

# AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2)

## Annual Report and Financial Statements

For the year ended 31 July 2017



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\* These items comprise the Manager's Report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook ("the Regulations").

## COMPANY INFORMATION

### AUTHORISED CORPORATE DIRECTOR

Aviva Investors UK Fund Services Limited  
St Helen's  
1 Undershaft  
London, EC3P 3DQ

Aviva Investors UK Fund Services Limited (the ACD) is a wholly owned subsidiary of Aviva Investors Holdings Limited, a company incorporated in the United Kingdom and within the Aviva Group of Companies. The ACD is a member of the Investment Association and is authorised and regulated by the Financial Conduct Authority.

#### Changes to Registered Office

With effect from 19 December 2016, the registered office for the ACD was changed to St Helen's, 1 Undershaft, London, EC3P 3DQ. Prior to this date, the registered office was No. 1 Poultry, London, EC2R 8EJ.

### DIRECTORS

I Buckle  
J Misselbrook (resigned 23 November 2017)  
S Ebenston  
M Craston (resigned 8 February 2017 and re-appointed 1 November 2017)  
G Cass (resigned 8 February 2017)  
D Skinner (appointed 10 February 2017)  
J Leadsom (appointed 6 April 2017)  
D Clayton (appointed 5 April 2017)

### ADMINISTRATOR AND REGISTRAR

DST Financial Services Europe Ltd  
DST House  
St Nicholas Lane  
Basildon  
Essex, SS15 5FS

#### Changes to Administrator and Registrar name

With effect from 14 August 2017, the name of the Administrator and Registrar was changed to DST Financial Services Europe Ltd. Prior to this date, the name was International Financial Data Services (UK) Limited.

### INVESTMENT MANAGER

Aviva Investors Global Services Limited  
St Helen's  
1 Undershaft  
London, EC3P 3DQ

Aviva Investors Global Services Limited is a member of the Investment Association and is authorised and regulated by the Financial Conduct Authority. The ultimate parent company of Aviva Investors Global Services Limited is Aviva Plc.

#### Changes to Registered Office

With effect from 19 December 2016, the registered office for the Investment Manager was changed to St Helen's, 1 Undershaft, London, EC3P 3DQ. Prior to this date, the registered office was No. 1 Poultry, London, EC2R 8EJ.

### DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London, EC14 5JP

J.P.Morgan Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
7 More London Riverside  
London, SE1 2RT

PricewaterhouseCoopers LLP have been reappointed as auditors of the Company.

## REPORT OF THE AUTHORISED CORPORATE DIRECTOR

### THE COMPANY

Aviva Investors Manager of Manager ICVC (ICVC 2) (“the Company”) is an Open-Ended Investment Company (OEIC) with variable capital incorporated in England and Wales since 23 October 2001. The property of the Company is entrusted to J.P. Morgan Europe Limited (“the Depositary”). The shareholders are not liable for any debts of the Company.

The object of the Company is to invest the scheme property in transferable securities, money market instruments, derivative instruments and forward transactions, deposits and units of collective investment schemes in accordance with the COLL Sourcebook with the aim of spreading investment risk and giving its shareholders the benefit of the results of the management of that property.

The Company has an umbrella structure and currently has fourteen Funds, each with a different investment objective. In the financial statements you will find an investment review for each Fund which includes details of the investment objectives.

With effect from 19 December 2016, the registered office for the Aviva ICVC2 was changed to St Helen’s, 1 Undershaft, London, EC3P 3DQ. Prior to this date, the registered office was No. 1 Poultry, London, EC2R 8EJ.

### AUTHORISED STATUS

From 23 October 2001 the Company was authorised as an Open-Ended Investment Company under Regulation 7 of the Open-Ended Investment Companies Regulations 1996 (superseded by Regulation 12 of the Open-Ended Investment Companies Regulations 2001).

The Company is authorised to operate as a “UCITS Scheme” for the purposes of the COLL sourcebook and as an “umbrella” company for the purposes of the OEIC Regulations, which means that the Company issues shares linked to different Funds.

### SIGNIFICANT INFORMATION

On 18 March 2017, Aviva Investors UK Fund Services Limited replaced Aviva Investors UK Funds Limited as the ISA Manager of all Aviva Investors ISA accounts. Other than the identity of the registered ISA Manager, no changes were made to the ISAs or the way they are run as a result of this change.

#### Interest distributions

Up to 5 April 2017, the distributions payable were calculated after the deduction of basic rate income tax. From 6 April 2017, distributions payable are calculated without deducting this tax. The tax treatment of distributions will depend on an investor’s individual circumstances.

### REMUNERATION POLICY

UCITS V came into effect on 18 March 2016 and the ACD has been subject to the UCITS Remuneration Code from that date. Up to date details of its remuneration policy, including but not limited to (i) a description of how remuneration and benefits are calculated and (ii) the identities of persons responsible for awarding remuneration and benefits, including the composition of the Aviva Investors Remuneration Committee, are available from the ACD’s website at <https://uk.avivainvestors.com/gb/en/individual/about-us/for-todays-investor.html>. A paper copy of the information available from the ACD’s website in relation to remuneration is also available free of charge on request from the ACD.

The ACD is also required to disclose a range of information in relation to UCITS remuneration paid in respect of each full performance period after the implementation of UCITS V. As the first full performance period for the ACD will be the period from 1 January 2017 to 31 December 2017, that information is therefore not available to the ACD for this annual accounting period and as such no remuneration disclosures have been included in these financial statements. A full remuneration disclosure setting out the information required by COLL 4.5.7R(7) will be included in the annual financial statements from the year ended 31 July 2018.

### THE FINANCIAL STATEMENTS

We are pleased to present the annual financial statements of the Company for the year ended 31 July 2017. As required by the Regulations, information for each of the Funds has also been included in these financial statements. On the following pages we review the performance of each of those Funds during the year. We hope that you find our review useful and informative.

### ANNUAL GENERAL MEETINGS

The Company will not be holding Annual General Meetings.

## STATEMENT OF CROSS HOLDINGS

There are no cross holdings as at 31 July 2017.

## POLICIES AND RISKS

### ACCOUNTING POLICIES

#### a Basis of accounting

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

All of the Funds have been prepared on a going concern basis.

#### b Share classes

The Funds have three types of share classes: retail shares (class 1), institutional shares (class 2) and shares held by associated undertakings of Aviva Plc (class 3). Each share class bears different charges and consequently the level of revenue allocated to each share class will differ. Some share classes consist of income shares only, whilst others consist of accumulation shares only.

#### c Recognition of revenue

Dividends are recognised when the investment is quoted ex-dividend. Interest arising on fixed interest stocks is recognised on an effective yield basis. Deposit interest and other revenues are recognised on an accruals basis.

Special dividends are either treated as income or capital depending on the facts of each dividend.

#### d Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and the Funds' objectives for investment in derivative instruments.

Where positions are held to protect capital, the returns are treated as capital. Where positions are held to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction.

Where appropriate, the returns from derivatives linked to US Mortgage Backed Securities are apportioned between capital and revenue.

#### e Underwriting commission

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

#### f Dilution Levy Policy

The Company reserves the right to charge a dilution levy (Investor Protection Fee) to protect existing investors in a fund from the costs of buying or selling investments that may result from the sale and/or purchase of shares in that fund. The amount of any such dilution levy is calculated by reference to the estimated costs of dealing in the underlying investments, including any dealing spreads, broker commissions and taxes. When the Company impose a dilution levy on a particular investor or group of investors, this is paid into the Fund and helps to protect existing investors from the costs of the resultant transactions. For details of the circumstances in which a dilution levy may be imposed, dilution levies applied in a fund historically, and on what values, please see that fund's Prospectus.

#### g Basis of valuation of investments

##### Quoted investments

The quoted investments of the Company have been valued at bid market value at 2pm on the last working day of the accounting period for all Funds with the exception of the Aviva Investors UK Opportunities Fund which has been valued at midday. Investments in Luxembourg SICAVs are valued using their single quoted price.

##### Unquoted and unapproved investments

The unquoted and unapproved investments of the Company have been valued by the Investment Manager using available information, such as recent transaction prices, valuations from reliable sources, financial performance and other relevant factors, to arrive at an estimated fair value.

##### Suspended securities

Suspended securities have been valued at the suspended market price per share or valued by the Investment Manager using available information to arrive at an estimated fair value.

##### Delisted securities

Delisted securities have been valued at nil pence per share

##### Forward foreign currency contracts

The Company's forward foreign currency positions on the last working day of the accounting period are included in the portfolio statement as an asset or liability so as to reflect the value of each contract.

##### Over the counter (OTC) derivatives

OTC derivatives are either valued by the relevant counterparty or by the Investment Manager using available information to arrive at an estimated fair value.

##### Exchange traded derivatives (ETDs)

ETDs are included at the aggregate unrealised market value of the open contracts.

##### CIS investments

CIS investments are valued at the last share price available at the valuation point.

##### h Exchange rates

Assets and liabilities held in foreign currencies are translated at the rate ruling at 2pm on the last working day of the accounting period for all Funds with the exception of the Aviva Investors UK Opportunities Fund which was translated at midday. Revenue and expenditure items are translated at the rate ruling at the date of the transaction.

## POLICIES AND RISKS (CONTINUED)

### ACCOUNTING POLICIES (CONTINUED)

#### i Taxation and deferred taxation

Provision for Corporation Tax is based at the current rate, as appropriate, on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken as appropriate. Deferred taxation is provided using the liability method on all timing differences that have originated but not reversed at the balance sheet date, calculated at the rate for the period in which it is anticipated the timing differences will reverse, based on rates that have been enacted or substantially enacted at the balance sheet date. 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.

### DISTRIBUTION POLICIES

#### a Distribution policy

Where appropriate, the Company will pay any surplus revenue as a revenue distribution or accumulation of capital. The Aviva Investors UK Gilts MoM 1 Fund, the Aviva Investors UK Credit MoM 1 Fund, the Aviva Investors Sterling Credit MoM 1 Fund and the Aviva Investors Global Agg MoM 1 Fund are more than 60% invested in qualifying investments (as defined by the relevant legislation) and pay interest distributions. All the other Funds pay dividend distributions.

Full details are set out in the distribution tables.

#### b Treatment of stock dividends

The ordinary element of stock dividends is treated as revenue and forms part of the Fund's distribution. The value of the stock dividend is based on the market value of the shares on the dates they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is treated as capital.

#### c Treatment of management expenses

The ACD's periodic charge is charged to the revenue property of all the Funds except for Aviva Investors UK Gilts MoM 1 Fund, Aviva Investors UK Credit MoM 1 Fund, Aviva Investors Sterling Credit MoM 1 Fund and Aviva Investors Global Agg MoM 1 Fund which offset the ACD's periodic charge to capital for the purpose of the distribution.

All other expenses, except those relating to the purchase and sale of investments, are charged against revenue. Expenses are accounted for on an accruals basis.

### FINANCIAL INSTRUMENTS

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payable for cancellation of shares and debtors for accrued revenue.

The Company also enters into derivative transactions in the form of investment in forward foreign currency contracts, stock index futures and interest rate swaps. The purpose of these financial instruments is efficient portfolio management.

In particular, forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. Stock index futures are used to manage market risk arising from the time lag between funds being receivable or payable by the Company and investments or disinvestments in underlying securities.

In accordance with requirements set out in the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority, such scheme transactions must be economically appropriate, any exposure must be fully covered and the transactions must be entered into with the aim of reducing risk and/or costs and/ or generating additional capital or revenue for the scheme with no, or an acceptably low level of risk. Open-Ended Investment Companies are not permitted by the Regulations to enter into a transaction in derivatives if its purpose could reasonably be regarded as speculative.

The Company's use of financial instruments satisfies these requirements.

The Company has exposure to a number of different risks to varying degrees. The main risks it faces from its financial instruments and the Investment Manager's policies for managing these risks are summarised below:

#### a Foreign currency risk

The Funds can be exposed to foreign currency risk as a result of investing in assets denominated in currencies other than Sterling. Where the manager deems it necessary, this exposure to foreign currency fluctuations is mitigated by the use of forward foreign currency contracts. Where relevant, numerical disclosures can be found in the notes to the financial statements for each Fund.

#### b Interest rate risk

The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Investment Manager manages this risk by maintaining a balanced portfolio with due consideration to interest rate and redemption profiles. Interest rate risk is also managed by ensuring that deposits mature within a relatively short period. Where relevant, numerical disclosures can be found in the notes to the financial statements for each Fund.



## POLICIES AND RISKS (CONTINUED)

### FINANCIAL INSTRUMENTS (CONTINUED)

#### **c Market risk**

The Funds' investment portfolios are exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objectives and policies of the Funds. Adherence to investment and borrowing powers set out in the Instrument of Incorporation and in the Collective Investment Schemes Sourcebook of the Financial Conduct Authority, mitigates the risk of excessive exposure to any particular type of security or issuer.

Further information on the investment portfolios is set out in the investment reports and portfolio statements, of the individual Funds.

#### **d Credit risk**

The Funds restrict their exposure to credit losses on derivative instruments by trading via International Swap and Derivative Association (ISDA) Master Arrangements with each counterparty.

The Funds are exposed to the risk that a bond issuer may default on the interest payments or the redemption of the bond. The Funds manage this risk by maintaining a balanced portfolio with due consideration to interest rate and redemption profiles and the credit worthiness of the bond issuer.

#### **e Liquidity risk**

This is the risk that there is insufficient liquidity which restricts a Fund's investment opportunities or ability to pay liabilities at short notice. This risk is managed by ensuring that overdrafts are monitored and maintained within investment limits and exposure to unquoted or illiquid securities is limited.

#### **f Counterparty Risk**

There is a risk that the Counterparty will not be able to settle its obligations under the agreement. This is mitigated by an assessment of the credit worthiness of the Counterparty, and the use of multiple counterparties to ensure that no more than 20% of the Fund value is exposed to one counterparty.

Further information on the investment portfolio is set out in the investment reports and portfolio statements.

## AVIVA INVESTORS UK OPPORTUNITIES FUND

### INVESTMENT OBJECTIVE

Long term capital appreciation.

### INVESTMENT POLICY

Selective investment principally in UK equities based on price and prospects of above average earnings growth. There may also be limited investment in global bond markets from time to time.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 17.21 per cent, outperforming both the Lipper UK Equity sector return of 14.44 per cent and the FTSE® All-Share Index return of 14.90 per cent.

#### Review

In the immediate aftermath of the Brexit vote last summer many economists and market participants were forecasting the UK economy would slide into recession during the fourth quarter of 2016. Whilst both economic and political uncertainty have heightened over the last twelve months, particularly as the June General Election resulted in a hung parliament and Brexit negotiations began, UK economic indicators and corporate earnings growth have undoubtedly exceeded expectations, leading to a strong performance from the UK equity market. The experience over the last twelve months, backed up by numerous studies, has illustrated that stock market returns and economic growth are lowly correlated.

We have seen an increase in merger and acquisition activity since the Brexit vote, as companies have sought to take advantage of the sharp depreciation in sterling and, in some instances, more attractive stock valuations. In particular, it is worth mentioning two transactions that had a positive impact on fund performance. These were takeover deals for Paysafe and Lavendon. In the case of equipment rental group Lavendon, the fund managers were rewarded for being patient as a prolonged bidding contest between French group Loxam and Belgian rival TVH Group resulted in success for the former with Lavendon acquired at a 94% premium to its undisturbed share price.

The UK equity market remains attractively valued both in a historical context, and in comparison with other developed markets. A pertinent trend within UK equities is the marked polarization in valuations between companies perceived as thematically well-placed versus structurally under pressure. This is best evidenced in the General Retail sector where there is a huge divergence in the valuations ascribed to pure-play online businesses versus brick & mortar businesses. The fund managers remain focused on identifying companies on attractive valuations with sustainable earnings momentum and growth potential.

The Fund outperformed both its benchmark and the peer group during the year under review. The Fund's style bias towards positive earnings momentum has come back into favour which, coupled with strong stock selection, has driven performance.

The most significant contribution has come from stock selection in the consumer and industrial sectors. The underweight position in the healthcare sector, on concerns over the earnings outlook given political pressure for tighter controls on drug pricing in the US, also contributed. Conversely within financials the underweight in banks detracted from performance but this was more than offset by the positive contributions from other financials including insurance group Prudential and global exchange London Stock Exchange.

UK consumer spending has been a lot more resilient than many forecasters were expecting in the aftermath of the Brexit vote, attributable largely to low unemployment and record low borrowing rates. However, in recent months inflation has outpaced real wage growth, i.e. after allowing for consumer price inflation, and the consequent squeeze on household incomes has seen retail spending slow. We had become increasingly concerned about the deteriorating outlook for consumer spending and repositioned the portfolio to reflect this view. The Fund has one key holding with exposure to discretionary consumer spending and that is B&M European Value Retail. This discount retailer has recently reported an acceleration in sales growth as more consumers are seeking out bargains, while opening new stores and increasing its brand presence nationally. On the other hand, it is noticeable that expenditure on big ticket items is clearly falling in response to rising inflation and economic uncertainty.

