energy sector, with many sectors of the Russian economy underrepresented or not represented at all. The Neptune Russia and Greater Russia Fund continues to offer diversified exposure in sectors that are not present in the benchmark, such as the IT and industrials sectors.

Following the underperformance of the Russian market against broader emerging markets during 2017, Russia is now trading at a 56% discount to emerging markets, near the lowest levels seen in the past ten years and only marginally higher than at the peak of the crisis in late 2014.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investments in emerging markets are higher risk and potentially more volatile than those in established markets. References to specific sectors and securities are for illustration purposes only and should not be taken as a recommendation to buy or sell them. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune Russia and Greater Russia Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	RUSSIA 82.01% (2016 - 84.55%)		
	BASIC MATERIALS 17.52% (2016 - 17.59%)		
	INDUSTRIAL METALS & MINING 17.52%		
5,850,000	ALROSA	5,605,651	3.01
1,315,000	MMC Norilsk Nickel ADR	18,155,879	9.75
773,000	Severstal GDR	8,861,906	4.76
	CONSUMER GOODS 0.00% (2016 - 0.10%)		
	FOOD PRODUCERS 0.00%		
2,610,000	Razgulay Group *	—	—
	CONSUMER SERVICES 10.94% (2016 - 18.35%)		
	FOOD & DRUG RETAILERS 7.21%		
64,663	Magnit	5,248,743	2.82
291,000	X5 Retail GDR	8,169,060	4.39
	TRAVEL & LEISURE 3.73%		
3,900,000	Aeroflot - Russian Airlines	6,944,995	3.73
	FINANCIALS 15.16% (2016 - 15.52%)		
	BANKS 9.73%		
1,443,000	Sberbank of Russia ADR	18,112,918	9.73
	FINANCIAL SERVICES 4.34%		
5,750,000	Moscow Exchange	8,078,583	4.34
	REAL ESTATE INVESTMENT & SERVICES 1.09%		
500,000	PIK	2,032,788	1.09
	INDUSTRIALS 1.95% (2016 - 1.29%)		
	INDUSTRIAL TRANSPORTATION 1.95%		
450,000	Novorossiysk Commercial Sea Port GDR	3,630,239	1.95
	OIL & GAS 28.29% (2016 - 25.64%)		
	OIL & GAS 28.29%		
280,000	Gazprom Neft ADR	4,455,462	2.39
421,000	LUKOIL ADR	17,900,633	9.62
203,000	Novatek GDR	17,984,007	9.66
1,050,000	Surgutneftegas ADR	3,690,521	1.98
240,000	Tatneft ADR	8,634,419	4.64
	TECHNOLOGY 4.81% (2016 - 1.97%)		
	SOFTWARE & COMPUTER SERVICES 4.81%		
420,000	Mail.Ru GDR	8,961,696	4.81
	TELECOMMUNICATIONS 3.34% (2016 - 4.09%)		
	FIXED LINE COMMUNICATIONS 1.04%		
4,000,000	Sistema	624,516	0.34
420,000	Sistema GDR	1,297,783	0.70
	MOBILE TELECOMMUNICATIONS 2.30%		
1,000,000	Mobile TeleSystems	3,534,504	1.90
100,000	Mobile TeleSystems ADR	751,952	0.40

Neptune Russia and Greater Russia Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	CYPRUS 9.24% (2016 - 8.22%)		
	CONSUMER GOODS 4.28% (2016 - 0.00%)		
	FOOD PRODUCERS 4.28%		
1,095,000	Ros Agro GDR	7,958,329	4.28
	INDUSTRIALS 4.96% (2016 - 0.00%)		
	INDUSTRIAL TRANSPORTATION 4.96%		
200,000	Global Ports Investments GDR	563,224	0.30
1,260,000	Globaltrans Investment GDR	8,672,608	4.66
	NETHERLANDS 4.79% (2016 - 4.63%)		
	TECHNOLOGY 4.79% (2016 - 0.00%)		
	SOFTWARE & COMPUTER SERVICES 4.79%		
370,000	Yandex	8,916,253	4.79
	UNITED KINGDOM 1.99% (2016 - 0.00%)		
	BASIC MATERIALS 1.99% (2016 - 0.00%)		
	INDUSTRIAL METALS & MINING 1.99%		
1,100,000	Evraz	3,708,100	1.99
	Portfolio of investments	182,494,769	98.03
	Net other assets	3,664,493	1.97
	Net assets	186,159,262	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

Stocks shown as GDRs represent Global Depositary Receipts.

*Delisted security.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
LUKOIL ADR	13,247,834
MMC Norilsk Nickel ADR	10,629,371
Aeroflot - Russian Airlines	10,275,242
Aeroflot - Russian Airlines GDR	9,605,992
Sberbank of Russia (US Listing) ADR	8,892,910
Sales	Proceeds £
X5 Retail GDR	18,904,262
Sberbank of Russia ADR	18,617,260
MMC Norilsk Nickel ADR	15,134,057
Aeroflot - Russian Airlines	12,473,139
Aeroflot - Russian Airlines GDR	9,665,370

Neptune Russia and Greater Russia Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 2.14%			
Change in net asset per share			
Opening net asset value per share	321.33	188.78	167.58
Return before operating charges	20.20	137.34	25.25
Operating charges	(6.38)	(4.79)	(4.05)
Return after operating charges	13.82	132.55	21.20
Distributions	(11.20)	(2.33)	(2.28)
Retained distributions on accumulation shares	11.20	2.33	2.28
Closing net asset value per share	335.15	321.33	188.78
After direct transaction costs of:	0.50	0.40	0.35
Performance			
Return after operating charges	4.30%	70.22%	12.65%
	£	£	£

Other information

Closing net asset value	55,607,903	71,486,322	56,047,377
Closing number of shares	16,592,068	22,247,695	29,690,023
Operating Charge Figure	1.97%	2.05%	2.03%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	2.20%	2.10%	2.50%

Prices

Highest share price	353.90p	321.50p	238.20p
Lowest share price	289.70p	161.70p	163.80p

C Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.19%			
Change in net asset per share			
Opening net asset value per share	111.37	64.81	56.99
Return before operating charges	7.05	47.46	8.60
Operating charges	(1.15)	(0.90)	(0.78)
Return after operating charges	5.90	46.56	7.82
Distributions	(4.97)	(1.58)	(1.54)
Retained distributions on accumulation shares	4.97	1.58	1.54
Closing net asset value per share	117.27	111.37	64.81
After direct transaction costs of:	0.17	0.14	0.12
Performance			
Return after operating charges	5.30%	71.84%	13.72%
	£	£	£

Other information

Closing net asset value	122,085,618	145,571,079	69,683,422
Closing number of shares	104,106,970	130,708,419	107,515,878
Operating Charge Figure	1.02%	1.10%	1.15%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	1.20%	1.20%	1.00%

Prices

Highest share price	123.50p	111.40p	81.23p
Lowest share price	100.90p	55.55p	56.06p

Neptune Russia and Greater Russia Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation EUR

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 2.14%			
Change in net asset per share			
Opening net asset value per share	120.42	70.73	63.19
Return before operating charges	7.58	51.48	9.53
Operating charges	(2.39)	(1.79)	(1.99)
Return after operating charges	5.19	49.69	7.54
Distributions	(4.42)	(0.88)	(0.54)
Retained distributions on accumulation shares	4.42	0.88	0.54
Closing net asset value per share	125.61	120.42	70.73
After direct transaction costs of:	0.19	0.15	0.13
Performance			
Return after operating charges	4.31%	70.25%	11.93%
	£	£	£
Other information			
Closing net asset value	375,796	291,922	130,174
Closing number of shares	299,187	242,410	184,046
Operating Charge Figure	1.98%	2.04%	2.66%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	2.20%	2.10%	2.50%
Prices			
Highest share price	149.60¢	142.30¢	89.55¢
Lowest share price	123.50¢	78.37¢	64.79¢

C Accumulation EUR (Share class name changed from B Accumulation EUR on 1 August 2016)

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.19%			
Change in net asset per share			
Opening net asset value per share	125.48	73.20	65.36
Return before operating charges	7.95	53.49	9.90
Operating charges	(1.29)	(1.21)	(2.06)
Return after operating charges	6.66	52.28	7.84
Distributions	(5.93)	(1.60)	(0.49)
Retained distributions on accumulation shares	5.93	1.60	0.49
Closing net asset value per share	132.14	125.48	73.20
After direct transaction costs of:	0.20	0.16	0.14
Performance			
Return after operating charges	5.31%	71.42%	12.00%
	£	£	£
Other information			
Closing net asset value	19,637	18,647	10,878
Closing number of shares	14,860	14,860	14,860
Operating Charge Figure*	1.02%	1.31%	2.66%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	1.20%	1.55%	2.50%
Prices			
Highest share price	157.10¢	148.30¢	92.64¢
Lowest share price	129.20¢	81.11¢	66.90¢

*The comparative figures for C Accumulation EUR for 2016 have been restated due to the restatement of the operating charge figure percentage.

Neptune Russia and Greater Russia Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation USD

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 2.14%			
Change in net asset per share			
Opening net asset value per share	83.55	49.90	44.41
Return before operating charges	6.74	34.93	6.71
Operating charges	(1.69)	(1.28)	(1.22)
Return after operating charges	5.05	33.65	5.49
Distributions	(3.29)	(0.62)	(0.58)
Retained distributions on accumulation shares	3.29	0.62	0.58
Closing net asset value per share	88.60	83.55	49.90
After direct transaction costs of:	0.13	0.11	0.09
Performance			
Return after operating charges	6.04%	67.43%	12.36%
	£	£	£
Other information			
Closing net asset value	4,875,253	5,461,136	2,463,110
Closing number of shares	5,502,638	6,536,394	4,935,916
Operating Charge Figure	1.97%	2.04%	2.32%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	2.20%	2.10%	2.50%
Prices			
Highest share price	122.70¢	104.60¢	75.92¢
Lowest share price	97.12¢	60.32¢	45.08¢

C Accumulation USD (Share class name changed from B Accumulation USD on 1 August 2016)

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.19%			
Change in net asset per share			
Opening net asset value per share	86.06	50.21	44.84
Return before operating charges	5.45	36.64	6.78
Operating charges	(0.89)	(0.79)	(1.41)
Return after operating charges	4.56	35.85	5.37
Distributions	(4.30)	(1.08)	(0.30)
Retained distributions on accumulation shares	4.30	1.08	0.30
Closing net asset value per share	90.62	86.06	50.21
After direct transaction costs of:	0.13	0.12	0.09
Performance			
Return after operating charges	5.30%	71.40%	11.98%
	£	£	£
Other information			
Closing net asset value	3,195,055	2,180,368	52,244
Closing number of shares	3,525,697	2,533,553	104,051
Operating Charge Figure	1.03%	1.16%	2.65%
Direct transaction costs	0.15%	0.17%	0.18%
OCF/TER cap	1.20%	1.55%	2.50%
Prices			
Highest share price	125.30¢	105.90¢	62.12¢
Lowest share price	98.84¢	60.68¢	45.50¢

Neptune Russia and Greater Russia Fund

Fund Information (continued)

Performance Record (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 161.

Details of the distributions per share for the year are shown in the distribution tables on pages 175 and 176.

Status

Neptune Russia and Greater Russia Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Russia and Greater Russia Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		428,014		89,921,314
Revenue	3	11,939,282		5,467,367	
Expenses	4	(2,618,980)		(2,121,627)	
Interest payable and similar charges		(392)		(773)	
Net revenue before taxation		9,319,910		3,344,967	
Taxation	5	(1,104,506)		(688,430)	
Net revenue after taxation			8,215,404		2,656,537
Total return before distributions			8,643,418		92,577,851
Distributions	6		(8,224,712)		(2,676,130)
Change in net assets attributable to shareholders from investment activities			418,706		89,901,721

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		225,009,283		129,836,326
Amounts received on issue of shares	26,782,218		38,509,124	
Amounts paid on cancellation of shares	(73,864,133)		(35,919,814)	
		(47,081,915)		2,589,310
Dilution adjustment charged		(353)		27,957
Change in net assets attributable to shareholders from investment activities		418,706		89,901,721
Retained distribution on accumulation shares		7,813,541		2,653,969
Closing net assets attributable to shareholders		186,159,262		225,009,283

Neptune Russia and Greater Russia Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		182,494,769		219,166,439	
Current assets					
Debtors	7	1,310,604		3,776,410	
Cash and bank balances	8	3,681,697		2,814,778	
Total current assets		4,992,301		6,591,188	
Total assets		187,487,070		225,757,627	
Liabilities					
Creditors					
Bank overdrafts	8	(369,088)		—	
Other creditors	9	(958,720)		(748,344)	
Total liabilities		(1,327,808)		(748,344)	
Net assets attributable to shareholders		186,159,262		225,009,283	

The accompanying notes are an integral part of these Financial Statements.

Neptune Russia and Greater Russia Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	1,202,064	89,337,970
Forward currency contracts	(201,734)	(607,657)
Currency (losses)/gains	(118,526)	1,445,192
Transaction charges	(152,677)	(136,323)
Issuance fee	(301,113)	(117,868)
Net capital gains	<u>428,014</u>	<u>89,921,314</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	3,266	898
UK dividends	245,910	—
Overseas dividends	11,690,106	5,466,469
Total revenue	<u>11,939,282</u>	<u>5,467,367</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,306,362	1,889,595
Distribution fees	36,578	41,433
Printing costs	8,032	6,506
Registration fees	14,990	16,651
Transfer agent fees	28,262	25,867
Organisation fees	1,741	—
	<u>2,395,965</u>	<u>1,980,052</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	63,993	26,521
Safe custody fees	112,222	72,441
	<u>176,215</u>	<u>98,962</u>
<i>Other expenses:</i>		
Audit fee	11,467	10,691
Legal and professional fees	30,448	34,529
Publication costs	4,885	(2,607)
	<u>46,800</u>	<u>42,613</u>
Total expenses	<u>2,618,980</u>	<u>2,121,627</u>

Neptune Russia and Greater Russia Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	1,104,506	688,430
Total taxation for the year	<u>1,104,506</u>	<u>688,430</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	9,319,910	3,344,967
Corporation tax at 20% (2016: 20%)	1,863,982	668,993
Effects of:		
Movement in excess management expenses	(1,178,684)	(472,826)
Overseas tax expenses	(190,101)	(139,483)
Overseas withholding tax	1,104,506	688,430
Revenue not subject to taxation	(495,197)	(56,684)
Current tax charge for the year	<u>1,104,506</u>	<u>688,430</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £5,133,194 (2016: £6,395,255) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	3,360,892	444,577
Final	4,452,649	2,209,392
Add: Amounts deducted on cancellation of shares	498,041	118,697
Deduct: Amounts received on issue of shares	(86,870)	(96,536)
Net distribution for the year	<u>8,224,712</u>	<u>2,676,130</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	8,215,404	2,656,537
Equalisation on conversion of shares	9,249	9,803
Revenue deficit borne by capital	—	523
Movement in revenue account	59	9,267
Net distribution for the year	<u>8,224,712</u>	<u>2,676,130</u>

Details of the distribution per share are set out in the distribution tables on pages 175 and 176.

Neptune Russia and Greater Russia Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	1,288,284	1,286,898
Rebate borne by ACD	1,106	1,106
Amounts receivable for issue of shares	21,150	2,488,348
Prepaid expenses	64	58
Total debtors	<u>1,310,604</u>	<u>3,776,410</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	3,681,697	2,814,778
Bank overdrafts	(369,088)	—
	<u>3,312,609</u>	<u>2,814,778</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	165,588	194,614
Accrued expenses	130,236	72,897
Amounts payable on cancellation of shares	662,896	215,389
Interest payable	—	24
Purchases awaiting settlement	—	265,420
Total creditors	<u>958,720</u>	<u>748,344</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 170. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Neptune Russia and Greater Russia Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,824,948 (2016: £2,191,664).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £1,833,896 (2016: £2,241,304).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total	Total
	£	£
Euro	—	37,481
Russian ruble	7,200,424	1,339,233
Swiss franc	2,655	—
US dollar	176,186,475	222,753,695
Total	<u>183,389,554</u>	<u>224,130,409</u>

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Equities	<u>101,372,712</u>	<u>104,777,207</u>	<u>139,892,103</u>	<u>98,973,455</u>
Trades in the year before transaction costs	<u>101,372,712</u>	<u>104,777,207</u>	<u>139,892,103</u>	<u>98,973,455</u>
Commissions				
Equities	<u>128,828</u>	<u>145,675</u>	<u>(175,584)</u>	<u>(133,827)</u>
Total commissions	<u>128,828</u>	<u>145,675</u>	<u>(175,584)</u>	<u>(133,827)</u>
Taxes				
Equities	<u>12,987</u>	<u>—</u>	<u>(3,106)</u>	<u>(28)</u>
Total taxes	<u>12,987</u>	<u>—</u>	<u>(3,106)</u>	<u>(28)</u>
Total costs	<u>141,815</u>	<u>145,675</u>	<u>(178,690)</u>	<u>(133,855)</u>
Total net trades in the year after transaction costs	<u>101,514,527</u>	<u>104,922,882</u>	<u>139,713,413</u>	<u>98,839,600</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.13% (2016: 0.14%).

Neptune Russia and Greater Russia Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.13	0.14	(0.13)	(0.14)
Taxes				
Equities	0.01	—	—	—

Total transaction cost expressed as a percentage of NAV:

	31 December 2017 %	31 December 2016 %
For the year ended		
Commissions	0.15	0.17
Taxes	0.01	—
Total	<u>0.16</u>	<u>0.17</u>

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017		
	A Accumulation	C Accumulation	A Accumulation EUR
Opening shares in issue	22,247,695	130,708,419	242,410
Creations during the year	863,500	19,326,582	160,497
Cancellations during the year	(5,671,598)	(48,355,169)	(103,720)
Share converted during the year	(847,529)	2,427,138	—
Closing shares in issue	<u>16,592,068</u>	<u>104,106,970</u>	<u>299,187</u>
	C Accumulation EUR	A Accumulation USD	C Accumulation USD
Opening shares in issue	14,860	6,536,394	2,533,553
Creations during the year	—	962,206	992,144
Cancellations during the year	—	(1,995,962)	—
Shares converted during the year	—	—	—
Closing shares in issue	<u>14,860</u>	<u>5,502,638</u>	<u>3,525,697</u>

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	182,494,769	—	209,023,159	—
Level 2	—	—	10,143,280	—
	<u>182,494,769</u>	<u>—</u>	<u>219,166,439</u>	<u>—</u>

The Fund has no Level 3 financial instruments.

Neptune Russia and Greater Russia Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares (p)				
Group 1	4.2255	—	4.2255	0.0167
Group 2	4.2255	—	4.2255	0.0167
C Accumulation shares (p)				
Group 1	1.9907	—	1.9907	0.3341
Group 2	1.9673	0.0234	1.9907	0.3341
A Accumulation shares EUR (¢)				
Group 1	1.8077	—	1.8077	0.0082
Group 2	1.8077	—	1.8077	0.0082
C Accumulation shares EUR (¢)				
Group 1	2.5567	—	2.5567	0.2544
Group 2	2.5567	—	2.5567	0.2544
A Accumulation shares USD (¢)				
Group 1	1.4505	—	1.4505	0.0076
Group 2	1.4505	—	1.4505	0.0076
C Accumulation shares USD (¢)				
Group 1	1.9988	—	1.9988	0.1853
Group 2	1.5023	0.4965	1.9988	0.1853

Neptune Russia and Greater Russia Fund

Distribution Table

for the year ended 31 December 2017 (continued) – in pence/cents per share

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares (p)				
Group 1	6.9745	—	6.9745	2.3136
Group 2	2.7308	4.2437	6.9745	2.3136
C Accumulation shares (p)				
Group 1	2.9819	—	2.9819	1.2455
Group 2	1.3160	1.6659	2.9819	1.2455
A Accumulation shares EUR (¢)				
Group 1	2.9489	—	2.9489	1.0115
Group 2	1.2358	1.7131	2.9489	1.0115
C Accumulation shares EUR (¢)				
Group 1	3.7985	—	3.7985	1.6180
Group 2	3.7985	—	3.7985	1.6180
A Accumulation shares USD (¢)				
Group 1	2.4919	—	2.4919	0.7608
Group 2	1.0187	1.4732	2.4919	0.7608
C Accumulation shares USD (¢)				
Group 1	3.1140	—	3.1140	1.1635
Group 2	1.9047	1.2093	3.1140	1.1635

Neptune UK Mid Cap Fund

Investment Objective

The investment objective of the Neptune UK Mid Cap Fund (the Fund) is to generate capital growth by investing predominantly in the companies of the FTSE Mid 250* and in the 50 largest companies by market capitalisation listed on the FTSE Small Cap* with a view to attaining top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities (with no geographical restriction), collective investment schemes, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

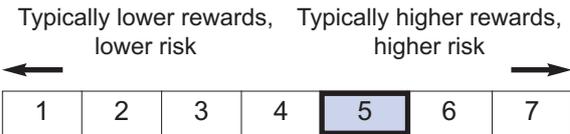
It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

*The ACD may substitute these indices at its absolute discretion where they become unavailable, cease to operate or otherwise where the ACD believes there is a more appropriate alternative.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Smaller company shares may be riskier as they can be more difficult to buy and sell and their share prices may move up and down more than larger companies.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune UK Mid Cap Fund returned 14.46% in 2017, slightly behind the FTSE 250 Index return of 17.78 and ahead of the FTSE All-Share Index's 13.10% gain*.

The UK market experienced a strong 2017, with significant positive returns across the market cap spectrum and a markedly low degree of volatility. It was particularly encouraging to see such broad-based market performance at the same time as sterling itself performed strongly against other currencies: sterling ended the year above \$1.35, an increase of about 10% from the start of the year, despite ongoing uncertainty over Brexit negotiations and the domestic political picture.

The strengthening of sterling has been particularly positive for mid- and small-caps, although the small-cap part of the market underperformed the mid-cap market. Sterling strength acted as a modest headwind to the Fund given our preference for companies exposed to global (rather than domestic) growth and our relative lack of exposure to the domestic UK economy, together with our exposure to large small-caps, was partly responsible for the Fund's underperformance against its benchmark over the year.

Our long-held concerns over the outlook for the UK consumer continued to be reflected in recent economic data. Most notably, real wage growth has continued to be negative as nominal wage increases have slowed and inflationary pressures persist. As anticipated, the Bank of England raised rates for the first time in ten years. Should further rate rises occur, it would likely pressure indebted UK consumers and squeeze household finances further. Whilst valuations in some domestic consumer cyclical companies are optically low, we remain underweight that area of the market. Where we do have exposure to UK-focused companies, we primarily target those with structural earnings drivers and highly visible earnings pipelines.

We remain confident in the prospects for selective UK mid and small-cap companies, primarily because of attractive company-specific valuations but also due to the potential for further M&A activity. 2017 saw a return to M&A success for the Fund with Novae, Amec Foster-Wheeler, Aveva and Berendsen

all being approached by larger corporations for M&A. Whilst these companies all contributed positively to performance, this was outweighed by poor performance in the second half of the year from two stocks in particular: Saga, the insurance company, and Ultra Electronics, the defence technology company. Saga was hit by concerns in its insurance broking business, in particular, whilst Ultra Electronics was hit by concerns over delays in UK budget spending. We added to Saga on the basis that its brand is strong, its valuation is exceptionally low whilst paying a sustainably high dividend and a catalyst exists in the form of the launch of two new cruise ships. We also added to Ultra Electronics in the belief that global defence budgets will continue to inflect upwards and Ultra's areas of expertise (e.g. anti-submarine warfare) are especially high growth.

We continue to focus on maximising risk-adjusted performance over the business cycle by way of our style agnostic approach, structuring the Fund around the three silos of economic recovery, structural growth and corporate turnarounds. While we are somewhat cautious of elevated valuations in the broad market we believe that the current environment creates unusually large opportunities for alpha generation.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune UK Mid Cap Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	UNITED KINGDOM 97.54% (2016 - 98.69%)		
	CONSUMER GOODS 14.76% (2016 - 11.93%)		
	FOOD PRODUCERS 9.89%		
24,441,129	Devro	56,642,316	9.89
	PERSONAL GOODS 4.87%		
8,641,899	PZ Cussons	27,921,976	4.87
	CONSUMER SERVICES 14.62% (2016 - 11.78%)		
	GENERAL RETAILERS 4.75%		
21,822,447	Saga	27,212,591	4.75
	MEDIA 9.87%		
1,187,139	Euromoney Institutional Investor	15,219,122	2.66
22,786,432	ITE	41,300,408	7.21
	FINANCIALS 2.12% (2016 - 11.26%)		
	FINANCIAL SERVICES 2.12%		
1,591,453	International Personal Finance	3,178,927	0.55
6,428,608	IP	8,993,623	1.57
	HEALTH CARE 11.53% (2016 - 6.61%)		
	HEALTH CARE EQUIPMENT & SERVICES 4.71%		
2,343,135	Consort Medical	26,969,484	4.71
	PHARMACEUTICALS & BIOTECHNOLOGY 6.82%		
22,931,441	Circassia Pharmaceuticals	23,103,427	4.03
13,363,003	Vectura	16,008,878	2.79
	INDUSTRIALS 32.44% (2016 - 40.96%)		
	AEROSPACE & DEFENCE 9.36%		
14,983,773	Chemring	27,645,061	4.83
1,920,695	Ultra Electronics	25,967,796	4.53
	ELECTRONIC & ELECTRICAL EQUIPMENT 0.21%		
352,645	Morgan Advanced Materials	1,179,598	0.21
	SUPPORT SERVICES 22.87%		
6,298,782	De La Rue	40,343,699	7.04
6,997,491	Equiniti	20,075,802	3.51
2,968,169	PayPoint	27,173,587	4.74
21,170,805	Renewi	21,784,758	3.80
7,967,704	RPS	21,672,155	3.78
	OIL & GAS 0.00% (2016 - 1.29%)		
	TECHNOLOGY 17.54% (2016 - 9.85%)		
	SOFTWARE & COMPUTER SERVICES 6.91%		
16,789,930	NCC	39,582,260	6.91
	TECHNOLOGY HARDWARE & EQUIPMENT 10.63%		
16,103,561	Laird	22,182,655	3.87
38,085,723	Spirent Communications	38,752,223	6.76