One area of the domestic economy the fund managers favour is the UK housing market, where there is a chronic supply shortage of homes across the residential, private rented sector and local authority housing sectors. All political parties recognise the severity of the housing issue, with incentives such as the Help to Buy scheme in place to assist first time buyers. The Fund has holdings in housebuilder Countryside Properties, PRS Real Estate Investment Trust, property regeneration specialist St Modwen and brick manufacturer Ibstock. A year ago, both Countryside Properties and St Modwen were trading on depressed valuations as the market grew concerned about deteriorating property market fundamentals in the face of an economic slowdown. The fund managers took the view that in both cases the shares were in oversold territory and we have been rewarded with strong performance from both stocks over the review period.

The investment case for several of the Fund's major holdings has strengthened over the last year. The standout performer was Sanne, a provider of fund and corporate administration services in the alternative asset market space. The company has strengthened its position in the outsourcing market through successfully integrating acquisitions and the fund managers remain very positive on its longer-term earnings prospects. Packaging group DS Smith announced the acquisition of Interstate Resources, marking its entry into the US market. The US is a long way behind the EU on display and e-commerce packaging, and as well as diversification benefits this deal provides the opportunity to increase business with existing European clients that have US operations. Despite the proposed merger between Deutsche Boerse and London Stock Exchange falling through, our holding in London Stock Exchange performed well. We have long been supportive of the business on a standalone basis and the business faces a number of positive structural growth drivers including mandatory central clearing and growth in information services driven by greater use of benchmarks, indices, data and analytics. The company's most recent earnings announcement positively surprised the market and led to analysts revising their annual earnings expectations higher.

In contrast, the weakness of the Fund's holding in satellite operator Inmarsat resulted in the managers deciding to sell. The key issue was the change that has occurred in the satellite industry over the last twelve months from one of limited supply and pricing power to increased capacity growth and competition. We took the view that the market was underappreciating the risks to earnings growth, and not acknowledging the medium-term risk of a dividend cut should higher capital expenditure be sustained for a longer period.

## AVIVA INVESTORS UK OPPORTUNITIES FUND (CONTINUED)

New holdings during the year under review included Melrose Industries, CRH and First Derivatives. Diversified industrial group Melrose has a strong record of generating earnings growth through, buying, improving and selling underperforming businesses. We are confident that Melrose can improve operating performance and profit margins at its latest acquisition, US group Nortek, which supplies extractor fans. CRH, a building materials business in the construction sector, was acquired on prospects for a recovery in global cement demand and an improved financial position following the acquisition of Lafarge Holcim. First Derivatives owns a data analytics platform that serves data intensive industries. The fund managers have confidence in the technology's application potential beyond its current usage in financial markets.

These acquisitions were funded through the disposal of holdings in retirement home specialist McCarthy & Stone and retailer Dixons Carphone. McCarthy & Stone is vulnerable to a slowdown in the secondary housing market which has already resulted in the company missing the market's earnings forecasts. We saw Dixons Carphone as vulnerable to a slowdown in demand for big ticket items, and inability to pass through higher costs in the form of price increases for commoditised products.

### Outlook

Ongoing Brexit negotiations and the febrile US political backdrop are likely to dominate the headlines going forward, but as the last year has highlighted equity markets can be highly resilient to such uncertainty. It is also significant that the UK equity market includes a broad spread of world-leading global companies whose earnings prospects are largely detached from the UK economy.

We have not invested on the back of expectations that the Trump administration will implement the proposed tax cuts and higher infrastructure spending and therefore the Fund is not materially at risk should these policies fail to materialise. In holdings which provide significant exposure to the US economy, we believe the investment case is unambiguously supportive irrespective of any Trump policy benefits.

In the light of the prolonged bull market in UK equities, remaining not far from a record high, we are ever more aware of the price we are willing to pay when investing in individual stocks. However, in view of positive global economic data, encouraging earnings momentum and broadly supportive historic and relative valuations, we believe UK equities can make further progress. This is subject to the proviso that a gradual withdrawal of monetary stimulus from the major central banks will require a measured approach to policy changes and communication that is adroit and subtle, while the economic outlook remains positive.

August 2017

\* Fund performance figures – share class 1, source Lipper Hindsight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Aviva Investors Global Services Limited

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative tables on page 10 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

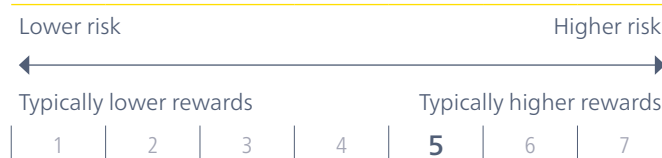
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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP	Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP
Unilever	London Stock Exchange Group
National Grid	Worldpay Group
Melrose Industries	BT Group
Royal Dutch Shell 'B'	Lavendon Group
CRH	Dixons Carphone
Sherborne Investors Guernsey C	easyJet
Shire	McCarthy & Stone
St Modwen Properties	Inmarsat
First Derivatives	BCA Marketplace

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- Investment may be restricted to a limited number of holdings, industries, or Countries. The Fund share price may be more exposed to specific events and as a result may experience large daily price changes.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLES

Class 1 Accumulation	2017 p per share	2016 p per share	2015 p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	128.32	134.90	123.08
Return before operating charges <sup>†</sup>	24.68	(4.60)	13.81
Operating charges	(2.17)	(1.98)	(1.99)
Return after operating charges <sup>†</sup>	22.51	(6.58)	11.82
Distributions	(2.51)	(2.34)	(2.08)
Retained distributions on accumulation shares	2.51	2.34	2.08
Closing net asset value per share	150.83	128.32	134.90
<sup>†</sup> after direct transaction costs of	(0.30)	(0.21)	(0.22)
<b>Performance</b>			
Return after charges	17.54%	(4.88)%	9.60%
<b>Other information</b>			
Closing net asset value (£000)	1,523	1,127	1,512
Closing number of shares	1,009,651	878,708	1,120,920
Operating charges (%) <sup>†</sup>	1.53%	1.53%	1.53%
Direct transaction costs (%) <sup>#</sup>	0.21%	0.16%	0.17%
<b>Prices<sup>≈</sup></b>			
Highest share price	152.66	136.85	140.35
Lowest share price	127.18	117.46	113.85

Class 2 Accumulation	2017 p per share	2016 p per share	2015 p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	214.96	224.19	202.92
Return before operating charges <sup>†</sup>	41.47	(7.66)	22.86
Operating charges	(1.73)	(1.57)	(1.59)
Return after operating charges <sup>†</sup>	39.74	(9.23)	21.27
Distributions	(6.11)	(5.62)	(5.17)
Retained distributions on accumulation shares	6.11	5.62	5.17
Closing net asset value per share	254.70	214.96	224.19
<sup>†</sup> after direct transaction costs of	(0.49)	(0.34)	(0.37)
<b>Performance</b>			
Return after charges	18.49%	(4.12)%	10.48%
<b>Other information</b>			
Closing net asset value (£000)	804	840	821
Closing number of shares	315,587	390,657	366,317
Operating charges (%) <sup>†</sup>	0.73%	0.73%	0.73%
Direct transaction costs (%) <sup>#</sup>	0.21%	0.16%	0.17%
<b>Prices<sup>≈</sup></b>			
Highest share price	257.77	227.47	232.93
Lowest share price	213.08	196.04	188.01

Class 3 Accumulation	2017 p per share	2016 p per share	2015 p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	301.48	313.49	282.91
Return before operating charges <sup>†</sup>	58.26	(10.72)	31.88
Operating charges	(1.44)	(1.29)	(1.30)
Return after operating charges <sup>†</sup>	56.82	(12.01)	30.58
Distributions	(9.58)	(8.77)	(8.12)
Retained distributions on accumulation shares	9.58	8.77	8.12
Closing net asset value per share	358.30	301.48	313.49
<sup>†</sup> after direct transaction costs of	(0.70)	(0.48)	(0.51)
<b>Performance</b>			
Return after charges	18.85%	(3.83)%	10.81%
<b>Other information</b>			
Closing net asset value (£000)	216,700	180,522	195,017
Closing number of shares	60,480,176	59,878,505	62,208,505
Operating charges (%) <sup>†</sup>	0.43%	0.43%	0.43%
Direct transaction costs (%) <sup>#</sup>	0.21%	0.16%	0.17%
<b>Prices<sup>≈</sup></b>			
Highest share price	362.61	318.10	325.54
Lowest share price	298.86	274.57	262.28

<sup>‡</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 1	1.53%	1.53%
Class 2	0.73%	0.73%
Class 3	0.43%	0.43%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 93.39% (93.61%)</b>				
<b>Consumer Discretionary 15.62% (18.04%)</b>				
<b>Auto Components 0.02% (0.40%)</b>				
Torotrak	GBP	13,481,652	47	0.02
			47	0.02
<b>Hotels, Restaurants &amp; Leisure 2.76% (4.01%)</b>				
Compass Group	GBP	377,669	6,054	2.76
			6,054	2.76
<b>Household Durables 2.76% (1.55%)</b>				
Bovis Homes Group	GBP	112,900	1,134	0.52
Countryside Properties	GBP	1,367,320	4,913	2.24
			6,047	2.76
<b>Media 5.95% (5.54%)</b>				
ITV	GBP	2,697,930	4,659	2.13
Next Fifteen Communications Group <sup>#</sup>	GBP	1,910,463	8,368	3.82
			13,027	5.95
<b>Multiline Retail 2.27% (1.60%)</b>				
B&M European Value Retail	GBP	1,381,238	4,966	2.27
			4,966	2.27
<b>Specialty Retail 1.86% (4.94%)</b>				
BCA Marketplace	GBP	2,099,413	4,068	1.86
			4,068	1.86
<b>Consumer Discretionary total</b>			<b>34,209</b>	<b>15.62</b>
<b>Consumer Staples 10.25% (8.73%)</b>				
<b>Household Products 1.92% (2.15%)</b>				
Reckitt Benckiser Group	GBP	56,708	4,203	1.92
			4,203	1.92
<b>Personal Products 2.36% (0.00%)</b>				
Unilever	GBP	119,104	5,159	2.36
			5,159	2.36
<b>Tobacco 5.97% (6.58%)</b>				
British American Tobacco	GBP	276,083	13,081	5.97
			13,081	5.97
<b>Consumer Staples total</b>			<b>22,443</b>	<b>10.25</b>
<b>Energy 11.11% (10.55%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 11.11% (10.55%)</b>				
BP	GBP	1,854,656	8,282	3.78
Royal Dutch Shell 'B'	GBP	743,846	16,045	7.33
			24,327	11.11
<b>Energy total</b>			<b>24,327</b>	<b>11.11</b>
<b>Financials 20.04% (18.00%)</b>				
<b>Banks 6.50% (4.85%)</b>				
Barclays	GBP	2,391,445	4,851	2.22
HSBC Holdings	GBP	1,238,163	9,373	4.28
			14,224	6.50
<b>Capital Markets 8.28% (7.83%)</b>				
London Stock Exchange Group	GBP	192,132	7,234	3.30
Sanne Group	GBP	1,300,032	8,710	3.98
Sherborne Investors Guernsey C	GBP	2,131,381	2,195	1.00
			18,139	8.28

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Insurance 5.26% (5.32%)</b>				
Aviva <sup>†</sup>	GBP	506,000	2,715	1.24
Prudential	GBP	481,923	8,807	4.02
			11,522	5.26
<b>Financials total</b>			<b>43,885</b>	<b>20.04</b>
<b>Health Care 4.24% (5.24%)</b>				
<b>Biotechnology 1.98% (1.53%)</b>				
Shire	GBP	100,971	4,327	1.98
			4,327	1.98
<b>Health Care Equipment &amp; Supplies 1.07% (1.10%)</b>				
Smith & Nephew	GBP	177,313	2,349	1.07
			2,349	1.07
<b>Health Care Providers &amp; Services 1.19% (2.61%)</b>				
UDG Healthcare	GBP	307,922	2,606	1.19
			2,606	1.19
<b>Health Care total</b>			<b>9,282</b>	<b>4.24</b>
<b>Industrials 3.27% (3.82%)</b>				
<b>Airlines 0.00% (1.44%)</b>				
<b>Machinery 1.93% (0.00%)</b>				
Melrose Industries	GBP	1,821,104	4,236	1.93
			4,236	1.93
<b>Professional Services 1.34% (1.31%)</b>				
Ricardo	GBP	383,531	2,934	1.34
			2,934	1.34
<b>Trading Companies &amp; Distributors 0.00% (1.07%)</b>				
<b>Industrials total</b>			<b>7,170</b>	<b>3.27</b>
<b>Information Technology 8.27% (10.36%)</b>				
<b>Communications Equipment 0.00% (1.12%)</b>				
<b>Internet Software &amp; Services 3.35% (3.55%)</b>				
Moneysupermarket.com Group	GBP	777,121	2,603	1.19
ZPG	GBP	1,309,143	4,741	2.16
			7,344	3.35
<b>IT Services 2.25% (2.74%)</b>				
First Derivatives <sup>#</sup>	GBP	81,026	2,331	1.06
Paysafe Group	GBP	442,455	2,608	1.19
			4,939	2.25
<b>Software 2.67% (2.95%)</b>				
Alfa Financial Software Holdings	GBP	321,556	1,540	0.70
Izodia <sup>^</sup>	GBP	1,192,922	–	–
Sage Group	GBP	633,344	4,301	1.97
			5,841	2.67
<b>Information Technology total</b>			<b>18,124</b>	<b>8.27</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Materials 12.55% (9.07%)</b>				
<b>Construction Materials 2.56% (1.51%)</b>				
CRH	GBP	104,128	2,776	1.27
lbstock	GBP	1,116,156	2,840	1.29
			5,616	2.56
<b>Containers &amp; Packaging 4.85% (4.22%)</b>				
DS Smith	GBP	2,200,483	10,622	4.85
			10,622	4.85
<b>Metals &amp; Mining 5.14% (3.34%)</b>				
Rio Tinto	GBP	316,464	11,253	5.14
			11,253	5.14
<b>Materials total</b>			<b>27,491</b>	<b>12.55</b>
<b>Real Estate 2.83% (1.76%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 1.69% (1.76%)</b>				
Derwent London	GBP	96,409	2,719	1.24
PRS REIT	GBP	940,260	978	0.45
			3,697	1.69
<b>Real Estate Management &amp; Development 1.14% (0.00%)</b>				
St Modwen Properties	GBP	700,687	2,499	1.14
			2,499	1.14
<b>Real Estate total</b>			<b>6,196</b>	<b>2.83</b>
<b>Telecommunication Services 3.69% (8.04%)</b>				
<b>Diversified Telecommunication Services 1.05% (5.15%)</b>				
BT Group	GBP	729,155	2,297	1.05
			2,297	1.05
<b>Wireless Telecommunication Services 2.64% (2.89%)</b>				
People's Operator Holdings <sup>#</sup>	GBP	2,725,716	48	0.02
Vodafone Group	GBP	2,589,597	5,746	2.62
			5,794	2.64
<b>Telecommunication Services total</b>			<b>8,091</b>	<b>3.69</b>
<b>Utilities 1.52% (0.00%)</b>				
<b>Multi-Utilities 1.52% (0.00%)</b>				
National Grid	GBP	355,307	3,342	1.52
			3,342	1.52
<b>Utilities total</b>			<b>3,342</b>	<b>1.52</b>
<b>Equities total</b>			<b>204,560</b>	<b>93.39</b>
<b>Liquidity Funds 4.84% (4.22%)</b>				
Aviva Investors Sterling Liquidity Fund Class 3, Income shares, GBP <sup>†</sup>	GBP	10,600,000	10,600	4.84
<b>Liquidity Funds total</b>			<b>10,600</b>	<b>4.84</b>
Investment assets			215,160	98.23
Net other assets			3,867	1.77
<b>Net assets</b>			<b>219,027</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2016.

<sup>#</sup> Security traded on another regulated market.<sup>†</sup> Investment in or managed by a related party.<sup>^</sup> Unlisted, suspended or delisted security.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains/(losses)	2		28,830		(13,189)
Revenue	3	6,756		6,316	
Expenses	4	(894)		(819)	
Net revenue before taxation		5,862		5,497	
Taxation	5	(26)		(7)	
Net revenue after taxation			5,836		5,490
<b>Total return before distributions</b>			<b>34,666</b>		<b>(7,699)</b>
Distributions	6		(5,836)		(5,490)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>28,830</b>		<b>(13,189)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>182,489</b>		<b>197,350</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	2,910		195	
Amounts payable on cancellation of shares	(1,044)		(7,271)	
		1,866		(7,076)
Dilution adjustment		–		22
Change in net assets attributable to shareholders from investment activities (see above)		28,830		(13,189)
Retained distribution on accumulation shares		5,842		5,379
Unclaimed distribution monies		–		3
<b>Closing net assets attributable to shareholders</b>		<b>219,027</b>		<b>182,489</b>



## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		215,160	178,532
<b>Current assets:</b>			
Debtors	8	469	1,011
Cash and bank balances	9	3,534	3,058
<b>Total assets</b>		<b>219,163</b>	<b>182,601</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Other creditors	10	(136)	(112)
<b>Total liabilities</b>		<b>(136)</b>	<b>(112)</b>
<b>Net assets attributable to shareholders</b>		<b>219,027</b>	<b>182,489</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains/(losses)

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains/(losses) on investments during the year comprise:</b>		
Expenses relating to the purchase and sale of investments	(6)	(4)
Non-derivative securities gains/(losses)	28,836	(13,185)
<b>Net capital gains/(losses)</b>	<b>28,830</b>	<b>(13,189)</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	10	4
Interest on debt securities	30	31
UK dividends	6,381	5,845
Overseas dividends	287	359
Property income distributions	48	71
Underwriting commission	–	6
<b>Total revenue</b>	<b>6,756</b>	<b>6,316</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	832	765
Registration fees	10	10
	842	775
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	27	25
Interest payable	2	–
Safe custody fee	2	2
	31	27
<b>Other expenses:</b>		
Audit fee*	10	10
Printing & postage expenses	4	1
Statement fees	7	6
	21	17
<b>Total expenses</b>	<b>894</b>	<b>819</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	26	7
<b>Total current tax for the year (see note 5b)</b>	<b>26</b>	<b>7</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>5,862</b>	<b>5,497</b>
Corporation tax at 20%	1,172	1,099
<b>Effects of:</b>		
Movement in excess expenses	160	141
Overseas dividends not subject to corporation tax	(56)	(71)
Overseas tax suffered	26	7
UK dividends not subject to corporation tax	(1,276)	(1,169)
	(1,146)	(1,092)
<b>Current tax charge (see note 5a)</b>	<b>26</b>	<b>7</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,977,000 (2016: £5,175,000) creating a potential deferred tax asset of £1,195,000 (2016: £1,035,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	2,333	2,229
Final distribution	3,509	3,150
	5,842	5,379
Add: Revenue deducted on cancellation of shares	10	113
Deduct: Revenue received on issue of shares	(16)	(2)
<b>Total distributions</b>	<b>5,836</b>	<b>5,490</b>

Details of the distributions per share are set out in the distribution tables on page 22.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

	As at 31.07.17	As at 31.07.16
	Assets £000	Assets £000
Basis of valuation		
Level 1: Quoted prices	204,560	170,832
Level 2: Observable market data	10,600	7,700
<b>Total value</b>	<b>215,160</b>	<b>178,532</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17	As at 31.07.16
	£000	£000
Accrued revenue	449	250
Income tax recoverable	–	28
Overseas tax recoverable	12	19
Sales awaiting settlement	8	714
<b>Total debtors</b>	<b>469</b>	<b>1,011</b>

**9 Cash and bank balances**

	As at 31.07.17	As at 31.07.16
	£000	£000
Cash and bank balances	3,534	3,058
<b>Total cash and bank balances</b>	<b>3,534</b>	<b>3,058</b>

**10 Other creditors**

	As at 31.07.17	As at 31.07.16
	£000	£000
Accrued expenses	136	105
Amounts payable for cancellation of shares	–	7
<b>Total creditors</b>	<b>136</b>	<b>112</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 Related party transactions

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £76,000 (2016: £58,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £5,799,000 (2016: £5,337,000). The amount outstanding at the year end was £3,482,000 (2016: £3,125,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

All investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are identified on the portfolio statement. The total purchases and sales on these investments during the year amounted to £48,500,000 (2016: £32,600,000) and £46,600,000 (2016: £24,900,000) respectively. The income received during the year amounted to £147,000 (2016: £136,000).

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties (share class 2 Accumulation)	32,999	(3,331)	36,330
ACD and related parties (share class 3 Accumulation)	60,480,176	601,671	59,878,505

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has three share classes: Class 1 (Retail), Class 2 (Institutional) and Class 3 (Associated undertakings of Aviva Plc). The annual management charges are as follows:

Class 1: 1.50%  
Class 2: 0.70%  
Class 3: 0.40%

The net asset value per share class, the net asset value per share and the number of shares in the class are shown on page 10. The distributions per share class are given in the distribution tables on page 22. All the share classes have the same rights on winding up.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 1 Accumulation	878,708	262,181	(131,238)	–	1,009,651
Share Class 2 Accumulation	390,657	4,485	(79,555)	–	315,587
Share Class 3 Accumulation	59,878,505	809,251	(207,580)	–	60,480,176

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 6 and 7.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

#### Currency risk

At the year end date, 0.01% (2016: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

#### Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 6.45% (2016: 5.90%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

The floating rate on deposits is linked to LIBOR or its overseas equivalent.

#### Market price risk

At the year end date, 98.23% (2016: 97.83%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.82% (2016: 9.78%).

### 16 Direct transaction costs

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.17	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases</b>						
Equities	(48,369)	(28)	(356)	(48,753)	0.06%	0.74%
Bonds	(49,500)	–	–	(49,500)	0.00%	0.00%
	(97,869)	(28)	(356)	(98,253)		
<b>Sales</b>						
Equities	43,902	(41)	–	43,861	0.09%	0.00%
Bonds	46,600	–	–	46,600	0.00%	0.00%
	90,502	(41)	–	90,461		
<b>Total</b>		(69)	(356)			
<b>Percentage of Fund average net assets</b>		0.03%	0.18%			

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs (continued)**

<b>Purchases</b>						
Equities	(50,882)	(48)	(178)	(51,108)	0.09%	0.35%
Bonds	(32,600)	–	–	(32,600)	0.00%	0.00%
	<u>(83,482)</u>	<u>(48)</u>	<u>(178)</u>	<u>(83,708)</u>		
<b>Sales</b>						
Equities	53,409	(69)	–	53,340	0.13%	0.00%
Bonds	24,900	–	–	24,900	0.00%	0.00%
	<u>78,309</u>	<u>(69)</u>	<u>–</u>	<u>78,240</u>		
<b>Total</b>		<u>(117)</u>	<u>(178)</u>			
<b>Percentage of Fund average net assets</b>		<u>0.06%</u>	<u>0.10%</u>			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.38% (2016: 0.33%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Accumulation shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 1	Group 1	1.6317	–	1.6317	1.5346
	Group 2	1.2811	0.3506	1.6317	1.5346
Share Class 2	Group 1	3.7260	–	3.7260	3.4059
	Group 2	1.5040	2.2220	3.7260	3.4059
Share Class 3	Group 1	5.7544	–	5.7544	5.2166
	Group 2	5.7544	0.0000	5.7544	5.2166

Group 1 shares are those shares purchased at or before 12:00 noon on 31 January 2017.

Group 2 shares are those shares purchased after 12:00 noon on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Accumulation shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 1	Group 1	0.8755	–	0.8755	0.8079
	Group 2	0.0194	0.8561	0.8755	0.8079
Share Class 2	Group 1	2.3811	–	2.3811	2.2166
	Group 2	0.9077	1.4734	2.3811	2.2166
Share Class 3	Group 1	3.8251	–	3.8251	3.5545
	Group 2	2.0558	1.7693	3.8251	3.5545

Group 1 shares are those shares purchased at or before 12:00 noon on 31 July 2016.

Group 2 shares are those shares purchased after 12:00 noon on 31 July 2016.

**Equalisation**

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



## AVIVA INVESTORS UK EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 16.56 per cent (net of fees), outperforming the FTSE® All-Share Index return of 14.90 per cent.

#### Review

The second half of the financial year saw meaningful gains for important Fund constituents; to such an extent that the underperformance we were disappointed to deliver for you in the final quarter of 2016 has unwound.

Three factors seem important to us in explaining this favourable reversal for the Fund. The bid approach to Unilever was a real surprise to all market participants and placed a much higher value on it and by extension its peers than many investors had thought possible. The fact that Unilever has subsequently been able to demonstrate additional value, over and above Kraft's sighting shot and the shares were recently trading 10 per cent above that level has reignited interest in all global consumer staple companies. The result is that not only within the Fund is Unilever trading close to an all-time high, up 25 per cent over the year, but so are Diageo (+13.5 per cent over the year) and Heineken (+12.6 per cent).

We are sure that the oil price is important too. As I write oil is down c15 per cent in 2017, despite further commitment from OPEC to limit supplies. This is great news for companies that benefit from rising disposable consumer income. Burberry (+31 per cent over the year), Diageo and Heineken have all recently been able to point to improving demand for their products around the world. We think the strong market performance of emerging markets in 2017 to date is relevant here. Falling energy costs benefit emerging market consumers proportionately more than developed world ones. A new cycle of emerging markets consumption growth would help accelerate growth for our global companies. Shares of Hindustan Lever – Unilever's 67 per cent owned subsidiary in India and itself a c\$40bn market cap company, are up nearly 40 per cent in calendar 2017. In the process making Kraft's merger approach to its parent look increasingly opportunistic and inadequate.

Finally, it is important to put oil weakness into context. We think it not at all accidental that oil is weak while Tesla has been hitting new highs famously exceeding GM, Ford and now BMW's market caps in 2017. Investors are looking ahead and beginning to discount a big drop in demand for gasoline as electric vehicles and, particularly, autonomous vehicles approach mass acceptance. We have seen research that suggests that the current fleet of US cars and vans of 247 million will fall to 44 million by 2030. The implications are massive for many industry sectors, some of which we are deliberately not invested in (and never have been) – such as Autos, Insurance and Oil. But from our point of view the likely bounty delivered to global consumers from the fall in the cost of energy looks to be significant in the shape of increased discretionary income. If sceptics want a reason to remain optimistic about Global Equity as an asset class, including UK equities, they need to look no further. Big share price gains in several of the stock market "proxies" that we own in the Fund, I am referring to holdings in the London Stock Exchange (+36 per cent over the year), Rathbones (+46 per cent) and Schroders (+33 per cent) show how pessimistic investors had become about Global Equity during 2016, in our opinion and how much of an opportunity remains.

Still on this final point – many investors clearly expected 2017 to be a year for iron ore and copper; hence the big "value" rally in the last quarter of 2016. But so far at least it has been NASDAQ that has really soared, with the big tech leaders making new highs. This is an area of focus, worry and, we hope, opportunity for us. Can we find some investments in the UK that meet our criteria for franchise/brand value, but also give us exposure to a secular technology bull market? So far our record is not spotless, to say the least. For instance, Pearson shares are well down over the last twelve months (-23.5 per cent, I am ashamed to report) and we remain uncertain whether the company's heavy investment in digital technology will pay off (although it is important to remember Pearson has invested more in digital education than anyone else and has more digital users of its services than anyone else). For the time being we remain holders, but alert for any further signs of secular deterioration in its business. But we'd point to double digit gains in Paypal (one of our permitted non-UK holdings and up 59 per cent over the past twelve months) and RELX (+16 per cent over the year) as examples of what we're looking and hoping for. In particular, we are increasingly of the view that Mail Online has become a media asset of global scale and significance, its audience has doubled again over the past twelve months to 49 million a day, with revenues now annualising above £100 million. In a world where the value of anything that attracts eyeballs to media devices, increasingly mobile ones, is escalating we think Daily Mail & General Trust is meaningfully undervalued.

## AVIVA INVESTORS UK EQUITY MOM 1 FUND (CONTINUED)

### FUND MANAGER'S REPORT (CONTINUED)

Over the reporting period there were 31 inadvertent breaches of the UCITS concentration regulations (COLL 5.2.11 R (3) and COLL 5.2.11 R (4)). These have occurred as a consequence of our concentrated portfolio. The breaches are caused by the price gains of shares in which we are invested, particularly gains in excess of the market average. At the heart of our approach is the conviction that one way to investment success is to invest solely in what we analyse to be great businesses and then to hold shares in those great businesses for very long periods. We manage relatively concentrated portfolios with less than thirty holdings. This is in part because "great" businesses are rare, but also because we believe our clients pay us to back our best investment ideas. We recognise the importance of adhering to the UCITS concentration regulations however and continue to work with Aviva Investors to ensure the portfolio holdings comply with the UCITS regulations.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Lindsell Train Limited.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 25 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
Hargreaves Lansdown	PayPal Holdings
PayPal Holdings	London Stock Exchange Group
Diageo	RELX
Finsbury Growth & Income Trust	Unilever
Rathbone Brothers	Burberry Group
Greene King	Heineken Holding
Sage Group	eBay
Heineken Holding	Greene King
Pearson	Hargreaves Lansdown
Unilever	Rathbone Brothers

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	301.25	280.77	240.58
Return before operating charges <sup>†</sup>	52.95	27.48	46.57
Operating charges	(3.28)	(2.82)	(2.73)
Return after operating charges <sup>†</sup>	49.67	24.66	43.84
Distributions	(4.42)	(4.18)	(3.65)
Closing net asset value per share	346.50	301.25	280.77
† after direct transaction costs of	(0.35)	(0.11)	(0.11)
<b>Performance</b>			
Return after charges	16.49%	8.78%	18.22%
<b>Other information</b>			
Closing net asset value (£000)	358,250	274,503	250,701
Closing number of shares	103,392,549	91,121,345	89,291,105
Operating charges (%) <sup>‡</sup>	1.02%	1.02%	1.03%
Direct transaction costs (%) <sup>#</sup>	0.11%	0.04%	0.04%
<b>Prices<sup>≈</sup></b>			
Highest share price	352.51	307.64	290.01
Lowest share price	290.03	252.55	229.90

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.02%	1.02%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 99.89% (99.94%)</b>				
<b>Consumer Discretionary 18.47% (20.82%)</b>				
<b>Hotels, Restaurants &amp; Leisure 4.32% (5.11%)</b>				
Fuller Smith & Turner 'A'	GBP	206,675	2,087	0.58
Greene King	GBP	1,243,395	8,437	2.36
Young & Co's Brewery 'A'†	GBP	360,785	4,737	1.32
Young & Co's Brewery, (Non-Voting)†	GBP	21,763	221	0.06
			15,482	4.32
<b>Media 9.43% (10.78%)</b>				
Celtic†	GBP	166,410	163	0.05
Daily Mail & General Trust 'A'	GBP	1,977,265	12,585	3.51
EuroMoney Institutional Investor	GBP	728,479	8,028	2.24
Manchester United 'A'	USD	146,681	1,918	0.54
Pearson	GBP	1,690,337	11,063	3.09
			33,757	9.43
<b>Textiles, Apparel &amp; Luxury Goods 4.72% (4.93%)</b>				
Burberry Group	GBP	982,519	16,919	4.72
			16,919	4.72
<b>Consumer Discretionary total</b>			<b>66,158</b>	<b>18.47</b>
<b>Consumer Staples 27.93% (28.55%)</b>				
<b>Beverages 15.27% (15.07%)</b>				
A.G. Barr	GBP	1,212,392	7,274	2.03
Diageo	GBP	1,200,086	29,540	8.25
Heineken Holding	EUR	238,546	17,885	4.99
			54,699	15.27
<b>Food Products 3.89% (4.62%)</b>				
Mondelez International 'A'	USD	416,000	13,929	3.89
			13,929	3.89
<b>Personal Products 8.77% (8.86%)</b>				
Unilever	GBP	721,617	31,419	8.77
			31,419	8.77
<b>Consumer Staples total</b>			<b>100,047</b>	<b>27.93</b>
<b>Financials 25.72% (21.28%)</b>				
<b>Capital Markets 25.72% (21.28%)</b>				
Hargreaves Lansdown	GBP	1,832,068	25,283	7.06
London Stock Exchange Group	GBP	811,400	30,630	8.55
Rathbone Brothers	GBP	664,006	17,869	4.99
Schroders	GBP	509,293	17,606	4.91
Schroders, (Non-Voting)	GBP	30,000	746	0.21
			92,134	25.72
<b>Financials total</b>			<b>92,134</b>	<b>25.72</b>
<b>Industrials 7.96% (9.52%)</b>				
<b>Professional Services 7.96% (9.52%)</b>				
RELX	GBP	1,725,372	28,538	7.96
			28,538	7.96
<b>Industrials total</b>			<b>28,538</b>	<b>7.96</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Information Technology 15.56% (17.12%)</b>				
<b>Electronic Equipment, Instruments &amp; Components 2.67% (3.30%)</b>				
Halma	GBP	867,747	9,571	2.67
			<u>9,571</u>	<u>2.67</u>
<b>Internet Software &amp; Services 0.00% (1.06%)</b>				
<b>IT Services 4.95% (3.06%)</b>				
PayPal Holdings	USD	392,400	17,707	4.95
			<u>17,707</u>	<u>4.95</u>
<b>Software 7.94% (9.70%)</b>				
Fidessa Group	GBP	529,250	12,157	3.39
Sage Group	GBP	2,408,852	16,296	4.55
			<u>28,453</u>	<u>7.94</u>
<b>Information Technology total</b>			<b>55,731</b>	<b>15.56</b>
<b>Investment Funds 4.25% (2.65%)</b>				
<b>Investment Companies 4.25% (2.65%)</b>				
Finsbury Growth & Income Trust	GBP	2,064,000	15,232	4.25
			<u>15,232</u>	<u>4.25</u>
<b>Investment Funds total</b>			<b>15,232</b>	<b>4.25</b>
<b>Equities total</b>			<b>357,840</b>	<b>99.89</b>
Investment assets			357,840	99.89
Net other assets			410	0.11
<b>Net assets</b>			<b>358,250</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2016.