Neptune UK Mid Cap Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	TELECOMMUNICATIONS 4.53% (2016 - 5.01%)		
	FIXED LINE TELECOMMUNICATIONS 4.53%		
1,828,438	KCOM	1,654,736	0.29
2,023,495	Telecom Plus	24,281,940	4.24
	JERSEY 0.00% (2016 - 1.33%)		
	Portfolio of investments	558,847,022	97.54
	Net other assets	14,081,671	2.46
	Net assets	572,928,693	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Ultra Electronics	68,195,875
Novae	62,810,262
Saga	60,357,516
Vectura	37,117,891
NCC	35,549,482

Sales	Proceeds £
Novae	72,207,187
Ultra Electronics	67,073,738
Saga	48,572,771
PayPoint	48,042,692
Jardine Lloyd Thompson	33,321,233

Neptune UK Mid Cap Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.78%			
Change in net asset per share			
Opening net asset value per share	427.84	415.15	367.27
Return before operating charges*	65.81	19.43	54.68
Operating charges*	(7.75)	(6.74)	(6.80)
Return after operating charges	58.06	12.69	47.88
Distributions	(4.54)	(4.60)	(2.63)
Retained distributions on accumulation shares	4.54	4.60	2.63
Closing net asset value per share	485.90	427.84	415.15
After direct transaction costs of:	3.48	2.63	2.33
Performance			
Return after operating charges	13.57%	3.06%	13.04%
	£	£	£

Other information

Closing net asset value	32,449,032	40,965,720	73,753,836
Closing number of shares	6,678,065	9,574,952	17,765,395
Operating Charge Figure	1.67%	1.67%	1.66%
Direct transaction costs*	0.75%	0.65%	0.57%
OCF/TER cap	1.80%	1.80%	2.00%

Prices

Highest share price	501.70p	442.40p	438.30p
Lowest share price	426.00p	362.20p	367.70p

C Income (Launched 17 April 2015)

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 0.93%			
Change in net asset per share			
Opening net asset value per share	103.21	102.13	100.00
Return before operating charges**	15.80	4.66	4.57
Operating charges**	(0.92)	(0.81)	(0.62)
Return after operating charges	14.88	3.85	3.95
Distributions	(2.95)	(2.77)	(1.82)
Closing net asset value per share	115.14	103.21	102.13
After direct transaction costs of:	0.84	0.64	0.59
Performance			
Return after operating charges	14.42%	3.77%	3.95%
	£	£	£

Other information

Closing net asset value	59,766,320	36,892,869	32,162,096
Closing number of shares	51,908,999	35,746,547	31,492,208
Operating Charge Figure	0.82%	0.82%	0.85%
Direct transaction costs**	0.75%	0.65%	0.57%
OCF/TER cap	0.90%	0.90%	1.00%

Prices

Highest share price	120.10p	107.80p	109.00p
Lowest share price	102.80p	89.18p	100.00p

*The comparative figures for A Accumulation 2015 have been restated due to the annualisation of the operating charges.

**The comparative figures for C Income 2015 have been restated due to the restatement of the operating charges.

Neptune UK Mid Cap Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 0.93%			
Change in net asset per share			
Opening net asset value per share	153.10	147.30	129.21
Return before operating charges*	23.63	6.98	19.27
Operating charges*	(1.37)	(1.18)	(1.18)
Return after operating charges	22.26	5.80	18.09
Distributions	(3.05)	(2.87)	(2.25)
Retained distributions on accumulation shares	3.05	2.87	2.25
Closing net asset value per share	175.36	153.10	147.30
After direct transaction costs of:	1.25	0.94	0.83
Performance			
Return after operating charges	14.54%	3.94%	14.00%
	£	£	£
Other information			
Closing net asset value	350,418,723	395,920,627	471,894,453
Closing number of shares	199,828,855	258,601,498	320,357,868
Operating Charge Figure	0.82%	0.82%	0.81%
Direct transaction costs*	0.75%	0.65%	0.57%
OCF/TER cap	0.90%	0.90%	1.00%
Prices			
Highest share price	180.80p	158.00p	154.90p
Lowest share price	152.60p	128.60p	129.40p

D Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 0.83%			
Change in net asset per share			
Opening net asset value per share	137.52	132.18	115.83
Return before operating charges	21.23	6.27	17.29
Operating charges	(1.08)	(0.93)	(0.94)
Return after operating charges	20.15	5.34	16.35
Distributions	(2.89)	(2.71)	(2.14)
Retained distributions on accumulation shares	2.89	2.71	2.14
Closing net asset value per share	157.67	137.52	132.18
After direct transaction costs of:	1.12	0.84	0.74
Performance			
Return after operating charges	14.65%	4.04%	14.12%
	£	£	£
Other information			
Closing net asset value	130,294,618	124,202,254	131,532,211
Closing number of shares	82,638,625	90,316,227	99,511,037
Operating Charge Figure	0.72%	0.72%	0.72%
Direct transaction costs*	0.75%	0.65%	0.57%
OCF/TER cap	0.80%	0.80%	1.00%
Prices			
Highest share price	162.50p	141.90p	139.00p
Lowest share price	137.00p	115.40p	116.00p

*The comparative figures for C Accumulation 2015 and D Accumulation 2015 have been restated due to the restatement of the operating charges.

Neptune UK Mid Cap Fund

Fund Information (continued)

Performance Record (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 178.

Details of the distributions per share for the year are shown in the distribution tables on page 191.

Status

Neptune UK Mid Cap Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune UK Mid Cap Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		68,936,658		3,123,622
Revenue	3	15,506,937		16,966,721	
Expenses	4	(4,954,909)		(5,286,133)	
Interest payable and similar charges		(37,827)		(42,054)	
Net revenue before taxation		10,514,201		11,638,534	
Taxation	5	—		—	
Net revenue after taxation		10,514,201		11,638,534	
Total return before distributions		79,450,859		14,762,156	
Distributions	6	(10,909,298)		(11,912,678)	
Change in net assets attributable to shareholders from investment activities		68,541,561		2,849,478	

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		597,981,470		722,047,232
Amounts received on issue of shares	35,731,766		71,626,211	
Amounts paid on cancellation of shares	(138,655,718)		(209,223,734)	
		(102,923,952)		(137,597,523)
Dilution adjustment charged		—		80
Change in net assets attributable to shareholders from investment activities		68,541,561		2,849,478
Retained distribution on accumulation shares		9,329,614		10,682,203
Closing net assets attributable to shareholders		572,928,693		597,981,470

Neptune UK Mid Cap Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		558,847,022		598,077,721	
Current assets					
Debtors	7	1,498,151		5,186,853	
Cash and bank balances	8	18,606,119		—	
Total current assets		20,104,270		5,186,853	
Total assets		578,951,292		603,264,574	
Liabilities					
Creditors					
Bank overdrafts	8	—		(2,735,745)	
Distribution payable		(683,849)		(443,364)	
Other creditors	9	(5,338,750)		(2,103,995)	
Total liabilities		(6,022,599)		(5,283,104)	
Net assets attributable to shareholders		572,928,693		597,981,470	

The accompanying notes are an integral part of these Financial Statements.

Neptune UK Mid Cap Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	68,987,200	3,178,181
Currency losses	(6)	(2,830)
Transaction charges	(50,536)	(51,729)
Net capital gains	<u>68,936,658</u>	<u>3,123,622</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	1,359	3,449
Scrip dividends	80,103	—
UK dividends	14,948,912	16,955,730
Overseas dividends	476,563	7,542
Total revenue	<u>15,506,937</u>	<u>16,966,721</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	4,583,005	4,934,002
Distribution fees	24,385	28,719
Printing costs	18,341	17,509
Registration fees	10,260	10,708
Transfer agent fees	79,315	96,467
	<u>4,715,306</u>	<u>5,087,405</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	139,439	94,642
Safe custody fees	43,322	45,761
	<u>182,761</u>	<u>140,403</u>
<i>Other expenses:</i>		
Audit fee	20,443	25,530
FCA fee	218	234
Legal and professional fees	36,181	32,561
	<u>56,842</u>	<u>58,325</u>
Total expenses	<u>4,954,909</u>	<u>5,286,133</u>

Neptune UK Mid Cap Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Total taxation for the year	—	—
(b) Factors affecting current tax charge for the year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).		
The differences are explained below:		
	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	10,514,201	11,638,534
Corporation tax at 20% (2016: 20%)	2,102,840	2,327,707
Effects of:		
Movement in excess management expenses	998,275	1,064,947
Revenue not subject to taxation	(3,101,115)	(3,392,654)
Current tax charge for the year	—	—

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £4,118,475 (2016: £3,120,200) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
Interim	6,383,911	6,819,744
Final	4,355,208	4,781,316
Add: Amounts deducted on cancellation of shares	372,651	499,255
Deduct: Amounts received on issue of shares	(202,472)	(187,637)
Net distribution for the year	10,909,298	11,912,678
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	10,514,201	11,638,534
Capital expenses	395,001	274,211
Net movement in revenue account	96	(67)
Net distribution for the year	10,909,298	11,912,678

Details of the distribution per share are set out in the distribution tables on page 191.

Neptune UK Mid Cap Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

	31 December 2017	31 December 2016
7 Debtors	£	£
Accrued revenue	956,078	1,365,951
Amounts receivable for issue of shares	522,088	647,045
Prepaid expenses	54	58
Sales awaiting settlement	19,931	3,173,799
Total debtors	<u>1,498,151</u>	<u>5,186,853</u>
8 Cash and bank balances	£	£
Cash and bank balances	18,606,119	—
Bank overdrafts	—	(2,735,745)
	<u>18,606,119</u>	<u>(2,735,745)</u>
9 Creditors	£	£
ACD's periodic charge	350,166	378,586
Accrued expenses	157,026	113,378
Amounts payable on cancellation of shares	3,148,895	437,604
Interest payable	—	2,045
Purchases awaiting settlement	1,682,663	1,172,382
Total creditors	<u>5,338,750</u>	<u>2,103,995</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 186. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an UK equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £5,588,470 (2016: £5,980,777).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	680,356,291	609,432,504	790,539,744	698,374,794
Trades in the year before transaction costs	680,356,291	609,432,504	790,539,744	698,374,794
Commissions				
Equities	563,606	483,248	(660,423)	(600,720)
Total commissions	563,606	483,248	(660,423)	(600,720)
Taxes				
Equities	3,187,126	2,922,081	(1,711)	(1,985)
Total taxes	3,187,126	2,922,081	(1,711)	(1,985)
Total costs	3,750,732	3,405,329	(662,134)	(602,705)
Total net trades in the year after transaction costs	684,107,023	612,837,833	789,877,610	697,772,089

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.40% (2016: 0.52%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.08	0.08	(0.08)	(0.09)
Taxes				
Equities	0.47	0.48	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended	31 December 2017 %	31 December 2016 %
	Commissions	0.21
Taxes	0.54	0.47
Total	0.75	0.65

Neptune UK Mid Cap Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2017		D Accumulation
		C Income	C Accumulation	
Opening shares in issue	9,574,952	35,746,547	258,601,498	90,316,227
Creations during the year	74,012	18,428,897	4,101,454	5,322,327
Cancellations during the year	(2,970,899)	(2,266,445)	(62,874,097)	(12,999,929)
Closing shares in issue	<u>6,678,065</u>	<u>51,908,999</u>	<u>199,828,855</u>	<u>82,638,625</u>

18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Level 1	558,847,022	—	598,077,721	—
	<u>558,847,022</u>	<u>—</u>	<u>598,077,721</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

Neptune UK Mid Cap Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares				
Group 1	3.0181	—	3.0181	2.9798
Group 2	2.5034	0.5147	3.0181	2.9798
C Income shares				
Group 1	1.6308	—	1.6308	1.5343
Group 2	0.9176	0.7132	1.6308	1.5343
C Accumulation shares				
Group 1	1.7684	—	1.7684	1.6549
Group 2	1.2152	0.5532	1.7684	1.6549
D Accumulation shares				
Group 1	1.6617	—	1.6617	1.5485
Group 2	1.1249	0.5368	1.6617	1.5485

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares				
Group 1	1.5185	—	1.5185	1.6221
Group 2	0.8604	0.6581	1.5185	1.6221
C Income shares				
Group 1	1.3174	—	1.3174	1.2403
Group 2	0.6092	0.7082	1.3174	1.2403
C Accumulation shares				
Group 1	1.2790	—	1.2790	1.2135
Group 2	0.6462	0.6328	1.2790	1.2135
D Accumulation shares				
Group 1	1.2272	—	1.2272	1.1565
Group 2	0.6622	0.5650	1.2272	1.1565

Neptune UK Opportunities Fund

Investment Objective

The investment objective of the Neptune UK Opportunities Fund (the Fund) is to seek to achieve capital growth by exploiting special situations and investing principally in UK equities considered to be undervalued.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- Although this Fund invests in companies of all sizes, significant investment will be made in smaller company shares. These may be riskier as they can be more difficult to buy and sell and their share prices may move up and down more than larger companies.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune UK Opportunities Fund returned 13.29% in 2017, outperforming the FTSE All-Share Index gain of 13.10%.*

The UK market experienced a strong 2017, with significant positive returns across the market cap spectrum and a markedly low degree of volatility. It was particularly encouraging to see such broad-based market performance at the same time as sterling itself performed strongly against other currencies: sterling ended the year above \$1.35, an increase of about 10% from the start of the year despite ongoing uncertainty over Brexit negotiations and the domestic political picture.

The strengthening of sterling has been particularly positive for mid-caps, in which the Fund has an overweight position. While sterling strength in some respects acted as a modest headwind given our preference for companies exposed to global (rather than domestic) growth, this effect was outweighed by our market cap and sector positioning.