# Security traded on another regulated market.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		48,961		18,646
Revenue	3	7,752		6,391	
Expenses	4	(3,278)		(2,550)	
Net revenue before taxation		4,474		3,841	
Taxation	5	(65)		(47)	
Net revenue after taxation			4,409		3,794
<b>Total return before distributions</b>			<b>53,370</b>		<b>22,440</b>
Distributions	6		(4,409)		(3,794)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>48,961</b>		<b>18,646</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>274,503</b>		<b>250,701</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	73,335		8,140	
Amounts payable on cancellation of shares	(39,079)		(3,040)	
		34,256		5,100
Dilution adjustment		530		56
Change in net assets attributable to shareholders from investment activities (see above)		48,961		18,646
<b>Closing net assets attributable to shareholders</b>		<b>358,250</b>		<b>274,503</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		357,840	274,345
<b>Current assets:</b>			
Debtors	8	361	362
Cash and bank balances	9	3,708	2,483
<b>Total assets</b>		<b>361,909</b>	<b>277,190</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(2,863)	(2,438)
Other creditors	10	(796)	(249)
<b>Total liabilities</b>		<b>(3,659)</b>	<b>(2,687)</b>
<b>Net assets attributable to shareholders</b>		<b>358,250</b>	<b>274,503</b>

## NOTES TO THE FINANCIAL STATEMENT

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains/(losses)	27	(7)
Expenses relating to the purchase and sale of investments	(2)	(2)
Non-derivative securities gains	48,936	18,655
<b>Net capital gains</b>	<b>48,961</b>	<b>18,646</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	11	3
Overseas dividends	528	405
UK dividends	7,213	5,983
<b>Total revenue</b>	<b>7,752</b>	<b>6,391</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	3,203	2,493
	3,203	2,493
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	41	32
Interest payable	2	–
Safe custody fee	8	6
	51	38
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	6	8
Statement fees	7	2
	24	19
<b>Total expenses</b>	<b>3,278</b>	<b>2,550</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	65	47
<b>Total current tax for the year (see note 5b)</b>	<b>65</b>	<b>47</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>4,474</b>	<b>3,841</b>
Corporation tax at 20%	895	768
<b>Effects of:</b>		
Movement in excess expenses	654	509
Overseas dividends not subject to corporation tax	(106)	(81)
Overseas tax suffered	65	47
UK dividends not subject to corporation tax	(1,443)	(1,196)
	(830)	(721)
<b>Current tax charge (see note 5a)</b>	<b>65</b>	<b>47</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £16,582,000 (2016: £13,312,000) creating a potential deferred tax asset of £3,316,000 (2016: £2,662,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	1,780	1,342
Final distribution	2,863	2,438
	4,643	3,780
Add: Revenue deducted on cancellation of shares	144	25
Deduct: Revenue received on issue of shares	(378)	(11)
<b>Total distributions</b>	<b>4,409</b>	<b>3,794</b>

Details of the distributions per share are set out in the distribution tables on page 36.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

	As at 31.07.17	As at 31.07.16
Basis of valuation	Assets £000	Assets £000
Level 1: Quoted prices	357,840	274,345
<b>Total value</b>	<b>357,840</b>	<b>274,345</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17	As at 31.07.16
Basis of valuation	£000	£000
Accrued revenue	352	342
Overseas tax recoverable	9	20
<b>Total debtors</b>	<b>361</b>	<b>362</b>

**9 Cash and bank balances**

	As at 31.07.17	As at 31.07.16
Basis of valuation	£000	£000
Cash and bank balances	3,708	2,483
<b>Total cash and bank balances</b>	<b>3,708</b>	<b>2,483</b>

**10 Other creditors**

	As at 31.07.17	As at 31.07.16
Basis of valuation	£000	£000
Accrued expenses	340	249
Purchases awaiting settlement	456	–
<b>Total creditors</b>	<b>796</b>	<b>249</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 Related party transactions

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £302,000 (2016: £215,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £4,643,000 (2016: £3,781,000). The amount outstanding at the year end was £2,863,000 (2016: £2,438,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	103,392,549	12,271,204	91,121,345

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 25. The distributions per share class are given in the distribution tables on page 36. All the share classes have the same rights on winding up.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	91,121,345	24,612,106	(12,340,902)	–	103,392,549

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 6 and 7.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

#### Currency risk

At the year end date, 14.36% (2016: 13.60%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 1.44% (2016: 1.36%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Euro	9	20	17,885	13,326	17,894	13,346
US Dollar	–	–	33,554	24,002	33,554	24,002

#### Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 1.04% (2016: 0.90%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

#### Market price risk

At the year end date, 99.89% (2016: 99.94%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.99% (2016: 9.99%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases</b>						
Equities	(84,059)	(31)	(302)	(84,392)	0.04%	0.36%
	(84,059)	(31)	(302)	(84,392)		
<b>Sales</b>						
Equities	49,859	(26)	–	49,833	0.05%	0.00%
	49,859	(26)	–	49,833		
<b>Total</b>		(57)	(302)			
<b>Percentage of Fund average net assets</b>		0.02%	0.09%			

<b>Purchases</b>						
Equities	(23,383)	(18)	(80)	(23,481)	0.08%	0.34%
	(23,383)	(18)	(80)	(23,481)		
<b>Sales</b>						
Equities	18,414	(9)	–	18,405	0.05%	0.00%
	18,414	(9)	–	18,405		
<b>Total</b>		(27)	(80)			
<b>Percentage of Fund average net assets</b>		0.01%	0.03%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.16% (2016: 0.17%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	2.7687	–	2.7687	2.6761
	Group 2	2.4912	0.2775	2.7687	2.6761

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	1.6500	–	1.6500	1.5034
	Group 2	0.0456	1.6044	1.6500	1.5034

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS UK EQUITY MOM 2 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 14.17 per cent (net of fees), underperforming the FTSE® All-Share Index return of 14.90 per cent

#### Review

Headline returns in the year might look slightly disappointing relative to the index. In managing the Fund, however, our aim is not to shadow the index but to deliver an above-average yield that will grow over time and that is sourced from a diversified list of companies that we feel are best placed to deliver this. This inevitably takes the Fund and its performance, away from index. There is an investment and economic rationale to our Fund (although that reasoning may not always be correct) whereas it is difficult to muster any economic rationale for the composition of the index. Instead, it is a reflection of past and happenstance, reinforced by the current popularity of index funds.

The principal source of underperformance over the last twelve months was the Fund's sector exposure. It owned less than the index in some key sizeable parts of the market – banks, oils and mining that performed well. Without wishing to be too dismissive, we do not view this as a source of long-term concern. We believe we have allocated sufficient capital to these areas. These sectors are useful sources of cashflows and income but they also have above-average risk and volatility to their cashflows. This makes us careful about the level of exposure here.

Rather than sectors, our attention is focused on those companies to which we have allocated capital and assessing whether or not those investments are going to plan. Beginning with the bad news, the most notable disappointment this year was Laird. Having hitherto been a successful investment, unrelated setbacks in three of its businesses contributed to a steep fall in profits. The opportunity we identified in Laird can be summarized as its expertise in 'connectivity' for vehicles and between devices and the suppression of heat and signal interference in mobile devices. Laird can be said to be a beneficiary of increasing connectivity and the internet of things (the ability to monitor and operate equipment remotely). In 2016, as a result of lower profits, the balance between debt and equity in the business became too skewed towards the former, necessitating a significant issue of equity. With the share issue out of the way, the company is making progress in addressing those aspects of the disappointments that it can control.

The other notable decline was in BT. Although the accounting problems in its Italian business grabbed the headlines, a tougher environment in local government market and the standoff with Ofcom, its regulator, were of more importance to us. The latter is the real long-term issue and prompted us to reduce our holding.

Our view is that broadband pricing and provision has become a political football.

Disappointments with Laird and BT were offset by our successes, most prominently 3i and SSP. One of the main reasons for 3i's strong performance has been its investment in Action, a European discount retailer. This has enjoyed great success, expanded from its core Benelux market and firmly establishing itself in Germany and France. SSP, meanwhile, runs many of the food and retail outlets that bedeck airports and railway stations. Their skill is in running outlets in environments where considerations of space or security make life more complicated and doing so effectively and economically. SSP has spent recent years exporting these skills to new locations overseas, so much so that when meeting the company, little mention is made of the UK and more of the focus is on growth in the United States and India. Although the shares have done well, this is a US\$20bn market with few players, so the long-term prognosis is attractive.

The UK equity market continued its advance over the year and has generally treated unexpected political outcomes with equanimity. The weakness of sterling was the main factor affecting the relative performance of stocks and sectors. A combination of rising commodity prices and the strengthening of the dollar (in which bulk commodities are priced), meant mining gained noticeably against the wider market. And in the banking sector, HSBC – a dollar earner – stood out versus its peers.

Although experience suggests that investors are interested to read our views on macroeconomics and political events, the last year has served as a powerful reminder as to why we restrict our thinking on calculated risk-taking to microeconomic matters. In general, macro factors such as currencies and commodities are subject to an ebb and flow of news and sentiment that can distract from the bottom-up process of building an informed view on the duration, quality and likely growth of a company's cashflows.

#### Outlook

Our view on the outlook for the UK economy has cooled (and it was never that hot) and we remain cautious about buying companies with domestic exposure. The UK's economy looks set for a weaker period as the Bank of England reins back the rate at which credit is expanding. At the same time, there seems to be a greater pressure on costs in general and labour in particular. Having said that, because of its politics and Brexit the UK market has become something of a pariah for international investors. That means our less domestically focussed and international companies look good value in a wider context. As a result we would not be surprised to see some better performance here as international investors cast aside the broad brush and make finer distinctions. Furthermore, as has been the case in recent months, we think M&A will be a feature as international companies capitalise upon this opportunity.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Artemis.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 39 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS UK EQUITY MOM 2 FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
Tesco	BAE Systems
Nordea Bank	3i Group
Sanofi	Microsoft
British American Tobacco	Sanofi
Legal & General Group	Lockheed Martin
Microsoft	RELX
BP	Royal Dutch Shell 'B'
Melrose Industries	Persimmon
Berkeley Group Holdings	AstraZeneca
Informa	Reckitt Benckiser Group

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- During the year ended 31 July 2017, the indicator changed from category 6 to category 5.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.



## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	94.82	93.94	92.16
Return before operating charges <sup>†</sup>	14.39	4.61	4.69
Operating charges	(1.05)	(0.94)	(0.97)
Return after operating charges <sup>†</sup>	13.34	3.67	3.72
Distributions	(2.94)	(2.79)	(1.94)
Closing net asset value per share	105.22	94.82	93.94
† after direct transaction costs of	(0.12)	(0.26)	(0.56)
<b>Performance</b>			
Return after charges	14.07%	3.91%	4.04%
<b>Other information</b>			
Closing net asset value (£000)	124,189	139,552	94,786
Closing number of shares	118,028,339	147,173,681	100,905,434
Operating charges (%) <sup>†</sup>	1.04%	1.04%	1.04%
Direct transaction costs (%) <sup>#</sup>	0.12%	0.29%	0.60%
<b>Prices<sup>≈</sup></b>			
Highest share price	108.05	97.37	98.67
Lowest share price	94.39	82.18	81.42

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.04%	1.04%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.64% (97.31%)</b>				
<b>Consumer Discretionary 9.51% (11.32%)</b>				
<b>Hotels, Restaurants &amp; Leisure 4.02% (4.15%)</b>				
Greene King	GBP	107,474	729	0.59
SSP Group	GBP	417,680	2,126	1.71
TUI	GBP	179,051	2,140	1.72
			4,995	4.02
<b>Household Durables 0.96% (1.11%)</b>				
Berkeley Group Holdings	GBP	34,117	1,193	0.96
			1,193	0.96
<b>Media 3.25% (3.96%)</b>				
Informa	GBP	581,220	4,034	3.25
			4,034	3.25
<b>Specialty Retail 1.28% (2.10%)</b>				
Card Factory	GBP	399,587	1,217	0.98
Halfords Group	GBP	110,032	366	0.30
			1,583	1.28
<b>Consumer Discretionary total</b>			<b>11,805</b>	<b>9.51</b>
<b>Consumer Staples 5.97% (4.73%)</b>				
<b>Food &amp; Staples Retailing 1.47% (0.00%)</b>				
Tesco	GBP	1,044,420	1,818	1.47
			1,818	1.47
<b>Household Products 0.00% (1.21%)</b>				
<b>Tobacco 4.50% (3.52%)</b>				
British American Tobacco	GBP	39,637	1,887	1.52
Imperial Brands	GBP	117,716	3,704	2.98
			5,591	4.50
<b>Consumer Staples total</b>			<b>7,409</b>	<b>5.97</b>
<b>Energy 7.18% (6.91%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 7.18% (6.91%)</b>				
BP	GBP	1,114,134	4,996	4.02
Enagas	EUR	39,722	855	0.69
Royal Dutch Shell 'B'	GBP	141,815	3,067	2.47
			8,918	7.18
<b>Energy total</b>			<b>8,918</b>	<b>7.18</b>
<b>Financials 31.46% (25.39%)</b>				
<b>Banks 10.57% (6.77%)</b>				
Barclays	GBP	1,436,516	2,909	2.34
HSBC Holdings	GBP	478,831	3,629	2.92
Lloyds Banking Group	GBP	6,845,372	4,497	3.62
Nordea Bank	SEK	219,379	2,100	1.69
			13,135	10.57
<b>Capital Markets 8.26% (6.46%)</b>				
3i Group	GBP	574,566	5,375	4.33
IG Group Holdings	GBP	285,254	1,834	1.48
London Stock Exchange Group	GBP	53,286	2,012	1.62
NEX Group	GBP	155,052	1,036	0.83
			10,257	8.26

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Consumer Finance 0.00% (0.14%)</b>				
<b>Diversified Financial Services 0.00% (1.89%)</b>				
<b>Insurance 12.63% (10.13%)</b>				
Direct Line Insurance Group	GBP	878,582	3,307	2.66
Legal & General Group	GBP	1,517,450	4,071	3.28
Phoenix Group Holdings	GBP	219,773	1,676	1.35
RSA Insurance Group	GBP	329,657	2,148	1.73
Saga	GBP	1,160,218	2,415	1.95
Standard Life	GBP	473,488	2,067	1.66
			<u>15,684</u>	<u>12.63</u>
<b>Financials total</b>			<b>39,076</b>	<b>31.46</b>
<b>Health Care 10.20% (11.68%)</b>				
<b>Pharmaceuticals 10.20% (11.68%)</b>				
AstraZeneca	GBP	67,169	3,093	2.49
Bayer	EUR	40,356	3,899	3.14
GlaxoSmithKline	GBP	293,860	4,492	3.62
Indivior	GBP	310,976	1,184	0.95
			<u>12,668</u>	<u>10.20</u>
<b>Health Care total</b>			<b>12,668</b>	<b>10.20</b>
<b>Industrials 14.30% (17.76%)</b>				
<b>Aerospace &amp; Defence 1.61% (6.37%)</b>				
Cobham	GBP	1,497,141	2,003	1.61
			<u>2,003</u>	<u>1.61</u>
<b>Air Freight &amp; Logistics 1.14% (1.76%)</b>				
Royal Mail	GBP	351,836	1,411	1.14
			<u>1,411</u>	<u>1.14</u>
<b>Commercial Services &amp; Supplies 2.84% (2.63%)</b>				
Rentokil Initial	GBP	839,568	2,444	1.97
SPIE	EUR	51,204	1,088	0.87
			<u>3,532</u>	<u>2.84</u>
<b>Machinery 1.72% (0.35%)</b>				
Melrose Industries	GBP	915,909	2,135	1.72
			<u>2,135</u>	<u>1.72</u>
<b>Professional Services 6.01% (5.81%)</b>				
RELX	EUR	35,486	564	0.45
RELX	GBP	273,866	4,530	3.65
Wolters Kluwer	EUR	70,728	2,371	1.91
			<u>7,465</u>	<u>6.01</u>
<b>Transportation Infrastructure 0.98% (0.84%)</b>				
BBA Aviation	GBP	406,464	1,219	0.98
			<u>1,219</u>	<u>0.98</u>
<b>Industrials total</b>			<b>17,765</b>	<b>14.30</b>
<b>Information Technology 1.98% (1.64%)</b>				
<b>Electronic Equipment, Instruments &amp; Components 1.39% (1.27%)</b>				
Laird	GBP	1,154,321	1,726	1.39
			<u>1,726</u>	<u>1.39</u>
<b>Internet Software &amp; Services 0.59% (0.00%)</b>				
Delivery Hero	EUR	29,817	727	0.59
			<u>727</u>	<u>0.59</u>
<b>Software 0.00% (0.37%)</b>				
<b>Information Technology total</b>			<b>2,453</b>	<b>1.98</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Investment Funds 0.84% (0.54%)</b>				
<b>Investment Companies 0.84% (0.54%)</b>				
NextEnergy Solar Fund	GBP	930,486	1,047	0.84
			1,047	0.84
<b>Investment Funds total</b>			<b>1,047</b>	<b>0.84</b>
<b>Materials 3.35% (3.37%)</b>				
<b>Chemicals 0.00% (1.01%)</b>				
<b>Metals &amp; Mining 3.35% (2.36%)</b>				
Rio Tinto	GBP	117,285	4,164	3.35
			4,164	3.35
<b>Materials total</b>			<b>4,164</b>	<b>3.35</b>
<b>Real Estate 6.07% (3.63%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 6.07% (3.63%)</b>				
Assura	GBP	2,228,221	1,420	1.15
Secure Income REIT#	GBP	628,467	2,175	1.75
Segro	GBP	741,630	3,938	3.17
			7,533	6.07
<b>Real Estate total</b>			<b>7,533</b>	<b>6.07</b>
<b>Telecommunication Services 6.18% (7.56%)</b>				
<b>Diversified Telecommunication Services 3.49% (5.00%)</b>				
BT Group	GBP	786,404	2,476	1.99
Inmarsat	GBP	236,919	1,866	1.50
			4,342	3.49
<b>Wireless Telecommunication Services 2.69% (2.56%)</b>				
Vodafone Group	GBP	1,504,133	3,339	2.69
			3,339	2.69
<b>Telecommunication Services total</b>			<b>7,681</b>	<b>6.18</b>
<b>Utilities 1.60% (2.78%)</b>				
<b>Independent Power and Renewable Electricity Producers 0.64% (0.58%)</b>				
Drax Group	GBP	248,655	791	0.64
			791	0.64
<b>Multi-Utilities 0.96% (2.20%)</b>				
Centrica	GBP	598,139	1,194	0.96
			1,194	0.96
<b>Utilities total</b>			<b>1,985</b>	<b>1.60</b>
<b>Equities total</b>			<b>122,504</b>	<b>98.64</b>
Investment assets			122,504	98.64
Net other assets			1,685	1.36
<b>Net assets</b>			<b>124,189</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31 July 2016.

# Security traded on another regulated market.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		13,975		3,350
Revenue	3	5,555		4,715	
Expenses					
Net revenue before taxation	4	(1,542)		(1,179)	
Taxation	5	(56)		(49)	
Net revenue after taxation			3,957		3,487
<b>Total return before distributions</b>			<b>17,932</b>		<b>6,837</b>
Distributions	6		(3,957)		(3,487)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>13,975</b>		<b>3,350</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>139,552</b>		<b>94,786</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	5,376		48,186	
Amounts payable on cancellation of shares	(34,799)		(7,095)	
		(29,423)		41,091
Dilution adjustment		85		325
Change in net assets attributable to shareholders from investment activities (see above)		13,975		3,350
<b>Closing net assets attributable to shareholders</b>		<b>124,189</b>		<b>139,552</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		122,504	135,804
<b>Current assets:</b>			
Debtors	8	224	1,036
Cash and bank balances	9	3,760	5,425
<b>Total assets</b>		<b>126,488</b>	<b>142,265</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(2,164)	(2,578)
Other creditors	10	(135)	(135)
<b>Total liabilities</b>		<b>(2,299)</b>	<b>(2,713)</b>
<b>Net assets attributable to shareholders</b>		<b>124,189</b>	<b>139,552</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency (losses)/gains	(21)	6
Expenses relating to the purchase and sale of investments	(10)	(13)
Forward currency contracts gains	–	2
Non-derivative securities gains	14,006	3,355
<b>Net capital gains</b>	<b>13,975</b>	<b>3,350</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	137	44
Interest on debt securities	–	14
Overseas dividends	652	584
Property income distributions	149	68
UK dividends	4,617	4,005
<b>Total revenue</b>	<b>5,555</b>	<b>4,715</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,384	1,103
	1,384	1,103
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	19	16
Interest payable	118	44
Safe custody fee	4	3
	141	63
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	3	1
Statement fees	3	3
	17	13
<b>Total expenses</b>	<b>1,542</b>	<b>1,179</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	56	49
<b>Total current tax for the year (see note 5b)</b>	<b>56</b>	<b>49</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>4,013</b>	<b>3,536</b>
Corporation tax at 20%	803	707
<b>Effects of:</b>		
Movement in excess expenses	251	211
Overseas dividends not subject to corporation tax	(131)	(117)
Overseas tax suffered	56	49
UK dividends not subject to corporation tax	(923)	(801)
	(747)	(658)
<b>Current tax charge (see note 5a)</b>	<b>56</b>	<b>49</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £8,804,000 (2016: £7,548,000 (restated to agree to tax computation submitted to HMRC)) creating a potential deferred tax asset of £1,761,000 (2016: £1,510,000 (restated to agree to tax computation submitted to HMRC)). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	1,546	1,043
Final distribution	2,164	2,578
	3,710	3,621
Add: Revenue deducted on cancellation of shares	277	126
Deduct: Revenue received on issue of shares	(30)	(260)
<b>Total distributions</b>	<b>3,957</b>	<b>3,487</b>

Details of the distributions per share are set out in the distribution tables on page 51.

**7 Fair value hierarchy**

	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
<b>Basis of valuation</b>		
Level 1: Quoted prices	122,504	135,804
<b>Total value</b>	<b>122,504</b>	<b>135,804</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	135	136
Income tax recoverable	–	11
Overseas tax recoverable	89	98
Sales awaiting settlement	–	791
<b>Total debtors</b>	<b>224</b>	<b>1,036</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	3,760	5,425
<b>Total cash and bank balances</b>	<b>3,760</b>	<b>5,425</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	135	135
<b>Total creditors</b>	<b>135</b>	<b>135</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 Contingent liabilities and commitments

There were no contingent liabilities or commitments at the year end (2016: £nil).

### 12 Related party transactions

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £110,000 (2016: £114,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,710,000 (2016: £3,622,000). The amount outstanding at the year end was £2,164,000 (2016: £2,578,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	118,028,339	(29,145,342)	147,173,681

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 39. The distributions per share class are given in the distribution tables on page 51.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	147,173,681	5,430,367	(34,575,709)	–	118,028,339

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 9.42% (2016: 10.48%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund will change by 0.94% (2016: 1.05%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Euro	72	56	9,504	8,294	9,576	8,350
Norwegian Krone	2	–	–	–	2	–
Swedish Krona	–	–	2,100	–	2,100	–
Swiss Franc	15	42	–	3,098	15	3,140
US Dollar	–	282	–	2,857	–	3,139

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 3.03% (2016: 3.89%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 98.64% (2016: 97.31%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.86% (2016: 9.73%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

31.07.17	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding corporate actions)</b>						
Equities	(27,064)	(32)	(90)	(27,186)	0.12%	0.33%
<b>Purchases (include corporate action activity only)</b>						
Equities	(3,092)	–	–	(3,092)	0.00%	0.00%
	(30,156)	(32)	(90)	(30,278)		
<b>Sales</b>						
Equities	57,624	(48)	–	57,576	0.08%	0.00%
	57,624	(48)	–	57,576		
<b>Total</b>		(80)	(90)			
<b>Percentage of Fund average net assets</b>		0.06%	0.06%			

31.07.16	Principal before costs £000	Commissions £000	Taxes £000	Total after costs £000	Commissions as % of principal	Taxes as % of principal
<b>Purchases (excluding corporate actions)</b>						
Equities	(64,760)	(32)	(261)	(65,053)	0.05%	0.40%
Bonds	(1,304)	–	–	(1,304)	0.00%	0.00%
<b>Purchases (include corporate action activity only)</b>						
Equities	(633)	–	–	(633)	0.00%	0.00%
	(66,697)	(32)	(261)	(66,990)		
<b>Sales</b>						
Equities	27,472	(28)	–	27,444	0.10%	0.00%
Bonds	1,404	–	–	1,404	0.00%	0.00%
	28,876	(28)	–	28,848		
<b>Total</b>		(60)	(261)			
<b>Percentage of Fund average net assets</b>		0.05%	0.24%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.08% (2016: 0.10%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	1.8335	–	1.8335	1.7517
	Group 2	1.3148	0.5187	1.8335	1.7517

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	1.1043	–	1.1043	1.0348
	Group 2	0.0000	1.1043	1.1043	1.0348

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS UK EQUITY MOM 3 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in UK equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the UK. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 17.39 per cent (net of fees), outperforming the FTSE® All-Share Index return of 14.90 per cent.

#### Review

Domestically-focused stocks are currently friendless, having been hit by an array of cost increases (minimum wages, import cost rises, rent increases), against a backdrop of a consumer experiencing declines in real income. This has led to a reasonably nasty downgrade cycle which (as usual) has encouraged investors to look elsewhere. However, ratings are now discounting a fairly nasty future and there are some signs that, relative to the market, the downgrades are coming to an end. We are, however, also aware that many domestics are facing some structural issues. The food retailers are contending with the strong growth of the discounters (and now the arrival of Amazon following its purchase of Whole Foods), general retailers are battling against online competition and bus companies are massively reliant on government subsidies to generate profits.

During the twelve month period we initiated/sold a number of new and existing positions. As a sample we selected the following:

#### Purchases

We initiated a new holding in UK masonry products manufacturer Forterra. This is a cyclical, commodity-type business, of the sort to which the market typically attaches a low multiple, which it certainly is at the moment. However, it is also a decent quality company operating in a highly consolidated market with no obvious structural issues of any consequence and has excellent long-term growth prospects in our view.

We also opened a new position in specialist power supplier Aggreko. The 2005-12 commodities boom drove huge demand from emerging market (EM) utilities for temporary power, but this demand has now fallen back, and, in addition, the company faces the risk that changes in technology undermine its core business. However, we are five years on from the boom and weak EM demand is cyclical rather than structural. Aggreko has shifted 20 per cent of its fleet capacity to gas, and, as clear market leader, we believe it is in the best position to move with changes in the market.

During the period we switched some gold shares into silver shares (purchased Tahoe Resources, Coeur Mining, Pan American Silver and Silver Standard Resources). Consequently our weighting is now much more in favour of silver than gold.

#### Sales

We completed the sale of Best Buy. After a significant recovery, the shares are now trading at around a zero growth multiple, which we believe looks closer to a best than a worst case scenario.

Although J Sainsbury has recently seen solid sales figures, this has continued to come at the expense of profits. Our thesis on purchase was that the discounters were struggling against the rejuvenated majors but these trends have not continued. We believe Sainsbury are stuck in the middle (not large enough to be the cheapest, but too big to operate in a niche). As such we believe they are vulnerable to a continued squeeze on profitability.

Lloyds has performed strongly over the last year, and at the current valuation, we believe it has more idiosyncratic risks than other bank holdings. One example is the huge super-normal margin on their Standard Variable Rate book, as well as the possible impact of more regulation of mortgages where Lloyds is at greater risk than other banks due to the size of their mortgage book.

The largest positive contribution to relative returns over the period was insulation specialist SIG, despite issuing a profit warning towards the end of 2016. The shares have recovered well in 2017, but there was a notable push higher in the share price after the company updated the market mid-May on current trading. In truth, there was not a great deal in the company's release to get excited about, but investors reacted well to the profound change in tone under the newly installed management team and a sea change in the level of dynamism on display.

Another strong contributor to returns over the period was Anglo-Irish builders' merchants business, Grafton Group. The company's strong market position in Ireland is now benefiting from an economic recovery and its Selco business in the UK is growing strongly.

The portfolio's banking stocks were the largest positive contributors to performance over the period, with Barclays, HSBC and Citigroup performing especially strongly. The sector has started to perform on the back of a slight steepening of (and therefore something of a normalisation in) the yield curve, although rates remain at historically low levels.

More negatively, our position in global pharma GlaxoSmithKline (GSK) was the largest detractor over the period. Defensive stocks like GSK suffered, largely due to a reversal in the performance of bond proxies. More recently, the stock suffered post-results. Despite delivering decent numbers – with all divisions (except consumer), surpassing analysts' sales expectations – management reduced its 2017 guidance estimates.

## AVIVA INVESTORS UK EQUITY MOM 3 FUND (CONTINUED)

### FUND MANAGER’S REPORT (CONTINUED)

Signet Jewellers has been on a steady decline since the start of the year. It issued a further profit warning and announced a messy conclusion to its review of the company’s credit programme. Signet is also not an excessively complex business, it’s just that current management is making it look that way. With performance poor and sentiment deeply negative, we are increasingly minded to believe that a change of management could be the answer. We believe that the group’s still strong market positions are being undervalued by the market.

August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Investec Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 54 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
J Sainsbury	Lloyds Banking Group
Aggreko	HSBC Holdings
Next	Best Buy
Barclays	CRH
easyJet	Wm Morrison Supermarkets
Royal Dutch Shell 'B'	Barclays
Signet Jewelers	British American Tobacco
Land Securities Group	Drax Group
Countrywide	J Sainsbury
Topps Tiles	GlaxoSmithKline

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean ‘risk free’.
- Further information on the risks applicable to the Fund is detailed in the Fund’s Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	135.73	141.86	137.69
Return before operating charges <sup>‡</sup>	25.12	(1.05)	9.07
Operating charges	(1.57)	(1.39)	(1.48)
Return after operating charges <sup>‡</sup>	23.55	(2.44)	7.59
Distributions	(3.44)	(3.69)	(3.42)
Closing net asset value per share	155.84	135.73	141.86
<sup>†</sup> after direct transaction costs of	(0.18)	(0.29)	(0.10)
<b>Performance</b>			
Return after charges	17.35%	(1.72)%	5.51%
<b>Other information</b>			
Closing net asset value (£000)	73,926	82,774	94,612
Closing number of shares	47,436,358	60,986,162	66,692,243
Operating charges (%) <sup>‡</sup>	1.04%	1.05%	1.04%
Direct transaction costs (%) <sup>#</sup>	0.12%	0.22%	0.07%
<b>Prices<sup>≈</sup></b>			
Highest share price	161.65	143.88	150.62
Lowest share price	132.88	118.45	127.48