Our long-held concerns over the outlook for the UK consumer continued to be reflected in recent economic data. Most notably, real wage growth has continued to be negative as nominal wage increases have slowed and inflationary pressures persist. As anticipated the Bank of England raised rates for the first time in ten years. Should further rate rises occur it would likely pressure indebted UK consumers and squeeze household finances further. Whilst valuations in some domestic consumer cyclical companies are optically low, we remain underweight that area of the market. Where we do have exposure to UK-focused companies, we primarily target those with structural earnings drivers and highly visible earnings pipelines.

We remain confident in the prospects for selective UK mid and small-cap companies, primarily because of attractive company-specific valuations but also due to the potential for further M&A activity. Many of these holdings, such as Devro, are 'special situations', where the company is out of favour or

misunderstood by the market but we believe long-term growth and turnaround potential exists. 2017 saw a return to M&A success for the Fund with Novae and Amec Foster-Wheeler both being approached for takeover. Devro, Novae and Amec Foster-Wheeler all contributed positively to the portfolio's performance. The Fund maintains its overweight in mid- and small-caps relative to its benchmark.

We continue to focus on maximising risk-adjusted performance over the business cycle by way of our style agnostic approach, structuring the Fund around the three silos of economic recovery, structural growth and corporate turnarounds. While we are somewhat cautious of elevated valuations in the broad market we believe that the current environment creates unusually large opportunities for alpha generation. We are excited by the investment opportunities in 2018 and believe there is significant potential for continued outperformance in the coming months and years.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune UK Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	UNITED KINGDOM 93.35% (2016 - 97.99%)		
	BASIC MATERIALS 4.02% (2016 - 2.91%)		
	CHEMICALS 1.30%		
8,118	Johnson Matthey	249,304	1.30
	MINING 2.72%		
23,556	Antofagasta	234,736	1.22
7,358	Rio Tinto	287,734	1.50
	CONSUMER GOODS 14.36% (2016 - 9.49%)		
	FOOD PRODUCERS 4.47%		
370,243	Devro	858,038	4.47
	PERSONAL GOODS 9.89%		
586,991	PZ Cussons	1,896,568	9.89
	CONSUMER SERVICES 7.68% (2016 - 11.14%)		
	GENERAL RETAILERS 3.09%		
475,718	Saga	593,220	3.09
	MEDIA 4.31%		
455,967	ITE	826,440	4.31
	FINANCIALS 4.46% (2016 - 12.86%)		
	BANKS 0.85%		
21,433	HSBC	163,641	0.85
	LIFE INSURANCE 3.61%		
137,539	Aviva	691,821	3.61
	HEALTH CARE 5.70% (2016 - 12.82%)		
	HEALTH CARE EQUIPMENT & SERVICES 3.60%		
59,948	Consort Medical	690,001	3.60
	PHARMACEUTICALS & BIOTECHNOLOGY 2.10%		
399,984	Circassia Pharmaceuticals	402,984	2.10
	INDUSTRIALS 42.60% (2016 - 36.13%)		
	AEROSPACE & DEFENCE 16.32%		
988,294	Chemring	1,823,402	9.50
44,122	Rolls-Royce	373,934	1.95
2,029,612	Rolls-Royce Preference Shares	2,030	0.01
68,928	Ultra Electronics	931,907	4.86
	ELECTRONIC & ELECTRICAL EQUIPMENT 2.30%		
17,710	Spectris	440,979	2.30
	GENERAL INDUSTRIALS 1.61%		
20,738	Smiths	308,167	1.61
	SUPPORT SERVICES 22.34%		
192,619	De La Rue	1,233,725	6.43
63,291	Essentra	333,860	1.74
162,290	PayPoint	1,485,765	7.74
372,839	Renewi	383,651	2.00
312,592	RPS	850,250	4.43

Neptune UK Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	OIL & GAS 2.46% (2016 - 1.43%)		
	OIL & GAS PRODUCERS 2.46%		
50,275	BP	261,179	1.36
8,503	Royal Dutch Shell	211,427	1.10
	TECHNOLOGY 9.46% (2016 - 5.62%)		
	SOFTWARE & COMPUTER SERVICES 3.45%		
280,816	NCC	662,024	3.45
	TECHNOLOGY HARDWARE & EQUIPMENT 6.01%		
205,000	Laird	282,387	1.47
856,087	Spirent Communications	871,069	4.54
	TELECOMMUNICATIONS 2.92% (2016 - 5.59%)		
	FIXED LINE TELECOMMUNICATIONS 2.92%		
150,000	KCOM	135,750	0.71
35,363	Telecom Plus	424,356	2.21
	SWITZERLAND 1.61% (2016 - 0.00%)		
79,897	Glencore	309,121	1.61
	UNITED STATES 3.50% (2016 - 0.00%)		
453,400	PureTech Health	671,032	3.50
	Portfolio of investments	18,890,502	98.46
	Net other assets	294,982	1.54
	Net assets	19,185,484	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
PZ Cussons	1,332,447
Saga	1,168,301
Ultra Electronics	1,164,830
Chemring	859,896
NCC	716,030

Sales	Proceeds £
ITE	1,705,902
Brewin Dolphin	1,570,164
Ultra Electronics	1,495,224
Genus	1,264,041
Jardine Lloyd Thompson	1,253,768

Neptune UK Opportunities Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.96%			
Change in net asset per share			
Opening net asset value per share	198.25	186.97	180.24
Return before operating charges	28.51	14.60	10.02
Operating charges	(3.96)	(3.32)	(3.29)
Return after operating charges	24.55	11.28	6.73
Distributions	(2.77)	(2.40)	(2.31)
Retained distributions on accumulation shares	2.77	2.40	2.31
Closing net asset value per share	222.80	198.25	186.97
After direct transaction costs of:	0.72	0.93	1.16
Performance			
Return after operating charges	12.38%	6.03%	3.73%
	£	£	£
Other information			
Closing net asset value	4,709,032	5,405,200	13,620,197
Closing number of shares	2,113,536	2,726,551	7,284,837
Operating Charge Figure	1.85%	1.80%	1.72%
Direct transaction costs	0.34%	0.50%	0.61%
OCF/TER cap	1.90%	1.80%	2.00%
Prices			
Highest share price	225.90p	202.30p	205.20p
Lowest share price	197.30p	163.70p	177.70p

C Income (Launched 17 April 2015)

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.11%			
Change in net asset per share			
Opening net asset value per share	98.21	94.71	100.00
Return before operating charges*	14.07	7.28	(2.82)
Operating charges*	(1.06)	(0.92)	(0.67)
Return after operating charges	13.01	6.36	(3.49)
Distributions	(3.29)	(2.86)	(1.80)
Closing net asset value per share	107.93	98.21	94.71
After direct transaction costs of:	0.36	0.46	0.58
Performance			
Return after operating charges	13.25%	6.71%	(3.49)%
	£	£	£
Other information			
Closing net asset value	114,125	87,867	857,885
Closing number of shares	105,736	89,469	905,783
Operating Charge Figure	1.01%	1.00%	1.01%
Direct transaction costs	0.34%	0.50%	0.61%
OCF/TER cap	1.10%	1.00%	1.00%
Prices			
Highest share price	110.80p	101.30p	105.50p
Lowest share price	97.81p	83.01p	91.87p

*The comparative figure for C Income 2015 have been restated due to the restatement of the operating charges.

Neptune UK Opportunities Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.11%			
Change in net asset per share			
Opening net asset value per share	153.98	144.02	137.66
Return before operating charges	22.22	11.36	7.63
Operating charges	(1.67)	(1.40)	(1.27)
Return after operating charges	20.55	9.96	6.36
Distributions	(3.57)	(3.03)	(3.15)
Retained distributions on accumulation shares	3.57	3.03	3.15
Closing net asset value per share	174.53	153.98	144.02
After direct transaction costs of:	0.56	0.72	0.89
Performance			
Return after operating charges	13.35%	6.91%	4.62%
	£	£	£
Other information			
Closing net asset value	13,242,702	21,562,372	23,888,637
Closing number of shares	7,587,743	14,003,675	16,586,971
Operating Charge Figure	1.00%	0.98%	0.86%
Direct transaction costs	0.34%	0.50%	0.61%
OCF/TER cap	1.10%	1.00%	1.00%
Prices			
Highest share price	176.70p	156.80p	157.30p
Lowest share price	153.30p	126.20p	135.70p

D Accumulation (Launched 30 January 2015)

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.01%			
Change in net asset per share			
Opening net asset value per share	108.46	101.35	100.00
Return before operating charges*	15.66	8.00	2.26
Operating charges*	(1.06)	(0.89)	(0.91)
Return after operating charges	14.60	7.11	1.35
Distributions	(2.63)	(2.23)	(2.27)
Retained distributions on accumulation shares	2.63	2.23	2.27
Closing net asset value per share	123.06	108.46	101.35
After direct transaction costs of:	0.40	0.50	0.60
Performance			
Return after operating charges	13.46%	7.02%	1.35%
	£	£	£
Other information			
Closing net asset value	1,119,625	1,638,793	3,696,565
Closing number of shares	909,854	1,510,962	3,647,454
Operating Charge Figure	0.90%	0.88%	1.00%
Direct transaction costs	0.34%	0.50%	0.61%
OCF/TER cap	1.00%	0.90%	1.00%
Prices			
Highest share price	124.60p	110.40p	110.70p
Lowest share price	108.00p	88.84p	97.16p

*The comparative figure for D Accumulation 2015 have been restated due to the restatement of the operating charges.

Neptune UK Opportunities Fund

Fund Information (continued)

Performance Record (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 193.

Details of the distributions per share for the year are shown in the distribution tables on page 206.

Status

Neptune UK Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune UK Opportunities Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		2,440,551		939,250
Revenue	3	685,803		1,041,552	
Expenses	4	(258,284)		(385,508)	
Interest payable and similar charges		(271)		(1,434)	
Net revenue before taxation		427,248		654,610	
Taxation	5	—		—	
Net revenue after taxation			427,248		654,610
Total return before distributions			2,867,799		1,593,860
Distributions	6		(428,415)		(665,370)
Change in net assets attributable to shareholders from investment activities			2,439,384		928,490

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
		£	£	£	£
Opening net assets attributable to shareholders			28,694,232		42,722,807
Amounts received on issue of shares		928,377		3,870,720	
Amounts paid on cancellation of shares		(13,274,264)		(19,431,148)	
			(12,345,887)		(15,560,428)
Dilution adjustment charged			4,554		—
Change in net assets attributable to shareholders from investment activities			2,439,384		928,490
Retained distribution on accumulation shares			393,201		603,363
Closing net assets attributable to shareholders			19,185,484		28,694,232

Neptune UK Opportunities Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		18,890,502		28,118,890	
Current assets					
Debtors	7	747,350		325,802	
Cash and bank balances	8	—		379,092	
Total current assets		747,350		704,894	
Total assets		19,637,852		28,823,784	
Liabilities					
Creditors					
Bank overdrafts	8	(369,742)		—	
Distribution payable		(1,519)		(1,154)	
Other creditors	9	(81,107)		(128,398)	
Total liabilities		(452,368)		(129,552)	
Net assets attributable to shareholders		19,185,484		28,694,232	

The accompanying notes are an integral part of these Financial Statements.

Neptune UK Opportunities Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	2,446,111	950,866
Currency gains	8	10
Transaction charges	(5,568)	(11,401)
Transaction fee rebate	—	(225)
Net capital gains	<u>2,440,551</u>	<u>939,250</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	50	157
UK dividends	681,493	1,041,362
Overseas dividends	4,260	33
Total revenue	<u>685,803</u>	<u>1,041,552</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	207,957	321,414
ACD's fee rebate*	—	(2,706)
Distribution fees	24,385	28,719
Printing costs	2,973	3,610
Registration fees	3,340	3,855
Transfer agent fees	2,922	5,388
	<u>241,577</u>	<u>360,280</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	8,401	6,622
Safe custody fees	1,665	2,583
	<u>10,066</u>	<u>9,205</u>
<i>Other expenses:</i>		
Audit fee	4,848	5,805
FCA fee	218	234
Legal and professional fees	518	7,241
Publication costs	1,057	2,743
	<u>6,641</u>	<u>16,023</u>
Total expenses	<u>258,284</u>	<u>385,508</u>

*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the Performance Record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

Neptune UK Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Total taxation for the year	—	—
(b) Factors affecting current tax charge for the year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).		
The differences are explained below:		
	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	427,248	654,610
Corporation tax at 20% (2016: 20%)	85,450	130,922
Effects of:		
Movement in excess management expenses	51,701	77,357
Revenue not subject to taxation	(137,151)	(208,279)
Current tax charge for the year	—	—

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £666,488 (2016: £614,787) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
Interim	257,611	384,081
Final	138,813	226,866
Add: Amounts deducted on cancellation of shares	36,277	68,888
Deduct: Amounts received on issue of shares	(4,286)	(14,465)
Net distribution for the year	428,415	665,370
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	427,248	654,610
Expenses charged to capital	950	3,648
Equalisation on conversion of shares	211	7,109
Net movement in revenue account	6	3
Net distribution for the year	428,415	665,370

Details of the distributions per share are set out in the distribution tables on page 206.