<sup>‡</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.04%	1.05%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 97.01% (98.16%)</b>				
<b>Consumer Discretionary 10.27% (10.90%)</b>				
<b>Hotels, Restaurants &amp; Leisure 0.50% (2.90%)</b>				
Ladbroke's Coral Group	GBP	294,477	372	0.50
			372	0.50
<b>Household Durables 0.32% (0.00%)</b>				
Bovis Homes Group	GBP	23,265	235	0.32
			235	0.32
<b>Internet &amp; Direct Marketing Retail 0.81% (0.52%)</b>				
N Brown Group	GBP	191,715	596	0.81
			596	0.81
<b>Media 0.37% (0.31%)</b>				
Bloomsbury Publishing	GBP	153,144	275	0.37
			275	0.37
<b>Multiline Retail 3.86% (2.39%)</b>				
Marks & Spencer Group	GBP	609,072	1,960	2.65
Next	GBP	23,018	898	1.21
			2,858	3.86
<b>Specialty Retail 4.41% (4.78%)</b>				
Carpetright	GBP	351,858	651	0.88
Kingfisher	GBP	200,885	594	0.80
Signet Jewelers	USD	31,012	1,454	1.97
Topps Tiles	GBP	679,949	561	0.76
			3,260	4.41
<b>Consumer Discretionary total</b>			<b>7,596</b>	<b>10.27</b>
<b>Consumer Staples 6.75% (9.59%)</b>				
<b>Food &amp; Staples Retailing 6.21% (6.89%)</b>				
Tesco	GBP	1,450,988	2,526	3.42
Wm Morrison Supermarkets	GBP	856,022	2,067	2.79
			4,593	6.21
<b>Personal Products 0.54% (0.63%)</b>				
Avon Products	USD	144,233	396	0.54
			396	0.54
<b>Tobacco 0.00% (2.07%)</b>				
<b>Consumer Staples total</b>			<b>4,989</b>	<b>6.75</b>
<b>Energy 10.62% (9.05%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 10.62% (9.05%)</b>				
BP	GBP	651,102	2,919	3.95
Royal Dutch Shell 'B'	GBP	228,015	4,931	6.67
			7,850	10.62
<b>Energy total</b>			<b>7,850</b>	<b>10.62</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Financials 24.75% (25.51%)</b>				
<b>Banks 24.14% (24.60%)</b>				
Barclays	GBP	2,224,826	4,505	6.09
Citigroup	USD	42,928	2,207	2.98
HSBC Holdings	GBP	850,185	6,443	8.72
Royal Bank of Scotland Group	GBP	1,431,485	3,546	4.80
Standard Chartered	GBP	135,236	1,149	1.55
			17,850	24.14
<b>Consumer Finance 0.61% (0.91%)</b>				
International Personal Finance	GBP	232,573	448	0.61
			448	0.61
<b>Financials total</b>			<b>18,298</b>	<b>24.75</b>
<b>Health Care 7.26% (8.73%)</b>				
<b>Pharmaceuticals 7.26% (8.73%)</b>				
GlaxoSmithKline	GBP	351,026	5,365	7.26
			5,365	7.26
<b>Health Care total</b>			<b>5,365</b>	<b>7.26</b>
<b>Industrials 19.94% (15.47%)</b>				
<b>Aerospace &amp; Defence 1.40% (2.01%)</b>				
Chemring Group	GBP	182,411	330	0.44
QinetiQ Group	GBP	293,776	710	0.96
			1,040	1.40
<b>Air Freight &amp; Logistics 0.13% (0.14%)</b>				
Royal Mail	GBP	23,544	95	0.13
			95	0.13
<b>Airlines 1.50% (0.00%)</b>				
easyJet	GBP	89,117	1,112	1.50
			1,112	1.50
<b>Building Products 0.00% (0.65%)</b>				
<b>Commercial Services &amp; Supplies 1.53% (0.00%)</b>				
Aggreko	GBP	132,918	1,131	1.53
			1,131	1.53
<b>Machinery 1.39% (1.00%)</b>				
Manitowoc	USD	46,540	206	0.28
Welbilt	USD	55,296	821	1.11
			1,027	1.39
<b>Road &amp; Rail 1.39% (1.56%)</b>				
Go-Ahead Group	GBP	57,527	1,026	1.39
			1,026	1.39
<b>Trading Companies &amp; Distributors 12.60% (10.11%)</b>				
Grafton Group	GBP	649,641	4,931	6.67
SIG	GBP	1,650,572	2,727	3.69
Travis Perkins	GBP	109,562	1,655	2.24
			9,313	12.60
<b>Industrials total</b>			<b>14,744</b>	<b>19.94</b>
<b>Information Technology 1.57% (1.01%)</b>				
<b>IT Services 1.57% (1.01%)</b>				
Computacenter	GBP	131,970	1,160	1.57
			1,160	1.57
<b>Information Technology total</b>			<b>1,160</b>	<b>1.57</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Materials 5.46% (6.68%)</b>				
<b>Construction Materials 2.01% (3.59%)</b>				
CRH (EUR)	EUR	53,385	1,419	1.92
CRH (GBP)	GBP	579	15	0.02
Forterra	GBP	17,473	49	0.07
			<u>1,483</u>	<u>2.01</u>
<b>Metals &amp; Mining 3.45% (3.09%)</b>				
AngloGold Ashanti, ADR	USD	10,628	82	0.11
Barrick Gold	CAD	9,459	121	0.17
Coeur Mining	USD	53,439	335	0.45
Fresnillo	GBP	14,377	220	0.30
Gold Fields, ADR	USD	9,100	28	0.04
Hochschild Mining	GBP	133,863	423	0.57
Kinross Gold	CAD	21,433	69	0.09
Newmont Mining	USD	10,186	288	0.39
Pan American Silver	USD	28,257	363	0.49
Silver Standard Resources	USD	51,555	384	0.52
Tahoe Resources	CAD	56,051	238	0.32
			<u>2,551</u>	<u>3.45</u>
<b>Materials total</b>			<b>4,034</b>	<b>5.46</b>
<b>Real Estate 5.21% (3.25%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 2.47% (1.99%)</b>				
British Land	GBP	77,599	474	0.64
Land Securities Group	GBP	132,220	1,352	1.83
			<u>1,826</u>	<u>2.47</u>
<b>Real Estate Management &amp; Development 2.74% (1.26%)</b>				
Countrywide	GBP	489,739	746	1.01
Helical	GBP	304,796	1,039	1.40
LSL Property Services	GBP	94,333	241	0.33
			<u>2,026</u>	<u>2.74</u>
<b>Real Estate total</b>			<b>3,852</b>	<b>5.21</b>
<b>Telecommunication Services 1.46% (1.92%)</b>				
<b>Diversified Telecommunication Services 1.46% (1.92%)</b>				
BT Group	GBP	341,621	1,076	1.46
			<u>1,076</u>	<u>1.46</u>
<b>Telecommunication Services total</b>			<b>1,076</b>	<b>1.46</b>
<b>Utilities 3.72% (6.05%)</b>				
<b>Independent Power and Renewable Electricity Producers 1.37% (2.98%)</b>				
Drax Group	GBP	318,102	1,012	1.37
			<u>1,012</u>	<u>1.37</u>
<b>Multi-Utilities 2.35% (3.07%)</b>				
Centrica	GBP	870,072	1,737	2.35
			<u>1,737</u>	<u>2.35</u>
<b>Utilities total</b>			<b>2,749</b>	<b>3.72</b>
<b>Equities total</b>			<b>71,713</b>	<b>97.01</b>
Investment assets			71,713	97.01
Net other assets			2,213	2.99
<b>Net assets</b>			<b>73,926</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains/(losses)	2		12,088		(4,315)
Revenue	3	2,851		3,362	
Expenses					
	4	(893)		(898)	
Net revenue before taxation		1,958		2,464	
Taxation	5	(7)		(12)	
Net revenue after taxation			1,951		2,452
<b>Total return before distributions</b>			<b>14,039</b>		<b>(1,863)</b>
Distributions	6		(1,951)		(2,452)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>12,088</b>		<b>(4,315)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>82,774</b>		<b>94,612</b>
Movement due to issue and cancellation of shares:				
Amounts payable on cancellation of shares	(20,966)		(7,528)	
		(20,966)		(7,528)
Dilution adjustment		30		5
Change in net assets attributable to shareholders from investment activities (see above)		12,088		(4,315)
<b>Closing net assets attributable to shareholders</b>		<b>73,926</b>		<b>82,774</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		71,713	81,247
<b>Current assets:</b>			
Debtors	8	80	32
Cash and bank balances	9	3,220	3,872
<b>Total assets</b>		<b>75,013</b>	<b>85,151</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(999)	(1,381)
Other creditors	10	(88)	(996)
<b>Total liabilities</b>		<b>(1,087)</b>	<b>(2,377)</b>
<b>Net assets attributable to shareholders</b>		<b>73,926</b>	<b>82,774</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains/(losses)

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains/(losses) on investments during the year comprise:</b>		
Currency gains/(losses)	29	(9)
Expenses relating to the purchase and sale of investments	(5)	(11)
Non-derivative securities gains/(losses)	12,064	(4,295)
<b>Net capital gains/(losses)</b>	<b>12,088</b>	<b>(4,315)</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	9	8
Overseas dividends	236	238
Property income distributions	66	46
UK dividends	2,540	3,070
<b>Total revenue</b>	<b>2,851</b>	<b>3,362</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	863	867
	863	867
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	13	13
Interest payable	2	2
Safe custody fee	2	3
	17	18
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	2	–
Statement Fees	–	4
	13	13
<b>Total expenses</b>	<b>893</b>	<b>898</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	7	12
<b>Total current tax for the year (see note 5b)</b>	<b>7</b>	<b>12</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>1,958</b>	<b>2,464</b>
Corporation tax at 20%	392	493
<b>Effects of:</b>		
Movement in excess expenses	164	168
Overseas dividends not subject to corporation tax	(48)	(47)
Overseas tax suffered	7	12
UK dividends not subject to corporation tax	(508)	(614)
	(385)	(481)
<b>Current tax charge (see note 5a)</b>	<b>7</b>	<b>12</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £8,790,000 (2016: £7,971,000 (restated to agree to tax computation submitted to HMRC)) creating a potential deferred tax asset of £1,758,000 (2016: £1,594,000 (restated to agree to tax computation submitted to HMRC)). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	806	952
Final distribution	999	1,381
	1,805	2,333
Add: Revenue deducted on cancellation of shares	146	119
<b>Total distributions</b>	<b>1,951</b>	<b>2,452</b>

Details of the distributions per share are set out in the distribution tables on page 66.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

	As at 31.07.17	As at 31.07.16
	Assets £000	Assets £000
Basis of valuation		
Level 1: Quoted prices	71,713	81,247
<b>Total value</b>	<b>71,713</b>	<b>81,247</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17	As at 31.07.16
	£000	£000
Accrued revenue	66	17
Income tax recoverable	3	5
Overseas tax recoverable	11	10
<b>Total debtors</b>	<b>80</b>	<b>32</b>

**9 Cash and bank balances**

	As at 31.07.17	As at 31.07.16
	£000	£000
Cash and bank balances	3,220	3,872
<b>Total cash and bank balances</b>	<b>3,220</b>	<b>3,872</b>

**10 Other creditors**

	As at 31.07.17	As at 31.07.16
	£000	£000
Accrued expenses	85	88
Purchases awaiting settlement	3	908
<b>Total creditors</b>	<b>88</b>	<b>996</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £65,000 (2016: £66,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,805,000 (2016: £2,333,000). The amount outstanding at the year end was £999,000 (2016: £1,381,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	47,436,358	(13,549,804)	60,986,162

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 54. The distributions per share class are given in the distribution tables on page 66.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	60,986,162	–	(13,549,804)	–	47,436,358

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 6 and 7.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

#### Currency risk

At the year end date, 11.44% (2016:13.25%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 1.14% (2016:1.33%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Canadian Dollar	3	1	428	479	431	480
Euro	30	28	1,419	3,513	1,449	3,541
US Dollar	10	13	6,564	6,937	6,574	6,950

#### Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 4.36% (2016: 4.68%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

#### Market price risk

At the year end date, 97.01% (2016: 98.16%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.70% (2016: 9.82%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases</b>						
Equities	(16,614)	(17)	(67)	(16,698)	0.10%	0.40%
	(16,614)	(17)	(67)	(16,698)		
<b>Sales</b>						
Equities	38,314	(21)	(1)	38,292	0.05%	0.00%
	38,314	(21)	(1)	38,292		
<b>Total</b>		(38)	(68)			
<b>Percentage of Fund average net assets</b>		0.04%	0.08%			

<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(32,587)	(24)	(138)	(32,749)	0.07%	0.42%
<b>Purchases (include corporate action activity only)</b>						
Equities	(230)	–	–	(230)		
	(32,817)	(24)	(138)	(32,979)		
<b>Sales</b>						
Equities	38,447	(26)	–	38,421	0.07%	0.00%
	38,447	(26)	–	38,421		
<b>Total</b>		(50)	(138)			
<b>Percentage of Fund average net assets</b>		0.06%	0.16%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.11% (2016: 0.16%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	2.1058	–	2.1058	2.2650
	Group 2	2.1058	0.0000	2.1058	2.2650

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.  
Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	1.3328	–	1.3328	1.4276
	Group 2	1.3328	0.0000	1.3328	1.4276

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.  
Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS US EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in US equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the US. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 15.93 per cent (net of fees), underperforming the S&P 500 Index return of 16.86 per cent.

#### Review

From a sector perspective, financials, information technology and industrials were the strongest performers, while telecommunication services and energy significantly lagged during the period. While average underweight allocations to the financials and information technology sectors detracted from the Fund's relative performance during the period, an overall positive selection effect more than offset adverse sector positioning and contributed to the Fund's relative performance, especially within the information technology and health care sectors.

Due to their volatility and correlation characteristics, the Fund tends to overweight the smaller cap stocks within the investment universe as they provide more relative volatility capture potential. The Fund's active size positioning had a negative impact on relative performance during the period as the larger cap stocks outperformed the smaller cap stocks within the S&P 500 Index. However, an overall positive selection effect more than offset the adverse impact from the smaller size positioning of the strategy and contributed to the Fund's relative performance during the period.

Average underweight allocations to financials and information technology, which were the two strongest performing sectors during the period, detracted from the Fund's relative performance during the period. However, an overall positive selection effect more than offset the negative impact from adverse sector positioning and contributed to relative performance during the period, especially within the information technology and health care sectors.

The Fund was positively impacted by several positions in the information technology and consumer staples sectors.

Five of the strategy's ten largest contributors during the period were overweight positions in the information technology sector (NVIDIA, Lam Research, Activision Blizzard, Applied Materials and Broadcom).

Two of the strategy's ten largest contributors during the period were overweight positions in the consumer staples sector (Reynolds American and Constellation Brands).

### Outlook

The Investment Manager attempts to generate an excess return at the least amount of tracking error through all market cycles regardless of the direction the market moves or the magnitude of the move. The investment process is engineered for any environment. Because the Investment Manager does not conduct traditional economic or fundamental analysis, The Investment Manager has no view on individual stocks, sectors, economic, or market conditions. The Investment Manager overweights and underweights stocks relative to the benchmark weightings based on estimates of stocks' relative volatility and correlation characteristics. The estimation of relative volatilities and correlations and the determination of the overweights and underweights in the investment process rely only on stock return data, not on other economic or fundamental data.

The portfolio positioning is a function of the optimization routine and is a byproduct of the search for stocks with high relative volatility and low correlation. Consequently, the actual positioning of the portfolio from a sector and stock specific standpoint is a residual of the process. The rationale for over weighted and underweighted positions is a function of stocks' relative volatility and correlation characteristics in aggregate.

Going forward, the Investment Manager will continue to implement its mathematical investment process in a disciplined and deliberate manner. At the same time, the Investment Manager continues to make marginal improvements to the process, seeking an efficient portfolio that offers better long-term results than its benchmark regardless of the market's direction.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by INTECH.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 69 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	276.36	227.64	190.57
Return before operating charges <sup>†</sup>	47.12	52.52	40.59
Operating charges	(3.13)	(2.46)	(2.27)
Return after operating charges <sup>†</sup>	43.99	50.06	38.32
Distributions	(1.67)	(1.34)	(1.25)
Closing net asset value per share	318.68	276.36	227.64
† after direct transaction costs of	(0.21)	(0.12)	(0.15)
<b>Performance</b>			
Return after charges	15.92%	21.99%	20.11%
<b>Other information</b>			
Closing net asset value (£000)	200,817	246,769	187,751
Closing number of shares	63,015,327	89,291,279	82,476,830
Operating charges (%) <sup>†</sup>	1.04%	1.04%	1.04%
Direct transaction costs (%) <sup>#</sup>	0.07%	0.05%	0.07%
<b>Prices<sup>≈</sup></b>			
Highest share price	329.13	280.62	243.90
Lowest share price	267.16	205.76	185.21

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.04%	1.04%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 99.10% (99.33%)</b>				
<b>Consumer Discretionary 7.48% (15.11%)</b>				
<b>Auto Components 0.00% (0.88%)</b>				
<b>Distributors 0.00% (0.13%)</b>				
<b>Diversified Consumer Services 0.00% (0.03%)</b>				
<b>Hotels, Restaurants &amp; Leisure 1.01% (2.18%)</b>				
Carnival	USD	5,800	293	0.15
Darden Restaurants	USD	8,100	518	0.26
Hilton Worldwide Holdings	USD	2,600	124	0.06
Marriott International 'A'	USD	2,600	205	0.10
McDonald's	USD	4,800	570	0.28
MGM Resorts International	USD	5,200	131	0.07
Yum! Brands	USD	3,300	189	0.09
			2,030	1.01
<b>Household Durables 0.00% (0.99%)</b>				
<b>Internet &amp; Catalog Retail 0.00% (0.08%)</b>				
<b>Internet &amp; Direct Marketing Retail 1.65% (2.10%)</b>				
Amazon.com	USD	2,900	2,254	1.12
Netflix	USD	6,500	912	0.45
Priceline Group	USD	100	154	0.08
			3,320	1.65
<b>Leisure Products 0.00% (0.70%)</b>				
<b>Media 3.05% (2.15%)</b>				
CBS, (Non-Voting) 'B'	USD	22,500	1,157	0.57
Charter Communications 'A'	USD	5,600	1,581	0.79
Comcast 'A'	USD	57,380	1,729	0.86
DISH Network 'A'	USD	1,500	73	0.04
Interpublic Group	USD	800	13	0.01
Omnicom Group	USD	2,200	132	0.06
Scripps Networks Interactive 'A'	USD	200	13	0.01
Time Warner	USD	8,900	697	0.35
Twenty-First Century Fox 'A'	USD	2,500	56	0.03
Walt Disney	USD	7,900	662	0.33
			6,113	3.05
<b>Multiline Retail 0.00% (0.11%)</b>				
<b>Specialty Retail 1.77% (4.53%)</b>				
Best Buy	USD	5,200	228	0.11
Foot Locker	USD	2,300	81	0.04
Home Depot	USD	8,100	914	0.46
O'Reilly Automotive	USD	2,400	366	0.18
Ross Stores	USD	28,000	1,171	0.58
Tiffany	USD	10,600	779	0.39
Ulta Beauty	USD	100	19	0.01
			3,558	1.77
<b>Textiles, Apparel &amp; Luxury Goods 0.00% (1.23%)</b>				
<b>Consumer Discretionary total</b>			<b>15,021</b>	<b>7.48</b>
<b>Consumer Staples 6.73% (14.45%)</b>				
<b>Beverages 1.81% (3.31%)</b>				
Coca-Cola	USD	1,940	68	0.03
Constellation Brands 'A'	USD	12,400	1,839	0.92
Dr Pepper Snapple Group	USD	10,000	693	0.35
Molson Coors Brewing 'B'	USD	400	27	0.01
PepsiCo	USD	11,254	1,000	0.50
			3,627	1.81



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Food &amp; Staples Retailing 0.27% (2.98%)</b>				
Costco Wholesale	USD	1,200	140	0.07
Sysco	USD	10,400	414	0.20
			554	0.27
<b>Food Products 1.69% (3.28%)</b>				
Archer-Daniels-Midland	USD	3,500	112	0.06
Conagra Brands	USD	27,400	715	0.36
General Mills	USD	1,600	68	0.03
Hershey	USD	1,600	129	0.06
Kraft Heinz	USD	9,700	648	0.32
McCormick, (Non-Voting) 'G'	USD	3,000	218	0.11
Tyson Foods 'A'	USD	31,300	1,504	0.75
			3,394	1.69
<b>Household Products 1.10% (1.94%)</b>				
Clorox	USD	2,800	284	0.14
Kimberly-Clark	USD	3,400	317	0.16
Procter & Gamble	USD	23,270	1,600	0.80
			2,201	1.10
<b>Personal Products 0.00% (0.17%)</b>				
<b>Tobacco 1.86% (2.77%)</b>				
Altria Group	USD	44,019	2,248	1.12
British American Tobacco, ADR	USD	16,152	799	0.40
Philip Morris International	USD	7,600	686	0.34
			3,733	1.86
<b>Consumer Staples total</b>			<b>13,509</b>	<b>6.73</b>
<b>Energy 6.29% (4.11%)</b>				
<b>Energy Equipment &amp; Services 1.61% (0.41%)</b>				
Baker Hughes a GE	USD	36,100	1,021	0.51
Halliburton	USD	35,000	1,145	0.57
Schlumberger	USD	6,336	331	0.16
TechnipFMC	USD	33,900	746	0.37
			3,243	1.61
<b>Oil, Gas &amp; Consumable Fuels 4.68% (3.70%)</b>				
Anadarko Petroleum	USD	4,600	162	0.08
Apache	USD	7,400	282	0.14
Chevron	USD	20,000	1,650	0.82
Cimarex Energy	USD	1,700	127	0.06
Concho Resources	USD	400	40	0.02
EOG Resources	USD	10,000	727	0.36
Exxon Mobil	USD	25,157	1,526	0.76
Marathon Petroleum	USD	12,000	503	0.25
Noble Energy	USD	4,600	102	0.05
ONEOK	USD	17,900	771	0.38
Phillips 66	USD	2,643	169	0.09
Pioneer Natural Resources	USD	7,300	898	0.45
Valero Energy	USD	14,900	758	0.38
Williams	USD	69,100	1,685	0.84
			9,400	4.68
<b>Energy total</b>			<b>12,643</b>	<b>6.29</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Financials 20.18% (10.50%)</b>				
<b>Banks 8.06% (2.87%)</b>				
Bank of America	USD	87,637	1,605	0.80
BB&T	USD	26,100	933	0.47
Citigroup	USD	3,600	185	0.09
Citizens Financial Group	USD	48,000	1,278	0.64
Comerica	USD	19,100	1,048	0.52
Fifth Third Bancorp	USD	64,800	1,303	0.65
Huntington Bancshares	USD	17,700	178	0.09
JPMorgan Chase	USD	24,367	1,695	0.84
KeyCorp	USD	83,800	1,143	0.57
M&T Bank	USD	8,200	1,004	0.50
People's United Financial	USD	33,300	441	0.22
PNC Financial Services Group	USD	10,400	1,012	0.50
Regions Financial	USD	122,300	1,351	0.67
SunTrust Banks	USD	22,300	962	0.48
US Bancorp	USD	26,313	1,055	0.53
Wells Fargo	USD	8,773	356	0.18
Zions Bancorporation	USD	18,200	628	0.31
			16,177	8.06
<b>Capital Markets 4.26% (0.84%)</b>				
Bank of New York Mellon	USD	5,300	213	0.11
CBOE Holdings	USD	8,500	606	0.30
Charles Schwab	USD	16,600	538	0.27
CME Group	USD	19,000	1,756	0.87
E*TRADE Financial	USD	12,800	400	0.20
Goldman Sachs Group	USD	7,400	1,261	0.63
Intercontinental Exchange	USD	8,650	438	0.22
Morgan Stanley	USD	43,200	1,537	0.76
Nasdaq	USD	2,200	125	0.06
Northern Trust	USD	1,300	86	0.04
Raymond James Financial	USD	6,400	404	0.20
S&P Global	USD	7,500	878	0.44
State Street	USD	4,400	313	0.16
			8,555	4.26
<b>Consumer Finance 0.19% (0.31%)</b>				
Discover Financial Services	USD	8,200	377	0.19
			377	0.19
<b>Diversified Financial Services 1.02% (2.24%)</b>				
Berkshire Hathaway 'B'	USD	10,264	1,361	0.68
Leucadia National	USD	34,600	687	0.34
			2,048	1.02
<b>Insurance 6.65% (4.24%)</b>				
Aflac	USD	6,300	381	0.19
Allstate	USD	22,000	1,517	0.76
American International Group	USD	900	45	0.02
Aon	USD	600	63	0.03
Arthur J Gallagher	USD	15,600	707	0.35
Assurant	USD	5,300	426	0.21
Chubb	USD	4,823	535	0.27
Cincinnati Financial	USD	7,400	428	0.21
Everest Re Group	USD	500	99	0.05
Hartford Financial Services Group	USD	16,200	677	0.34
Lincoln National	USD	12,800	710	0.35
Loews	USD	12,000	441	0.22
Marsh & McLennan	USD	17,800	1,067	0.53

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Insurance 6.65% (4.24%) (continued)</b>				
MetLife	USD	5,200	219	0.11
Principal Financial Group	USD	28,200	1,449	0.72
Progressive	USD	17,500	629	0.31
Prudential Financial	USD	16,800	1,450	0.72
Torchmark	USD	11,800	709	0.35
Travelers	USD	6,080	590	0.30
Unum Group	USD	24,900	945	0.47
XL Group	USD	8,400	278	0.14
			13,365	6.65
<b>Financials total</b>			<b>40,522</b>	<b>20.18</b>
<b>Health Care 7.77% (11.09%)</b>				
<b>Biotechnology 0.34% (1.29%)</b>				
Incyte	USD	6,600	683	0.34
			683	0.34
<b>Health Care Equipment &amp; Supplies 3.28% (2.33%)</b>				
Align Technology	USD	900	119	0.06
Baxter International	USD	13,800	639	0.32
Becton Dickinson	USD	7,530	1,159	0.58
Boston Scientific	USD	14,100	290	0.14
Cooper	USD	4,100	771	0.38
CR Bard	USD	3,000	733	0.37
Danaher	USD	4,300	267	0.13
Hologic	USD	3,300	111	0.06
IDEXX Laboratories	USD	7,600	971	0.48
Intuitive Surgical	USD	1,300	933	0.46
Medtronic	USD	200	13	0.01
ResMed	USD	1,500	88	0.04
Stryker	USD	4,400	496	0.25
			6,590	3.28
<b>Health Care Providers &amp; Services 1.79% (3.97%)</b>				
Aetna	USD	1,097	130	0.06
Centene	USD	300	19	0.01
HCA Healthcare	USD	3,600	220	0.11
Humana	USD	1,700	302	0.15
Laboratory Corp. of America Holdings	USD	500	61	0.03
Quest Diagnostics	USD	13,400	1,119	0.56
UnitedHealth Group	USD	12,000	1,748	0.87
			3,599	1.79
<b>Life Sciences Tools &amp; Services 0.85% (0.97%)</b>				
Agilent Technologies	USD	200	9	–
Illumina	USD	4,600	613	0.31
Mettler-Toledo International	USD	1,300	572	0.28
Thermo Fisher Scientific	USD	2,800	376	0.19
Waters	USD	1,000	133	0.07
			1,703	0.85
<b>Pharmaceuticals 1.51% (2.53%)</b>				
Eli Lilly	USD	3,400	215	0.11
Johnson & Johnson	USD	20,501	2,061	1.03
Merck	USD	2,226	109	0.05
Zoetis	USD	13,500	640	0.32
			3,025	1.51
<b>Health Care total</b>			<b>15,600</b>	<b>7.77</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Industrials 12.23% (11.42%)</b>				
<b>Aerospace &amp; Defence 4.95% (3.93%)</b>				
Boeing	USD	4,700	865	0.43
General Dynamics	USD	12,300	1,855	0.92
L3 Technologies	USD	6,200	833	0.42
Lockheed Martin	USD	7,100	1,572	0.78
Northrop Grumman	USD	12,400	2,496	1.24
Raytheon	USD	16,500	2,164	1.08
TransDigm Group	USD	700	151	0.08
			9,936	4.95
<b>Air Freight &amp; Logistics 0.25% (0.31%)</b>				
CH Robinson Worldwide	USD	1,700	84	0.04
Expeditors International of Washington	USD	9,500	426	0.21
			510	0.25
<b>Airlines 0.65% (1.27%)</b>				
Alaska Air Group	USD	11,100	730	0.37
Southwest Airlines	USD	1,000	43	0.02
United Continental Holdings	USD	10,200	528	0.26
			1,301	0.65
<b>Building Products 0.01% (0.77%)</b>				
Johnson Controls International	USD	400	12	0.01
			12	0.01
<b>Commercial Services &amp; Supplies 1.47% (1.12%)</b>				
Cintas	USD	5,800	600	0.30
Republic Services	USD	23,600	1,156	0.57
Waste Management	USD	21,100	1,203	0.60
			2,959	1.47
<b>Construction &amp; Engineering 0.20% (0.20%)</b>				
Quanta Services	USD	15,800	404	0.20
			404	0.20
<b>Electrical Equipment 0.04% (0.41%)</b>				
Rockwell Automation	USD	700	88	0.04
			88	0.04
<b>Industrial Conglomerates 1.01% (1.64%)</b>				
3M	USD	3,800	579	0.29
General Electric	USD	36,828	716	0.36
Honeywell International	USD	3,400	354	0.18
Roper Technologies	USD	2,100	372	0.18
			2,021	1.01
<b>Machinery 1.55% (0.87%)</b>				
Caterpillar	USD	4,300	374	0.19
Cummins	USD	4,900	625	0.31
Deere	USD	2,100	206	0.10
Fortive	USD	400	20	0.01
Illinois Tool Works	USD	10,100	1,084	0.54
Ingersoll-Rand	USD	4,500	304	0.15
Parker-Hannifin	USD	3,900	490	0.25
			3,103	1.55
<b>Professional Services 0.22% (0.79%)</b>				
Equifax	USD	2,700	298	0.15
IHS Markit	USD	4,000	142	0.07
			440	0.22

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Road &amp; Rail 1.58% (0.00%)</b>				
CSX	USD	42,100	1,604	0.80
JB Hunt Transport Services	USD	5,400	372	0.19
Norfolk Southern	USD	7,400	645	0.32
Union Pacific	USD	7,000	551	0.27
			3,172	1.58
<b>Trading Companies &amp; Distributors 0.30% (0.11%)</b>				
United Rentals	USD	6,700	612	0.30
			612	0.30
<b>Industrials total</b>			<b>24,558</b>	<b>12.23</b>
<b>Information Technology 24.01% (16.94%)</b>				
<b>Communications Equipment 0.69% (0.75%)</b>				
Cisco Systems	USD	6,700	161	0.08
F5 Networks	USD	1,200	111	0.06
Harris	USD	12,700	1,107	0.55
			1,379	0.69
<b>Electronic Equipment, Instruments &amp; Components 0.95% (0.01%)</b>				
Amphenol 'A'	USD	20,700	1,201	0.60
Corning	USD	31,600	705	0.35
			1,906	0.95
<b>Internet Software &amp; Services 2.40% (2.79%)</b>				
Akamai Technologies	USD	13,600	486	0.24
Alphabet 'A'	USD	1,200	877	0.43
Alphabet 'C'	USD	1,001	718	0.36
eBay	USD	22,600	619	0.31
Facebook 'A'	USD	16,200	2,130	1.06
			4,830	2.40
<b>IT Services 3.27% (4.44%)</b>				
Automatic Data Processing	USD	11,300	1,011	0.50
CSRA	USD	7,100	177	0.09
DXC Technology	USD	16,098	962	0.48
Fidelity National Information Services	USD	3,300	229	0.11
Fiserv	USD	13,100	1,261	0.63
Gartner	USD	100	10	–
International Business Machines	USD	2,100	231	0.12
Mastercard 'A'	USD	12,200	1,189	0.59
Paychex	USD	5,900	260	0.13
Visa 'A'	USD	16,500	1,247	0.62
			6,577	3.27
<b>Semiconductors &amp; Semiconductor Equipment 8.36% (2.74%)</b>				
Advanced Micro Devices	USD	54,400	578	0.29
Analog Devices	USD	8,394	507	0.25
Applied Materials	USD	57,400	1,980	0.99
Broadcom	USD	9,049	1,727	0.86
Intel	USD	44,300	1,192	0.59
KLA-Tencor	USD	11,000	791	0.39
Lam Research	USD	14,000	1,725	0.86
Microchip Technology	USD	18,400	1,132	0.56
Micron Technology	USD	81,100	1,809	0.90
NVIDIA	USD	25,300	3,170	1.58
QUALCOMM	USD	7,000	282	0.14
Skyworks Solutions	USD	800	65	0.03
Texas Instruments	USD	16,900	1,040	0.52
Xilinx	USD	16,400	796	0.40
			16,794	8.36

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Software 4.24% (3.93%)</b>				
Activision Blizzard	USD	28,000	1,311	0.65
Adobe Systems	USD	7,100	794	0.40
ANSYS	USD	1,000	98	0.05
Electronic Arts	USD	5,100	460	0.23
Intuit	USD	4,500	465	0.23
Microsoft	USD	61,906	3,447	1.72
Symantec	USD	61,700	1,459	0.73
Synopsys	USD	8,100	472	0.23
			8,506	4.24
<b>Technology Hardware, Storage &amp; Peripherals 4.10% (2.28%)</b>				
Apple	USD	50,372	5,740	2.86
Hewlett Packard Enterprise	USD	39,400	526	0.26
HP	USD	1,700	25	0.01
NetApp	USD	23,800	789	0.39
Seagate Technology	USD	27,300	679	0.34
Western Digital	USD	7,300	473	0.24
			8,232	4.10
<b>Information Technology total</b>			<b>48,224</b>	<b>24.01</b>
<b>Materials 2.83% (3.76%)</b>				
<b>Chemicals 1.32% (1.82%)</b>				
Albemarle	USD	8,600	764	0.38
Dow Chemical	USD	16,000	801	0.40
El du Pont de Nemours	USD	6,500	416	0.21
FMC	USD	7,400	432	0.21
International Flavors & Fragrances	USD	300	31	0.02
Monsanto	USD	2,200	197	0.10
			2,641	1.32
<b>Construction Materials 0.31% (0.80%)</b>				
AO Smith	USD	1,600	66	0.03
Martin Marietta Materials	USD	2,300	397	0.20
Vulcan Materials	USD	1,700	161	0.08
			624	0.31
<b>Containers &amp; Packaging 0.47% (0.70%)</b>				
International Paper	USD	6,300	263	0.13
Packaging Corp. of America	USD	1,000	83	0.04
WestRock	USD	13,500	590	0.30
			936	0.47
<b>Metals &amp; Mining 0.73% (0.44%)</b>				
Newmont Mining	USD	52,200	1,476	0.73
			1,476	0.73
<b>Materials total</b>			<b>5,677</b>	<b>2.83</b>
<b>Real Estate 3.05% (5.07%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 3.05% (5.07%)</b>				
Alexandria Real Estate Equities	USD	5,500	505	0.25
American Tower	USD	5,700	601	0.30
Apartment Investment & Management 'A'	USD	15,600	538	0.27
AvalonBay Communities	USD	2,500	367	0.18
Digital Realty Trust	USD	9,800	844	0.42
Duke Realty	USD	3,700	81	0.04
Equinix	USD	4,413	1,507	0.75
Equity Residential	USD	1,500	78	0.04
Essex Property Trust	USD	1,700	343	0.17