Neptune UK Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

	31 December 2017	31 December 2016
7 Debtors	£	£
Accrued revenue	22,848	80,911
Amounts receivable for issue of shares	8,906	119
Prepaid expenses	54	58
Sales awaiting settlement	715,542	244,714
Total debtors	<u>747,350</u>	<u>325,802</u>
8 Cash and bank balances	£	£
Cash and bank balances	—	379,092
Bank overdrafts	(369,742)	—
	<u>(369,742)</u>	<u>379,092</u>
9 Creditors	£	£
ACD's periodic charge	14,310	20,912
Rebate borne by ACD	2,179	2,482
Accrued expenses	31,927	27,341
Amounts payable on cancellation of shares	30,662	54,618
Purchases awaiting settlement	2,029	23,045
Total creditors	<u>81,107</u>	<u>128,398</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 201. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As a UK equity fund the Fund is exposed to market price risk, liquidity risk and counterparty risk. The Fund does not invest overseas nor in debt securities and therefore has no material exposure to currency risk, interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £188,905 (2016: £281,189).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
Equities	10,936,850	24,105,157	22,490,768	37,668,624
Trades in the year before transaction costs	10,936,850	24,105,157	22,490,768	37,668,624
Commissions				
Equities	6,728	20,272	(15,624)	(31,003)
Total commissions	6,728	20,272	(15,624)	(31,003)
Taxes				
Equities	52,638	118,673	(279)	(492)
Total taxes	52,638	118,673	(279)	(492)
Total costs	59,366	138,945	(15,903)	(31,495)
Total net trades in the year after transaction costs	10,996,216	24,244,102	22,474,865	37,637,129

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.33% (2016: 0.41%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions				
Equities	0.06	0.08	(0.07)	(0.08)
Taxes				
Equities	0.48	0.49	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended

	31 December 2017 %	31 December 2016 %
Commissions	0.10	0.15
Taxes	0.24	0.35
Total	0.34	0.50

Neptune UK Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2017		D Accumulation
		C Income	C Accumulation	
Opening shares in issue	2,726,551	89,469	14,003,675	1,510,962
Creations during the year	60,205	31,463	445,168	29,593
Cancellations during the year	(618,684)	(15,196)	(6,914,390)	(654,424)
Share converted during the year	(54,536)	—	53,290	23,723
Closing shares in issue	<u>2,113,536</u>	<u>105,736</u>	<u>7,587,743</u>	<u>909,854</u>

18 Fair value hierarchy

Valuation technique	Assets	Liabilities	Assets	Liabilities
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Level 1	18,986,530	—	28,118,890	—
Level 2	2,030	—	—	—
	<u>18,988,560</u>	<u>—</u>	<u>28,118,890</u>	<u>—</u>

The Fund has no Level 3 financial instruments.

Neptune UK Opportunities Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares				
Group 1	1.8627	—	1.8627	1.4894
Group 2	1.1752	0.6875	1.8627	1.4894
C Income shares				
Group 1	1.8578	—	1.8578	1.5680
Group 2	1.6863	0.1715	1.8578	1.5680
C Accumulation shares				
Group 1	2.1407	—	2.1407	1.7042
Group 2	1.4576	0.6831	2.1407	1.7042
D Accumulation shares				
Group 1	1.5658	—	1.5658	1.2414
Group 2	1.1930	0.3728	1.5658	1.2414

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares				
Group 1	0.9042	—	0.9042	0.9106
Group 2	0.4162	0.4880	0.9042	0.9106
C Income shares				
Group 1	1.4363	—	1.4363	1.2903
Group 2	0.4798	0.9565	1.4363	1.2903
C Accumulation shares				
Group 1	1.4295	—	1.4295	1.3280
Group 2	0.8162	0.6133	1.4295	1.3280
D Accumulation shares				
Group 1	1.0679	—	1.0679	0.9871
Group 2	0.5305	0.5374	1.0679	0.9871

Neptune US Income Fund

Investment Objective

The investment objective of the Neptune US Income Fund (the Fund) is to generate rising levels of income with the potential of capital growth by investing predominantly in a portfolio of North American securities, which may include Canada as well as the USA or overseas companies that derive a significant proportion of their profits or turnover from the USA and/or Canada, with a view to attaining consistent top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

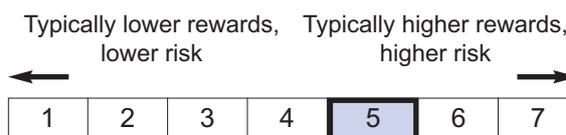
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The level of income is not guaranteed.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

The Neptune US Income Fund returned 8.38% in 2017, versus the S&P 500 Index return of 11.28% and the IA North America sector average gain of 9.50%. The Fund ended the period with a yield of 2.11%.*

US equity markets followed up a good final quarter of 2016 with a strong start to 2017, particularly in local currency terms. In the first half of 2017, the S&P 500 rose by 9.3% in dollars terms but returns for UK-based investors were impeded by the strength of sterling relative to the US dollar. This is partly due to what we believed to be a temporary soft patch of US economic data reported in the first half of the year but also as result of the UK's general election in June which saw the Conservative Party fail to extend their parliamentary majority. This was seen, perhaps wrongly in our view, to lead to an increased likelihood of a so-called "soft brexit" and therefore to subsequent sterling strength.

The Federal Reserve followed up its interest rate hike in December with a widely anticipated hike in March. The US economy continues to be on a firm footing, with housing and labour markets employment remaining strong. Indeed, the so-called "soft data" (business and consumer confidence surveys) have improved significantly since Trump's election, which bodes well for growth in the coming quarters.

In local currency terms, the US equity market continued to grind higher in the third quarter of 2017, shrugging off continued political horseplay in Washington and heightened tensions with North Korea. Sterling strength was, in our view, driven more by hawkish comments from the Bank of England, rather than any fundamental weakness in the US economy.

The US equity market finished off a notably good year with a flourish in the final quarter of 2017, particularly in dollar terms, rising 6.64% in the fourth quarter and returning 21.83% in the year. Once again, we witnessed a weaker dollar in the last quarter, reducing returns for UK investors which were nevertheless healthy. In fact, the dollar endured its weakest year

since 2003. Sterling strength was, in our view, driven more by actions from the Bank of England, which increased interest rates, rather than any fundamental weakness in the US economy – although the US yield curve did flatten throughout the year.

The Fund's turnover remained contained. We exited our remaining exposure in Wells Fargo in the final quarter of the year, where we believe the hangover from the mis-selling scandal will keep growth limited and expenses elevated. We are not concerned about the dividend being cut but think its relative growth rate will be unappealing. We also initiated a position in Medifast, the weight loss company. We think the change in management and sales channel strategy is underappreciated by the market. This type of opportunity where we think there is latency to be unlocked within a business is increasingly where we are finding new ideas. We remain committed to our core portfolio of dividend compounders but on the margin are finding less relative latent potential on a twelve month outlook.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. Yield quoted on C Income share class. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific sectors and securities are for illustration purposes only and should not be taken as a recommendation to buy or sell them. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune US Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	UNITED STATES 94.53% (2016 - 94.02%)		
	BASIC MATERIALS 6.12% (2016 - 5.91%)		
	CHEMICALS 6.12%		
11,700	DowDuPont	619,053	2.05
8,300	LyondellBasell Industries	682,846	2.26
14,050	RPM International	547,483	1.81
	CONSUMER GOODS 16.09% (2016 - 11.87%)		
	AUTOMOBILES & PARTS 2.10%		
10,800	Adient	635,458	2.10
	BEVERAGES 3.82%		
8,450	Molson Coors Brewing	512,947	1.70
7,240	PepsiCo	639,418	2.12
	FOOD PRODUCERS 3.20%		
13,740	Lamb Weston	567,945	1.88
7,700	Medifast	400,458	1.32
	HOUSEHOLD GOODS & HOME CONSTRUCTIONS 2.24%		
5,380	Stanley Black & Decker	676,825	2.24
	PERSONAL GOODS 2.63%		
43,150	Coty	640,631	2.12
10,000	Hanesbrands	155,645	0.51
	TOBACCO 2.10%		
12,050	Altria	635,609	2.10
	CONSUMER SERVICES 13.24% (2016 - 13.20%)		
	GENERAL RETAILERS 5.66%		
4,682	Home Depot	657,417	2.18
21,600	Service Corporation International	598,210	1.98
8,000	TJX	452,118	1.50
	MEDIA 2.05%		
20,800	Comcast	620,082	2.05
	TRAVEL & LEISURE 5.53%		
19,900	Cinemark	510,626	1.69
28,600	ILG	608,979	2.01
10,700	Las Vegas Sands	554,105	1.83
	FINANCIALS 17.82% (2016 - 18.51%)		
	BANKS 4.77%		
26,655	Fifth Third Bancorp	604,257	2.00
7,750	SunTrust Banks	375,297	1.24
29,550	Umpqua	462,118	1.53
	FINANCIAL SERVICES 8.95%		
1,570	BlackRock	601,739	1.99
22,350	Blackstone	533,628	1.77
21,800	Invesco	593,101	1.96
5,150	Northern Trust	382,376	1.26
7,040	Visa	595,598	1.97

Neptune US Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
10,000	NONLIFE INSURANCE 2.01% Marsh & McLennan	606,520	2.01
5,986	REAL ESTATE INVESTMENT TRUSTS 2.09% American Tower	633,090	2.09
	HEALTH CARE 10.83% (2016 - 11.69%)		
9,100	HEALTH CARE EQUIPMENT & SERVICES 1.81% Medtronic	547,690	1.81
	PHARMACEUTICALS & BIOTECHNOLOGY 9.02%		
8,850	AbbVie	640,457	2.12
13,300	Bristol-Myers Squibb	607,932	2.01
6,600	Gilead Sciences	353,996	1.17
12,940	Merck & Co	541,964	1.80
21,550	Pfizer	579,919	1.92
	INDUSTRIALS 14.59% (2016 - 16.23%)		
3,850	AEROSPACE & DEFENCE 1.92% General Dynamics	580,826	1.92
11,000	ELECTRONIC & ELECTRICAL EQUIPMENT 1.14% National Instruments	343,071	1.14
	GENERAL INDUSTRIALS 3.52%		
7,175	Eaton	414,946	1.37
5,700	Honeywell International	650,048	2.15
4,430	INDUSTRIAL ENGINEERING 2.14% Rockwell Automation	647,410	2.14
6,300	INDUSTRIAL TRANSPORTATION 1.84% United Parcel Service	555,047	1.84
	SUPPORT SERVICES 4.03%		
7,070	Automatic Data Processing	613,729	2.03
8,996	Broadridge Financial Solutions	605,148	2.00
	OIL & GAS 2.34% (2016 - 2.65%)		
2,300	OIL & GAS PRODUCERS 0.41% Occidental Petroleum	125,473	0.41
29,712	OIL EQUIPMENT, SERVICES & DISTRIBUTION 1.93% Enterprise Products Partners	582,299	1.93
	TECHNOLOGY 11.67% (2016 - 12.00%)		
14,900	SOFTWARE & COMPUTER SERVICES 3.13% Microsoft	945,069	3.13
	TECHNOLOGY HARDWARE & EQUIPMENT 8.54%		
6,430	Apple	814,059	2.69
15,700	Intel	536,947	1.78
8,260	Texas Instruments	640,675	2.12
11,650	Xilinx	590,454	1.95
	UTILITIES 1.83% (2016 - 1.96%)		
15,782	ELECTRICITY 1.83% CMS Energy	553,535	1.83

Neptune US Income Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	BERMUDA 5.36% (2016 - 2.19%)		
23,900	Golar LNG	527,652	1.75
18,100	James River	533,964	1.76
14,500	Lazard	558,472	1.85
		<hr/>	<hr/>
	Portfolio of investments	30,194,361	99.89
	Net other assets	32,429	0.11
	Net assets	<hr/> 30,226,790 <hr/>	<hr/> 100.00 <hr/>

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £
Adient	679,814
ILG	647,838
Service Corporation International	562,579
James River	549,100
Lamb Weston	526,983

Sales	Proceeds £
Wells Fargo	757,352
Columbia Banking System	730,669
Whirlpool	564,617
Target	426,393
Sabre	412,432

Neptune US Income Fund

Fund Information

Performance Record

C Income

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.09%			
Change in net asset per share			
Opening net asset value per share	161.96	123.75	117.50
Return before operating charges	14.97	42.99	10.25
Operating charges	(1.55)	(1.40)	(1.20)
Return after operating charges	13.42	41.59	9.05
Distributions	(3.74)	(3.38)	(2.80)
Closing net asset value per share	171.64	161.96	123.75
After direct transaction costs of:	0.09	0.03	0.01
Performance			
Return after operating charges*	8.29%	33.60%	7.70%
	£	£	£

Other information

Closing net asset value	12,575,371	14,372,516	11,300,168
Closing number of shares	7,326,732	8,874,182	9,131,340
Operating Charge Figure	0.93%	1.00%	1.00%
Direct transaction costs	0.05%	0.02%	0.01%
OCF/TER cap	1.10%	1.10%	1.00%

Prices

Highest share price	174.30p	165.10p	129.10p
Lowest share price	157.90p	106.40p	106.40p

C Accumulation

	31 December 2017	31 December 2016	31 December 2015
	(p)	(p)	(p)
OCF cap from 1 January 2018: 1.10%			
Change in net asset per share			
Opening net asset value per share	177.91	132.83	123.18
Return before operating charges	16.64	46.60	10.93
Operating charges	(1.72)	(1.52)	(1.28)
Return after operating charges	14.92	45.08	9.65
Distributions	(4.15)	(3.67)	(2.96)
Retained distributions on accumulation shares	4.15	3.67	2.96
Closing net asset value per share	192.83	177.91	132.83
After direct transaction costs of:	0.10	0.03	0.01
Performance			
Return after operating charges	8.39%	33.94%	7.84%
	£	£	£

Other information

Closing net asset value**	17,651,419	18,591,395	7,637,533
Closing number of shares	9,153,825	10,449,734	5,749,802
Operating Charge Figure	0.94%	0.98%	1.00%
Direct transaction costs	0.05%	0.02%	0.01%
OCF/TER cap	1.10%	1.10%	1.00%

Prices

Highest share price	194.70p	180.30p	136.00p
Lowest share price	173.50p	112.90p	112.90p

*The comparative figures for C Income 2015 have been restated due to the correct calculation.

**The comparative figures for C Accumulation 2015 have been restated due to the correct closing net asset value.

Neptune US Income Fund

Fund Information (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 208.

Details of the distributions per share for the year are shown in the distribution tables on page 221.

Status

Neptune US Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune US Income Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
	Note	£	£	£	£
Income					
Net capital gains	2		2,066,142		9,177,949
Revenue	3	859,018		908,346	
Expenses	4	(297,289)		(365,820)	
Interest payable and similar charges		(105)		(3)	
Net revenue before taxation		561,624		542,523	
Taxation	5	(114,328)		(119,415)	
Net revenue after taxation			447,296		423,108
Total return before distributions			2,513,438		9,601,057
Distributions	6		(729,092)		(775,683)
Change in net assets attributable to shareholders from investment activities			1,784,346		8,825,374

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

		31 December 2017		31 December 2016	
		£	£	£	£
Opening net assets attributable to shareholders			32,963,911		32,249,152
Amounts received on issue of shares		4,486,764		24,002,201	
Amounts paid on cancellation of shares		(9,414,767)		(32,588,662)	
			(4,928,003)		(8,586,461)
Dilution adjustment charged			—		2,184
Change in net assets attributable to shareholders from investment activities			1,784,346		8,825,374
Retained distribution on accumulation shares			406,536		473,662
Closing net assets attributable to shareholders			30,226,790		32,963,911

Neptune US Income Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		30,194,361		31,714,120	
Current assets					
Debtors	7	48,641		176,517	
Cash and bank balances	8	151,894		1,199,120	
Total current assets		200,535		1,375,637	
Total assets		30,394,896		33,089,757	
Liabilities					
Creditors					
Distribution payable		(67,787)		(77,978)	
Other creditors	9	(100,319)		(47,868)	
Total liabilities		(168,106)		(125,846)	
Net assets attributable to shareholders		30,226,790		32,963,911	

The accompanying notes are an integral part of these Financial Statements.

Neptune US Income Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	2,141,785	8,926,896
Forward currency contracts	—	2,927
Currency (losses)/gains	(72,101)	250,908
Transaction charges	(3,542)	(2,794)
Transaction fee rebate	—	12
Net capital gains	<u>2,066,142</u>	<u>9,177,949</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	257	199
Overseas dividends	858,761	908,147
Total revenue	<u>859,018</u>	<u>908,346</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	241,233	283,558
Distribution fees	24,121	49,414
Printing costs	3,063	3,542
Registration fees	1,794	2,033
Transfer agent fees	4,342	5,129
	<u>274,553</u>	<u>343,676</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	11,541	6,148
Safe custody fees	3,159	3,256
	<u>14,700</u>	<u>9,404</u>
<i>Other expenses:</i>		
Audit fee	5,189	5,847
FCA fee	218	234
Legal and professional fees	2,748	4,194
Publication costs	(119)	2,465
	<u>8,036</u>	<u>12,740</u>
Total expenses	<u>297,289</u>	<u>365,820</u>

Neptune US Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017	31 December 2016
	£	£
(a) Analysis of charge in the year:		
Overseas withholding tax	114,328	119,415
Total taxation for the year	<u>114,328</u>	<u>119,415</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017	31 December 2016
	£	£
Net revenue before taxation	561,624	542,523
Corporation tax at 20% (2016: 20%)	112,325	108,505
Effects of:		
Expenses not deductible for tax purposes	—	629
Movement in excess management expenses	37,127	55,347
Overseas tax expensed	(1,692)	(987)
Overseas withholding tax	114,328	119,415
Revenue not subject to corporation tax	(147,860)	(163,494)
Double taxation relief	100	—
Current tax charge for the year	<u>114,328</u>	<u>119,415</u>

c) Deferred tax

At the year end, there is a potential deferred tax asset of £298,337 (2016: £260,581) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017	31 December 2016
	£	£
1st quarter	206,803	198,242
Interim	163,810	187,319
3rd quarter	182,060	210,695
Final	162,465	178,358
Add: Amounts deducted on cancellation of shares	25,379	48,542
Deduct: Amounts received on issue of shares	(11,425)	(47,473)
Net distribution for the year	<u>729,092</u>	<u>775,683</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	447,296	423,108
Expenses charged to capital	297,289	365,820
Tax relief due to capital	(15,494)	(13,238)
Net movement in revenue account	1	(7)
Net distribution for the year	<u>729,092</u>	<u>775,683</u>

Details of the distributions per share are set out in the distribution tables on page 221.

Neptune US Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

7 Debtors	31 December 2017	31 December 2016
	£	£
Accrued revenue	35,110	43,530
Receivable for ACD fee rebates	139	139
Amounts receivable for issue of shares	13,338	132,790
Prepaid expenses	54	58
Total debtors	<u>48,641</u>	<u>176,517</u>

8 Cash and bank balances	31 December 2017	31 December 2016
	£	£
Cash and bank balances	151,894	1,199,120
	<u>151,894</u>	<u>1,199,120</u>

9 Creditors	31 December 2017	31 December 2016
	£	£
ACD's periodic charge	18,255	19,793
Accrued expenses	32,902	25,483
Amounts payable on cancellation of shares	49,162	2,589
Interest payable	—	3
Total creditors	<u>100,319</u>	<u>47,868</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 216. The balances due at the year end are shown in notes 7 and 9.

11 Shareholders funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Neptune US Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £301,944 (2016: £317,141).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £303,814 (2016: £329,568).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2017	31 December 2016
	Total £	Total £
Swiss franc	2,656	—
US dollar	30,378,708	32,956,769
Total	<u>30,381,364</u>	<u>32,956,769</u>

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Equities	<u>6,355,462</u>	<u>5,053,128</u>	<u>10,027,776</u>	<u>12,375,362</u>
Trades in the year before transaction costs	<u>6,355,462</u>	<u>5,053,128</u>	<u>10,027,776</u>	<u>12,375,362</u>
Commissions				
Equities	<u>6,395</u>	<u>1,746</u>	<u>(10,312)</u>	<u>(6,445)</u>
Total commissions	<u>6,395</u>	<u>1,746</u>	<u>(10,312)</u>	<u>(6,445)</u>
Taxes				
Equities	<u>—</u>	<u>—</u>	<u>(226)</u>	<u>(234)</u>
Total taxes	<u>—</u>	<u>—</u>	<u>(226)</u>	<u>(234)</u>
Total costs	<u>6,395</u>	<u>1,746</u>	<u>(10,538)</u>	<u>(6,679)</u>
Total net trades in the year after transaction costs	<u>6,361,857</u>	<u>5,054,874</u>	<u>10,017,238</u>	<u>12,368,683</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.02% (2016: 0.02%).

Neptune US Income Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.10	0.03	(0.10)	(0.05)
Taxes Equities	—	—	—	—

Total transaction cost expressed as a percentage of NAV:

For the year ended	31 December 2017 %	31 December 2016 %
Commissions	0.05	0.03
Total	<u>0.05</u>	<u>0.03</u>

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2017	
	C Income	C Accumulation
Opening shares in issue	8,874,182	10,449,734
Creations during the year	1,757,204	863,066
Cancellations during the year	(3,304,654)	(2,158,975)
Share converted during the year	—	—
Closing shares in issue	<u>7,326,732</u>	<u>9,153,825</u>

18 Fair value hierarchy

Valuation technique	Assets		Liabilities	
	31 December 2017 £	31 December 2017 £	31 December 2016 £	31 December 2016 £
Level 1	30,194,361	—	31,714,120	—
	<u>30,194,361</u>	<u>—</u>	<u>31,714,120</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

Neptune US Income Fund

Distribution Table

for the year ended 31 December 2017 – in pence per share

1st Quarter

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 31 March 2017

	Net Revenue	Equalisation	Paid 31 May 2017	Paid 31 May 2016
C Income shares				
Group 1	0.9886	—	0.9886	0.8363
Group 2	0.5399	0.4487	0.9886	0.8363
C Accumulation shares				
Group 1	1.0857	—	1.0857	0.9005
Group 2	0.5923	0.4934	1.0857	0.9005

Interim

Group 1-Shares purchased prior to 1 April 2017

Group 2-Shares purchased on or after 1 April 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
C Income shares				
Group 1	0.8636	—	0.8636	0.7378
Group 2	0.4116	0.4520	0.8636	0.7378
C Accumulation shares				
Group 1	0.9553	—	0.9553	0.7975
Group 2	0.4702	0.4851	0.9553	0.7975

3rd Quarter

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 30 September 2017

	Net Revenue	Equalisation	Paid 30 November 2017	Paid 30 November 2016
C Income shares				
Group 1	0.9619	—	0.9619	0.9260
Group 2	0.5834	0.3785	0.9619	0.9260
C Accumulation shares				
Group 1	1.0709	—	1.0709	1.0101
Group 2	0.5989	0.4720	1.0709	1.0101

Final

Group 1-Shares purchased prior to 1 October 2016

Group 2-Shares purchased on or after 1 October 2016 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
C Income shares				
Group 1	0.9252	—	0.9252	0.8787
Group 2	0.4821	0.4431	0.9252	0.8787
C Accumulation shares				
Group 1	1.0343	—	1.0343	0.9606
Group 2	0.6807	0.3536	1.0343	0.9606

Neptune US Opportunities Fund

Investment Objective

The investment objective of the Neptune US Opportunities Fund (the Fund) is to generate capital growth by investing predominantly in a concentrated portfolio of Northern American securities which may include Canada as well as the US, with a view to achieving top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.
- The following are additional risks not covered by the risk and reward category.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

Investment Manager's Report

for the year ended 31 December 2017

In 2017 the US Opportunities Fund returned 17.39%, significantly outperforming the S&P 500 Index's gain of 11.28%.*

2017 was a strong year for the Fund in terms of performance, but more importantly we have built and enhanced a repeatable investment process that we believe will allow us to outperform the Index and the peer group over the long-term. This is important after the Fund underwent a number of management changes, in spite of the core analyst team remaining the same. At the heart of this process is a willingness to screen widely for ideas and then dig deeply into them in an efficient manner. Stopping unproductive work streams early has proven as important as diving deep when we find something we might like. For every idea in the Fund, there are many more that we have discarded. The other side of the process requires a rigorous and ongoing assessment of each position's risk and opportunity – and then sizing positions accordingly. It was no coincidence that the largest contributors to our outperformance (Brink's, Livanova, Adobe) were 3-4% positions.

The early signs of the process enhancement are encouraging. Strong stock selection accounted for the vast majority of the Fund's outperformance. Our positions in the healthcare, industrials, financials and IT sectors all enjoyed more than 100 basis points outperformance versus their respective S&P 500 equivalents in 2017. Materials represented our worst-performing sector and only made a negative 0.50% contribution to relative performance.

In terms of macro, we see an attractive backdrop for US stocks in 2018. Fiscal stimulus, an improving US growth outlook, strong consumer and business confidence and the potential return of animal spirits should all support the US market. Set against this are ongoing global monetary tightening, multiple compression as interest rates rise, political instability and the dreaded 'unknown unknowns'.

Equity valuation multiples in the US appear high versus history, but we see a number of factors that

justify this. Aggregate earnings are expected to grow in low double digits for S&P 500 companies in 2018. Investors have repeatedly underestimated the power of network effects and the sustainability of historically 'supernormal' returns (seen mainly in the technology industry). The economy is becoming more concentrated as three-quarters of US industries have seen an increase in the concentration of wealth over the past two decades. We think this potentially offers higher sustainability of returns on capital and can underpin reasonable real returns for investors.

Our deepest-held conviction is that the US will – at some point – see a sustained and meaningful increase in productivity owing to innovation and the application of new technologies to less-productive industries. We have spent a lot of time investigating this issue as we agree with Paul Krugman that "productivity isn't everything, but in the long run it is almost everything". This ultimately underpins our optimistic outlook on the US economy long-term.

**Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2017. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

Neptune US Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 is as follows:

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	UNITED STATES 90.48% (2016 - 91.53%)		
	BASIC MATERIALS 1.54% (2016 - 2.82%)		
	CHEMICALS 1.54%		
194,002	Mosaic	3,668,541	1.54
	CONSUMER GOODS 10.58% (2016 - 9.50%)		
	AUTOMOBILES & PARTS 1.48%		
60,131	Adient	3,538,033	1.48
	BEVERAGES 1.72%		
46,394	PepsiCo	4,097,394	1.72
	FOOD PRODUCERS 1.53%		
115,045	Mondelez International	3,664,682	1.53
	HOUSEHOLD GOODS & HOME CONSTRUCTION 1.86%		
255,792	Welbilt	4,452,670	1.86
	PERSONAL GOODS 2.03%		
327,324	Coty	4,859,650	2.03
	TOBACCO 1.96%		
88,920	Altria	4,690,320	1.96
	CONSUMER SERVICES 7.08% (2016 - 10.08%)		
	GENERAL RETAILERS 4.61%		
7,630	Amazon.com	6,695,808	2.80
30,726	Home Depot	4,314,350	1.81
	MEDIA 2.47%		
198,057	Comcast	5,904,402	2.47
	FINANCIALS 17.00% (2016 - 17.58%)		
	BANKS 6.00%		
250,841	Citizens Financial	7,877,127	3.30
17,784	SVB Financial	3,128,767	1.31
68,535	SunTrust Banks	3,318,835	1.39
	FINANCIAL SERVICES 11.00%		
53,411	Cboe Global Markets	4,934,136	2.06
43,554	Equifax	3,859,467	1.61
93,708	Intercontinental Exchange	4,888,779	2.05
54,849	Mastercard	6,160,184	2.58
51,357	S&P Global	6,455,209	2.70
	HEALTH CARE 11.30% (2016 - 16.14%)		
	HEALTH CARE EQUIPMENT & SERVICES 7.47%		
87,394	Baxter International	4,197,161	1.76
49,200	HCA Healthcare	3,215,669	1.34
63,301	UnitedHealth	10,432,023	4.37
	PHARMACEUTICALS & BIOTECHNOLOGY 3.83%		
18,292	Amgen	2,371,738	0.99
26,213	IQVIA	1,907,070	0.80
23,911	Johnson & Johnson	2,486,396	1.04
44,569	ZOETIS	2,387,194	1.00

Neptune US Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The Portfolio Statement as at 31 December 2017 (continued)

Holding	Portfolio of Investments	Market Value £	Total Net Assets %
	INDUSTRIALS 10.32% (2016 - 7.36%)		
	AEROSPACE & DEFENSE 2.29%		
36,335	General Dynamics	5,481,644	2.29
	CONSTRUCTION & MATERIALS 1.37%		
111,899	JELD-WEN	3,280,404	1.37
	GENERAL INDUSTRIALS 2.84%		
126,349	Fortive	6,776,826	2.84
	SUPPORT SERVICES 3.82%		
105,254	Brink's	6,142,379	2.57
206,641	Donnelley Financial Solutions	2,976,155	1.25
	OIL & GAS 5.83% (2016 - 6.09%)		
	OIL & GAS PRODUCERS 1.05%		
173,045	Antero Resources	2,505,095	1.05
	OIL EQUIPMENT, SERVICES & DISTRIBUTION 4.78%		
325,455	Enterprise Products	6,378,303	2.67
140,414	Halliburton	5,046,443	2.11
	TECHNOLOGY 22.07% (2016 - 15.70%)		
	SOFTWARE & COMPUTER SERVICES 18.54%		
36,376	Adobe Systems	4,725,661	1.98
12,077	Alphabet	9,436,262	3.95
49,779	Amdocs	2,414,620	1.01
92,329	DXC Technology	6,488,277	2.71
52,061	Electronic Arts	4,057,300	1.70
18,322	Facebook	2,412,241	1.01
168,561	Microsoft	10,691,390	4.47
226,305	Twilio	4,081,746	1.71
	TECHNOLOGY HARDWARE & EQUIPMENT 3.53%		
66,648	Apple	8,437,851	3.53
	TELECOMMUNICATIONS 2.00% (2016 - 3.65%)		
	FIXED LINE TELECOMMUNICATIONS 2.00%		
164,561	AT&T	4,770,641	2.00
	UTILITIES 2.76% (2016 - 2.61%)		
	ELECTRICITY 2.76%		
67,960	Edison International	3,215,543	1.35
29,223	NextEra Energy	3,381,142	1.41
	COLLECTIVE INVESTMENT SCHEMES 0.00% (2016 - 0.31%)		
	ISRAEL 1.15% (2016 - 0.00%)		
74,001	Orbotech	2,754,875	1.15
	UNITED KINGDOM 7.37% (2016 - 2.95%)		
156,299	LivaNova	9,270,471	3.88
74,435	Willis Towers Watson	8,338,987	3.49
	Portfolio of investments	236,569,861	99.00
	Net other assets	2,380,148	1.00
	Net assets	238,950,009	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Neptune US Opportunities Fund

Investment Manager's Report

for the year ended 31 December 2017 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £
LivaNova	10,233,794
Brink's	7,384,566
Ross Stores	5,334,202
Computer Sciences	5,220,210
Varex Imaging	4,645,942

Sales	Proceeds £
TJX Cos	7,303,280
Wells Fargo	7,302,296
Arconic	7,174,260
The Cooper Companies	6,881,650
SVB Financial	6,077,810

Neptune US Opportunities Fund

Fund Information

Performance Record

A Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.86%			
Change in net asset per share			
Opening net asset value per share	387.54	330.95	318.64
Return before operating charges	70.76	62.26	17.89
Operating charges	(7.16)	(5.67)	(5.58)
Return after operating charges	63.60	56.59	12.31
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	451.14	387.54	330.95
After direct transaction costs of:	0.58	0.74	0.63
Performance			
Return after operating charges	16.41%	17.10%	3.86%
	£	£	£
Other information			
Closing net asset value	59,220,581	63,483,285	111,654,175
Closing number of shares	13,126,879	16,381,146	33,737,979
Operating Charge Figure	1.70%	1.69%	1.67%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	1.80%	1.80%	2.50%
Prices			
Highest share price	457.40p	402.20p	363.40p
Lowest share price	386.40p	275.80p	300.40p

B Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.36%			
Change in net asset per share			
Opening net asset value per share	412.87	350.85	336.20
Return before operating charges	75.57	66.27	18.86
Operating charges	(5.41)	(4.25)	(4.21)
Return after operating charges	70.16	62.02	14.65
Distributions	(0.23)	(0.64)	—
Retained distributions on accumulation shares	0.23	0.64	—
Closing net asset value per share	483.03	412.87	350.85
After direct transaction costs of:	0.62	0.79	0.66
Performance			
Return after operating charges	16.99%	17.68%	4.36%
	£	£	£
Other information			
Closing net asset value	11,547,738	10,416,226	16,410,952
Closing number of shares	2,390,708	2,522,893	4,677,478
Operating Charge Figure	1.20%	1.19%	1.19%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	1.30%	1.30%	2.50%
Prices			
Highest share price	489.70p	428.50p	383.90p
Lowest share price	411.60p	292.60p	317.90p

Neptune US Opportunities Fund

Fund Information (continued)

Performance Record (continued)

C Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.01%			
Change in net asset per share			
Opening net asset value per share	179.39	151.90	145.01
Return before operating charges	32.88	28.79	8.14
Operating charges	(1.67)	(1.30)	(1.25)
Return after operating charges	31.21	27.49	6.89
Distributions	(0.73)	(0.82)	—
Retained distributions on accumulation shares	0.73	0.82	—
Closing net asset value per share	210.60	179.39	151.90
After direct transaction costs of:	0.27	0.34	0.29
Performance			
Return after operating charges	17.40%	18.10%	4.75%
	£	£	£
Other information			
Closing net asset value	113,981,449	132,750,123	150,872,494
Closing number of shares	54,122,039	74,002,641	99,321,698
Operating Charge Figure	0.85%	0.84%	0.82%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	0.90%	0.90%	1.00%
Prices			
Highest share price	213.50p	186.20p	165.80p
Lowest share price	178.90p	126.70p	137.50p

D Accumulation

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 0.91%			
Change in net asset per share			
Opening net asset value per share	138.59	117.23	111.82
Return before operating charges	25.42	22.25	6.27
Operating charges	(1.14)	(0.89)	(0.86)
Return after operating charges	24.28	21.36	5.41
Distributions	(0.71)	(0.76)	—
Retained distributions on accumulation shares	0.71	0.76	—
Closing net asset value per share	162.87	138.59	117.23
After direct transaction costs of:	0.21	0.26	0.22
Performance			
Return after operating charges	17.52%	18.22%	4.84%
	£	£	£
Other information			
Closing net asset value	44,034,186	48,157,011	59,127,352
Closing number of shares	27,036,526	34,747,527	50,436,400
Operating Charge Figure	0.75%	0.74%	0.73%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	0.80%	0.80%	1.00%
Prices			
Highest share price	165.10p	143.90p	127.90p
Lowest share price	138.20p	97.83p	106.00p

Neptune US Opportunities Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation EUR

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.86%			
Change in net asset per share			
Opening net asset value per share	183.03	156.31	151.74
Return before operating charges	33.46	29.45	8.55
Operating charges	(3.35)	(2.73)	(3.98)
Return after operating charges	30.11	26.72	4.57
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	213.14	183.03	156.31
After direct transaction costs of:	0.27	0.36	0.30
Performance			
Return after operating charges	16.45%	17.09%	3.01%
	£	£	£
Other information			
Closing net asset value	183,895	263,396	189,172
Closing number of shares	86,278	143,914	121,027
Operating Charge Figure	1.70%	1.69%	2.50%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	1.80%	1.80%	2.50%
Prices			
Highest share price	244.70¢	217.90¢	172.87¢
Lowest share price	213.30¢	167.90¢	152.04¢

B Accumulation EUR

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.36%			
Change in net asset per share			
Opening net asset value per share	198.84	168.94	161.90
Return before operating charges	36.35	31.93	9.10
Operating charges	(2.58)	(2.03)	(2.06)
Return after operating charges	33.77	29.90	7.04
Distributions	(0.10)	(0.31)	—
Retained distributions on accumulation shares	0.10	0.31	—
Closing net asset value per share	232.61	198.84	168.94
After direct transaction costs of:	0.30	0.38	0.32
Performance			
Return after operating charges	16.98%	17.70%	4.35%
	£	£	£
Other information			
Closing net asset value	9,017,005	16,745,750	13,869,814
Closing number of shares	3,876,522	8,421,558	8,209,935
Operating Charge Figure	1.20%	1.19%	1.21%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	1.30%	1.30%	2.50%
Prices			
Highest share price	267.00¢	236.70¢	185.14¢
Lowest share price	231.80¢	181.60¢	162.15¢

Neptune US Opportunities Fund

Fund Information (continued)

Performance Record (continued)

A Accumulation USD

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.86%			
Change in net asset per share			
Opening net asset value per share	140.52	119.99	116.04
Return before operating charges	25.67	22.55	6.50
Operating charges	(2.59)	(2.02)	(2.55)
Return after operating charges	23.08	20.53	3.95
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	163.60	140.52	119.99
After direct transaction costs of:	0.21	0.27	0.23
Performance			
Return after operating charges	16.42%	17.11%	3.40%
	£	£	£
Other information			
Closing net asset value	842,875	1,770,193	1,093,295
Closing number of shares	515,217	1,259,795	911,189
Operating Charge Figure	1.70%	1.69%	2.10%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	1.80%	1.80%	1.00%
Prices			
Highest share price	221.80¢	177.20¢	126.78¢
Lowest share price	172.20¢	145.00¢	111.31¢

C Accumulation USD

	31 December 2017 (p)	31 December 2016 (p)	31 December 2015 (p)
OCF cap from 1 January 2018: 1.01%			
Change in net asset per share			
Opening net asset value per share	146.28	124.12	119.98
Return before operating charges	26.84	23.51	6.69
Operating charges	(1.36)	(1.35)	(2.55)
Return after operating charges	25.48	22.16	4.14
Distributions	(0.60)	(0.42)	—
Retained distributions on accumulation shares	0.60	0.42	—
Closing net asset value per share	171.76	146.28	124.12
After direct transaction costs of:	0.22	0.27	0.24
Performance			
Return after operating charges	17.42%	17.85%	3.45%
	£	£	£
Other information			
Closing net asset value	122,280	117,501	451,509
Closing number of shares	71,193	80,325	363,760
Operating Charge Figure	0.85%	0.84%	2.02%
Direct transaction costs	0.14%	0.22%	0.19%
OCF/TER cap	0.90%	0.95%	2.50%
Prices			
Highest share price	232.90¢	184.60¢	131.15¢
Lowest share price	179.20¢	150.00¢	115.20¢

Neptune US Opportunities Fund

Fund Information (continued)

Fund Performance

The performance of the Fund is shown in the Investment Manager's Report on page 223.

Details of the distributions per share for the year are shown in the distribution tables on pages 240 and 241.

Status

Neptune US Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune US Opportunities Fund

Financial Statements

Statement of Total Return

for the year ended 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Income					
Net capital gains	2		40,930,471		39,509,030
Revenue	3	3,756,670		4,474,217	
Expenses	4	(2,736,028)		(2,997,589)	
Interest payable and similar charges		(1,228)		(3,017)	
Net revenue before taxation		1,019,414		1,473,611	
Taxation	5	(621,299)		(645,417)	
Net revenue after taxation			398,115		828,194
Total return before distributions			41,328,586		40,337,224
Distributions	6		(673,077)		(1,042,340)
Change in net assets attributable to shareholders from investment activities			40,655,509		39,294,884

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2017

	31 December 2017		31 December 2016	
	£	£	£	£
Opening net assets attributable to shareholders		273,703,485		353,668,763
Amounts received on issue of shares	35,096,226		73,013,237	
Amounts paid on cancellation of shares	(111,202,986)		(193,260,984)	
		(76,106,760)		(120,247,747)
Dilution adjustment charged		51,431		8,883
Change in net assets attributable to shareholders from investment activities		40,655,509		39,294,884
Retained distribution on accumulation shares		646,344		978,702
Closing net assets attributable to shareholders		238,950,009		273,703,485

Neptune US Opportunities Fund

Financial Statements (continued)

Balance Sheet

as at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£	£	£	£
Assets					
Fixed assets					
Investments		236,569,861		259,435,627	
Current assets					
Debtors	7	181,052		9,299,715	
Cash and bank balances	8	3,082,911		7,457,934	
Total current assets		3,263,963		16,757,649	
Total assets		239,833,824		276,193,276	
Liabilities					
Creditors					
Bank overdrafts	8	—		(330)	
Other creditors	9	(883,815)		(2,489,461)	
Total liabilities		(883,815)		(2,489,791)	
Net assets attributable to shareholders		238,950,009		273,703,485	

The accompanying notes are an integral part of these Financial Statements.

Neptune US Opportunities Fund

Notes to the Financial Statements for the year ended 31 December 2017

1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2017	31 December 2016
	£	£
Non-derivative securities	41,502,616	38,411,253
Forward currency contracts	(3)	(3,092)
Currency (losses)/gains	(564,988)	1,107,556
Transaction charges	(7,154)	(6,687)
Net capital gains	<u>40,930,471</u>	<u>39,509,030</u>

3 Revenue	31 December 2017	31 December 2016
	£	£
Bank interest	3,919	682
Overseas dividends	3,751,681	4,473,535
UK Franked Dividend	1,070	—
Total revenue	<u>3,756,670</u>	<u>4,474,217</u>

4 Expenses	31 December 2017	31 December 2016
	£	£
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,482,922	2,743,967
Distribution fees	48,770	50,855
Printing costs	9,504	9,847
Registration fees	8,953	10,527
Transfer agent fees	34,028	44,925
	<u>2,584,177</u>	<u>2,860,121</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	75,541	44,872
Safe custody fees	25,502	28,008
	<u>101,043</u>	<u>72,880</u>
<i>Other expenses:</i>		
Audit fee	11,226	14,351
FCA fee	218	234
Legal and professional fees	11,827	19,956
Publication costs	25,469	30,047
Organisation fees	2,068	—
	<u>50,808</u>	<u>64,588</u>
Total expenses	<u>2,736,028</u>	<u>2,997,589</u>

Neptune US Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

5 Taxation

	31 December 2017 £	31 December 2016 £
(a) Analysis of charge in the year:		
Overseas withholding tax	621,299	645,417
Total taxation for the year	<u>621,299</u>	<u>645,417</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2017 £	31 December 2016 £
Net revenue before taxation	1,019,414	1,473,611
Corporation tax at 20% (2016: 20%)	203,883	294,722
Effects of:		
Movement in excess management expenses	478,094	577,168
Overseas tax expensed	(12,090)	(4,076)
Overseas withholding tax	621,299	645,417
Revenue not subject to corporation tax	(669,887)	(867,814)
Current tax charge for the year	<u>621,299</u>	<u>645,417</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £9,558,810 (2016: £9,080,715) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 December 2017 £	31 December 2016 £
Interim	402,589	400,174
Final	243,755	578,528
Add: Amounts deducted on cancellation of shares	23,398	42,826
Add: Amounts received on issue of shares	3,335	20,812
Net distribution for the year	<u>673,077</u>	<u>1,042,340</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	398,115	828,194
Equalisation on conversion of shares	2,373	30,086
Revenue deficit borne by capital	272,573	184,060
Movement in revenue account	16	—
Net distribution for the year	<u>673,077</u>	<u>1,042,340</u>

Details of the distributions per share are set out in the distribution tables on pages 240 and 241.

Neptune US Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

	31 December 2017	31 December 2016
7 Debtors	£	£
Accrued revenue	158,757	155,596
Amounts receivable for issue of shares	22,230	6,706,356
Prepaid expenses	65	58
Sales awaiting settlement	—	2,437,705
Total debtors	<u>181,052</u>	<u>9,299,715</u>
8 Cash and bank balances	£	£
Cash and bank balances	3,082,911	7,457,934
Bank overdrafts	—	(330)
	<u>3,082,911</u>	<u>7,457,604</u>
9 Creditors	£	£
ACD's periodic charge	186,364	209,381
Rebate borne by ACD	127	127
Accrued expenses	101,480	73,173
Amounts payable on cancellation of shares	595,843	607,429
Interest payable	1	29
Purchases awaiting settlement	—	1,599,322
Total creditors	<u>883,815</u>	<u>2,489,461</u>

10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 234. The balances due at the year end are shown in notes 7 and 9.

11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: nil).

13 Swing pricing

The ACD's Swing pricing policy is disclosed in the notes on pages 9 to 13.

Neptune US Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2017, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,365,699 (2016: £2,594,356).

As at 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £2,396,999 (2016: £2,728,548).

Numerical disclosures relating to the Fund are as follows:

Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets/(liabilities)	
	31 December 2017	31 December 2016
	Total	Total
	£	£
Euro	(115,541)	6,700,766
Swiss franc	3,414	—
US dollar	239,811,990	266,154,042
Total	<u>239,699,863</u>	<u>272,854,808</u>

15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Equities	103,246,862	219,254,684	167,087,130	352,241,758
Collective investment schemes	2,268,987	2,943,086	3,150,648	2,256,290
Trades in the year before transaction costs	<u>105,515,849</u>	<u>222,197,770</u>	<u>170,237,778</u>	<u>354,498,048</u>
Commissions				
Equities	137,017	245,922	(210,956)	(380,009)
Total commissions	<u>137,017</u>	<u>245,922</u>	<u>(210,956)</u>	<u>(380,009)</u>
Taxes				
Equities	—	—	(3,739)	(7,505)
Total taxes	<u>—</u>	<u>—</u>	<u>(3,739)</u>	<u>(7,505)</u>
Total costs	<u>137,017</u>	<u>245,922</u>	<u>(214,695)</u>	<u>(387,514)</u>
Total net trades in the year after transaction costs	<u>105,652,866</u>	<u>222,443,692</u>	<u>170,023,083</u>	<u>354,110,534</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.02% (2016: 0.02%).

Neptune US Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2017 %	31 December 2016 %	31 December 2017 %	31 December 2016 %
Commissions Equities	0.13	0.11	(0.13)	(0.11)
Taxes Equities	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended	31 December 2017 %	31 December 2016 %
Commissions	0.14	0.22
Taxes	—	—
Total	0.14	0.22

16 Post balance sheet events

There were no post balance sheet events.

17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2017 B Accumulation	C Accumulation
Opening shares in issue	16,381,146	2,522,893	74,002,641
Creations during the year	466,469	1,860,894	1,160,999
Cancellations during the year	(3,571,654)	(1,871,064)	(21,642,814)
Shares converted during the year	(149,082)	(122,015)	601,213
Closing shares in issue	<u>13,126,879</u>	<u>2,390,708</u>	<u>54,122,039</u>

	D Accumulation	A Accumulation EUR	B Accumulation EUR
Opening shares in issue	34,747,527	143,914	8,421,558
Creations during the year	183,723	882,344	9,124,306
Cancellations during the year	(7,894,724)	(939,980)	(13,669,342)
Shares converted during the year	—	—	—
Closing shares in issue	<u>27,036,526</u>	<u>86,278</u>	<u>3,876,522</u>

	A Accumulation USD	C Accumulation USD
Opening shares in issue	1,259,795	80,325
Creations during the year	771,401	2,114
Cancellations during the year	(1,515,979)	(11,246)
Shares converted during the year	—	—
Closing shares in issue	<u>515,217</u>	<u>71,193</u>

Neptune US Opportunities Fund

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

18 Fair value hierarchy

Valuation technique

	Assets	Liabilities	Assets	Liabilities
	31 December	31 December	31 December	31 December
	2017	2017	2016	2016
	£	£	£	£
Level 1	236,569,861	—	258,575,515	—
Level 2	—	—	860,112	—
	<u>236,569,861</u>	<u>—</u>	<u>259,435,627</u>	<u>—</u>

The Fund has no Level 3 financial instruments.

Neptune US Opportunities Fund

Distribution Table

for the year ended 31 December 2017 – in pence/cents per share

Interim

Group 1-Shares purchased prior to 1 January 2017

Group 2-Shares purchased on or after 1 January 2017 to 30 June 2017

	Net Revenue	Equalisation	Paid 31 August 2017	Paid 31 August 2016
A Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation shares (p)				
Group 1	0.2276	—	0.2276	0.1337
Group 2	0.1161	0.1115	0.2276	0.1337
C Accumulation shares (p)				
Group 1	0.4318	—	0.4318	0.3066
Group 2	0.1625	0.2693	0.4318	0.3066
D Accumulation shares (p)				
Group 1	0.4067	—	0.4067	0.2906
Group 2	0.2091	0.1976	0.4067	0.2906
A Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation EUR shares (¢)				
Group 1	0.1122	—	0.1122	0.0779
Group 2	0.0386	0.0736	0.1122	0.0779
A Accumulation USD shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation USD shares (¢)				
Group 1	0.4580	—	0.4580	0.0471
Group 2	0.4580	—	0.4580	0.0471

Neptune US Opportunities Fund

Distribution Table

for the year ended 31 December 2017 (continued) – in pence/cents per share

Final

Group 1-Shares purchased prior to 1 July 2017

Group 2-Shares purchased on or after 1 July 2017 to 31 December 2017

	Net Revenue	Equalisation	Payable 28 February 2018	Paid 28 February 2017
A Accumulation shares (p)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation shares (p)				
Group 1	—	—	—	0.5080
Group 2	—	—	—	0.5080
C Accumulation shares (p)				
Group 1	0.2965	—	0.2965	0.5175
Group 2	0.1545	0.1420	0.2965	0.5175
D Accumulation shares (p)				
Group 1	0.3074	—	0.3074	0.4653
Group 2	0.1738	0.1336	0.3074	0.4653
A Accumulation EUR shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation EUR shares (¢)				
Group 1	—	—	—	0.2872
Group 2	—	—	—	0.2872
A Accumulation USD shares (¢)				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation USD shares (¢)				
Group 1	0.3278	—	0.3278	0.4695
Group 2	0.0725	0.2553	0.3278	0.4695

Remuneration Report

The ACD is required to establish, implement and maintain a remuneration policy (the 'Remuneration Policy') which is in accordance with the requirements of SYSC 19E of the FCA Handbook Regulations. It is required to be consistent with, and promote sound and effective risk management and not encourage risk-taking which is inconsistent with, the risk profiles, rules or instruments of incorporation of the relevant sub-fund. The Remuneration Policy is in line with the business strategy, objectives, values and interests of the ACD and the sub-funds and the investors in the sub-funds and includes measures to avoid conflicts of interest. The Remuneration Policy primarily applies to specific categories of staff ('code staff'), including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profile of the ACD or a sub-fund managed by the ACD.

The aggregate amount of remuneration paid by the ACD to its staff in the period was:

	£'000
Fixed remuneration	7,968
Variable remuneration	2,215
Total	10,183
Average number of staff remunerated	75

The aggregate amount of remuneration paid by the ACD to code staff in the period was:

	£'000
Senior Management	1,928
Risk takers	2,453
Control functions	361
Total	4,742
Number of UCITS V code staff remunerated	14

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance-based bonus), a significant portion of which is deferred over a period of three years. Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long-term interests of the Company and the Fund. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices and compliance policies and procedures.

The Remuneration Committee ('RemCo'), which reports to the Board, reviews and adopts the principles of the Remuneration Policy annually. The RemCo consists entirely of independent Non-Executive Directors with significant experience of risk management and remuneration. Compliance with the Remuneration Policy, and its implementation, is also subject to internal monitoring and review by the Compliance team; who make recommendations to RemCo for enhancement, as appropriate.

Neptune Investment Funds

General Information and Contacts

Authorised Status

Neptune Investment Funds ('the Company') is an investment company with variable capital under regulation 12 (Authorisation) of the Open-Ended Investment Companies (OEIC) Regulations 2001, authorised and regulated by the FCA. It is structured as an umbrella company and comprises fifteen securities schemes Funds ('sub-funds'); further Funds may be added in the future. You, as a shareholder, are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of his Shares.

Buying and Selling of Shares

The ACD will accept orders to buy or sell shares on normal business days between 9.00am and 5.00pm (UK time) and transactions will be effected at prices determined by the next following valuation.

Instructions to buy or sell shares may be either in writing to:

Neptune Investment Management Limited,
PO Box 9004,
Chelmsford,
Essex
CM99 2WR

or by telephone on 0800 587 5051.

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Distributions

Where a distribution is to be paid, it has been calculated as at 31 December 2017 and distributed to shareholders, where applicable, on 28 February 2018.

Report and Financial Statements

This document is a full report of Neptune Investment Funds for the year ended 31 December 2017.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

Individual Savings Account (ISA) Status

During the period under review, all of the share classes of the Funds met the requirements for ISA qualification as determined by the HM Revenue & Customs ISA Regulations.

Contacts

ACD and Investment Manager:
Neptune Investment Management Limited
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Richard Green
James Cripps (resigned 11 December 2017)
James Dowey
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Administrator and Registrar

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Independent Auditor

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Neptune Investment Management Limited is authorised and regulated by the FCA. FCA no. 416015.
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VAT registration no. 887 1263 92.