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equity Real Estate Investment Trusts (REITs) 3.05% (5.07%) (continued)</b>				
Mid-America Apartment Communities	USD	1,000	79	0.04
Prologis	USD	19,800	929	0.46
Realty Income	USD	400	18	0.01
UDR	USD	7,700	231	0.12
			6,121	3.05
<b>Real Estate total</b>			<b>6,121</b>	<b>3.05</b>
<b>Telecommunication Services 1.06% (0.97%)</b>				
<b>Diversified Telecommunication Services 1.06% (0.97%)</b>				
AT&T	USD	50,317	1,495	0.75
Verizon Communications	USD	17,237	630	0.31
			2,125	1.06
<b>Telecommunication Services total</b>			<b>2,125</b>	<b>1.06</b>
<b>Utilities 7.47% (5.91%)</b>				
<b>Electric Utilities 3.27% (2.50%)</b>				
Alliant Energy	USD	20,900	645	0.32
American Electric Power	USD	4,900	263	0.13
Duke Energy	USD	2,000	129	0.07
Edison International	USD	13,200	787	0.39
Eversource Energy	USD	7,400	341	0.17
Exelon	USD	8,200	240	0.12
NextEra Energy	USD	12,600	1,394	0.69
PG&E	USD	11,600	597	0.30
Pinnacle West Capital	USD	10,500	690	0.34
PPL	USD	4,000	116	0.06
Southern	USD	17,800	645	0.32
Xcel Energy	USD	20,100	723	0.36
			6,570	3.27
<b>Multi-Utilities 3.79% (3.03%)</b>				
Ameren	USD	25,300	1,083	0.54
CenterPoint Energy	USD	39,400	845	0.42
CMS Energy	USD	21,300	751	0.37
Consolidated Edison	USD	8,500	534	0.27
Dominion Energy	USD	12,500	733	0.36
DTE Energy	USD	16,100	1,310	0.65
NISource	USD	2,600	52	0.03
Public Service Enterprise Group	USD	7,000	240	0.12
SCANA	USD	13,400	626	0.31
Sempra Energy	USD	6,500	560	0.28
WEC Energy Group	USD	18,677	888	0.44
			7,622	3.79
<b>Water Utilities 0.41% (0.38%)</b>				
American Water Works	USD	13,200	815	0.41
			815	0.41
<b>Utilities total</b>			<b>15,007</b>	<b>7.47</b>
<b>Equities total</b>			<b>199,007</b>	<b>99.10</b>
Investment assets			199,007	99.10
Net other assets			1,810	0.90
<b>Net assets</b>			<b>200,817</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		32,917		42,858
Revenue	3	4,454		3,738	
Expenses					
Net revenue before taxation	4	(2,424)		(2,078)	
Taxation	5	(693)		(512)	
Net revenue after taxation			1,337		1,148
<b>Total return before distributions</b>			<b>34,254</b>		<b>44,006</b>
Distributions	6		(1,337)		(1,148)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>32,917</b>		<b>42,858</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>246,769</b>		<b>187,751</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	1,219		47,454	
Amounts payable on cancellation of shares	(80,175)		(31,378)	
		(78,956)		16,076
Dilution adjustment		87		84
Change in net assets attributable to shareholders from investment activities (see above)		32,917		42,858
<b>Closing net assets attributable to shareholders</b>		<b>200,817</b>		<b>246,769</b>



## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		199,007	245,126
<b>Current assets:</b>			
Debtors	8	504	2,040
Cash and bank balances	9	1,989	2,034
<b>Total assets</b>		<b>201,500</b>	<b>249,200</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(476)	(648)
Other creditors	10	(207)	(1,783)
<b>Total liabilities</b>		<b>(683)</b>	<b>(2,431)</b>
<b>Net assets attributable to shareholders</b>		<b>200,817</b>	<b>246,769</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency (losses)/gains	(326)	226
Expenses relating to the purchase and sale of investments	(18)	(18)
Non-derivative securities gains	33,261	42,650
<b>Net capital gains</b>	<b>32,917</b>	<b>42,858</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	14	2
Overseas dividends	4,430	3,729
Stock dividends	–	2
UK dividends	10	5
<b>Total revenue</b>	<b>4,454</b>	<b>3,738</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	2,356	2,018
	2,356	2,018
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	31	27
Safe custody fee	16	13
	47	40
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	6	2
Statement fees	4	9
	21	20
<b>Total expenses</b>	<b>2,424</b>	<b>2,078</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	693	512
<b>Total current tax for the year (see note 5b)</b>	<b>693</b>	<b>512</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,030</b>	<b>1,660</b>
Corporation tax at 20%	406	332
<b>Effects of:</b>		
Movement in excess expenses	439	391
Overseas dividends not subject to corporation tax	(836)	(716)
Overseas tax suffered	693	512
Revenue taxable in different periods	1	(1)
Tax relief for overseas tax suffered	(8)	(5)
UK dividends not subject to corporation tax	(2)	(1)
	287	180
<b>Current tax charge (see note 5a)</b>	<b>693</b>	<b>512</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £11,535,000 (2016: £9,341,000 (restated to agree to tax computation submitted to HMRC)) creating a potential deferred tax asset of £2,307,000 (2016: £1,868,000 (restated to agree to tax computation submitted to HMRC)). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	729	501
Final distribution	476	648
	1,205	1,149
Add: Revenue deducted on cancellation of shares	133	86
Deduct: Revenue received on issue of shares	(1)	(87)
<b>Total distributions</b>	<b>1,337</b>	<b>1,148</b>

Details of the distributions per share are set out in the distribution tables on page 86.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
Level 1: Quoted prices	199,007	245,052
Level 2: Observable market data	–	74
<b>Total value</b>	<b>199,007</b>	<b>245,126</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	117	141
Amounts receivable on issue of shares	200	221
Overseas tax recoverable	187	176
Sales awaiting settlement	–	1,502
<b>Total debtors</b>	<b>504</b>	<b>2,040</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	1,989	2,034
<b>Total cash and bank balances</b>	<b>1,989</b>	<b>2,034</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	207	233
Purchases awaiting settlement	–	1,550
<b>Total creditors</b>	<b>207</b>	<b>1,783</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £172,000 (2016: £198,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,205,000 (2016: £1,150,000). The amount outstanding at the year end was £476,000 (2016: £649,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	63,015,327	(26,275,952)	89,291,279

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 69. The distributions per share class are given in the distribution tables on page 86.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	89,291,279	433,503	(26,709,455)	–	63,015,327

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 99.67% (2016: 100.03%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 9.97% (2016: 10.00%).

	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
Currency	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
US Dollar	1,139	1,706	199,007	245,126	200,146	246,832

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 0.99% (2016: 0.82%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 99.10% (2016: 99.33%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.91%. (2016: 9.93%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases</b>						
Equities	(165,839)	(66)	–	(165,905)	0.04%	0.00%
	(165,839)	(66)	–	(165,905)		
<b>Sales</b>						
Equities	245,371	(85)	(5)	245,281	0.03%	0.00%
	245,371	(85)	(5)	245,281		
<b>Total</b>		(151)	(5)			
<b>Percentage of Fund average net assets</b>		0.07%	0.00%			

<b>Purchases</b>						
Equities	(151,379)	(53)	–	(151,432)	0.04%	0.00%
	(151,379)	(53)	–	(151,432)		
<b>Sales</b>						
Equities	135,542	(49)	(3)	135,490	0.04%	0.00%
	135,542	(49)	(3)	135,490		
<b>Total</b>		(102)	(3)			
<b>Percentage of Fund average net assets</b>		0.05%	0.00%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.02% (2016: 0.02%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	0.7548	–	0.7548	0.7264
	Group 2	0.0000	0.7548	0.7548	0.7264

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.9136	–	0.9136	0.6164
	Group 2	0.8066	0.1070	0.9136	0.6164

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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



## AVIVA INVESTORS EURO EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in European equities (excluding UK).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Europe (excluding UK). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 22.60 per cent (net of fees), underperforming the FTSE® World Europe ex-UK Index return of 24.63 per cent.

#### Review

The FTSE® World Europe ex-UK Index rose during the period under review. All sectors generated a positive return over the year, led by financials.

The positive momentum over the twelve months was helped by a steady improvement in European economic data amid a broad-based upturn in global economic activity. Purchasing managers' indices, consumer confidence indicators and employment data in Continental Europe all gained traction, with some data points rising to the highest level in nearly a decade. By the end of the twelve month period, economic growth in Europe outpaced that of the United States (US) and United Kingdom (UK).

Pro-European sentiment strengthened over the year as people were galvanised by a convincing economic recovery in Europe and as the European Union (EU) cleared some important political hurdles, most notably the elections in France and the Netherlands. This helped to ease concerns over the possibility of a more profound disintegration of the EU after the UK voted to leave the EU in June 2016.

The European Central Bank (ECB) surprised investors in December 2016 after it announced it would extend the duration of its quantitative easing programme by nine months, but reduce the scale of its monthly purchases. At first, market participants regarded the announcement as the start of an eventual wind-down of the central bank's quantitative-easing programme and stocks sold off. They later recovered however, as investors assessed that while the ECB had decided to cut the rate of purchases to €60bn a month, it had pledged to buy assets for a longer period.

Corporate results in Europe were on an upward trajectory over the period, while second-quarter results in 2017 registered the strongest outturn for a number of years, with a high proportion of companies reporting revenues and earnings that exceeded market expectations. M&A activity was also strong.

All continental markets generated strong returns over the period. Financials, industrials and basic materials were the strongest performing sectors over the year. Health care, while generating positive returns, was the weakest sector.

Stock selection in consumer goods and an underweight exposure to health care contributed positively to relative performance. However, stock selection in telecommunications detracted, as did an overweight exposure to consumer services.

The largest contributor to returns during the period was our overweight position in AXA. The company benefitted from investors' greater appetite for financial stocks following the US presidential election in 2016. It also rallied further after releasing its full-year results early in 2017. The backdrop of rising bond yields was also supportive.

Elsewhere in financials, an overweight position in Belgian bank and insurer KBC Group and French asset manager Amundi both contributed positively. For Amundi, the share price was buoyed by solid first quarter results and the acquisition of Pioneer Investments. In contrast, not holding some of the lower capitalised banks that rallied strongly, such as Banco Santander and BNP Paribas, detracted.

The largest detractor to relative performance was an overweight position in brewer Anheuser-Busch InBev in consumer goods. The company reported poor fourth quarter 2016 results, with organic revenue growth and earnings falling short of consensus expectations. However, as defensive stocks and sectors remained out of favour for much of the year, the Fund benefitted from not holding Nestlé.

In health care, not owning Swiss pharmaceuticals business Roche contributed to relative performance as the stock fell sharply in value after disappointing results for a new breast cancer drug. An overweight position in Novartis detracted due to the disappointing trial result for a cardiovascular drug.

Within consumer services, an overweight position in food retailer Ahold Delhaize hurt relative returns. The stock came under pressure following a profit warning from one of its competitors in the US, which accounted for approximately 60 per cent of Ahold Delhaize's revenues.

In information technology, an overweight position in Danish payments business Nets weighed on relative performance, due to concerns about competition from peer-to-peer transaction apps. However, an overweight position in video game developer Ubisoft aided returns. The share price responded positively to first quarter results. Vivendi's increased stake also provides continued speculative appeal.

On a positive note, an overweight position in global staffing company Adecco within industrials also added to relative returns.

## AVIVA INVESTORS EURO EQUITY MOM 1 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

**Outlook**

We think the economic recovery in Europe remains sustainable and in many ways embedded as economic data remain broadly positive. The region has also cleared some important political hurdles. While the Citi Economic Surprise Index for the euro zone rolled off towards the end of the second quarter from multi-year highs, we would view this as a correction in sentiment which had run slightly ahead of fundamentals, rather than an indicator of a more meaningful slowdown. Hard data and survey-based data experienced a broad-based upturn over the quarter, further supporting the argument that the economic recovery in the single currency bloc continues to make steady progress as we head into the second half of the year.

French President Emmanuel Macron's power base has been further strengthened by his decisive win in the parliamentary elections. This, we think, will allow him more latitude to press ahead with key reforms, which should be positive for sentiment and the corporate backdrop in France. The ECB remains accommodative given the benign inflation backdrop and this is likely to continue to underpin the positive momentum we have seen year-to-date. The synchronicity in the global recovery further adds to this stable and supportive economic environment.

Overall, major European equity markets are making steady progress, the monetary environment remains stimulative and the global environment is supportive. Within this context, it is our firm belief that a focused bottom-up stock selection approach is the best way to uncover compelling investment opportunities.

August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Lazard Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 89 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

**Material Portfolio Changes**

Purchases	Sales
UniCredit	NN Group
ABN AMRO Group, CVA	Syngenta
Intesa Sanpaolo	Iliad
Air Liquide	Linde
Bayer	Intesa Sanpaolo
Koninklijke Ahold Delhaize	Vonovia
Linde	AXA
Nordea Bank	Actelion
Faurecia	KBC Group
Continental	Novo Nordisk 'B'

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- During the year ended 31 July 2017, the indicator changed from category 6 to category 5.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments will be affected by changes in exchange rates.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	195.99	189.75	169.10
Return before operating charges <sup>†</sup>	46.63	10.94	24.89
Operating charges	(2.29)	(1.98)	(1.95)
Return after operating charges <sup>†</sup>	44.34	8.96	22.94
Distributions	(3.28)	(2.72)	(2.29)
Closing net asset value per share	237.05	195.99	189.75
† after direct transaction costs of	(0.52)	(0.44)	(0.57)
<b>Performance</b>			
Return after charges	22.62%	4.72%	13.57%
<b>Other information</b>			
Closing net asset value (£000)	173,785	138,928	154,186
Closing number of shares	73,313,168	70,887,198	81,256,281
Operating charges (%) <sup>‡</sup>	1.06%	1.07%	1.07%
Direct transaction costs (%) <sup>#</sup>	0.24%	0.24%	0.31%
<b>Prices<sup>≈</sup></b>			
Highest share price	241.77	199.54	199.67
Lowest share price	191.42	167.14	156.23

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.06%	1.07%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 100.52% (98.32%)</b>				
<b>Austria 1.32% (1.63%)</b>				
Erste Group Bank	EUR	72,978	2,299	1.32
			2,299	1.32
<b>Belgium 3.64% (6.47%)</b>				
Anheuser-Busch InBev	EUR	68,353	6,319	3.64
			6,319	3.64
<b>Denmark 4.68% (6.08%)</b>				
AP Moller – Maersk 'B'	DKK	1,759	2,914	1.68
Carlsberg 'B'	DKK	61,853	5,212	3.00
			8,126	4.68
<b>Finland 2.08% (2.43%)</b>				
Metso	EUR	44,775	1,086	0.62
Sampo 'A'	EUR	61,262	2,535	1.46
			3,621	2.08
<b>France 21.50% (20.17%)</b>				
Air Liquide	EUR	20,139	1,889	1.09
Amundi	EUR	48,655	2,840	1.63
AXA	EUR	222,349	4,994	2.87
Capgemini	EUR	32,170	2,667	1.54
Elior Group	EUR	131,863	2,639	1.52
Faurecia	EUR	101,423	4,267	2.46
Schneider Electric	EUR	61,873	3,698	2.13
SPIE	EUR	121,190	2,576	1.48
Television Francaise 1	EUR	132,280	1,462	0.84
Ubisoft Entertainment	EUR	48,171	2,331	1.34
Valeo	EUR	37,092	1,952	1.12
Vinci	EUR	40,709	2,767	1.59
Vivendi	EUR	186,828	3,285	1.89
			37,367	21.50
<b>Germany 13.64% (10.02%)</b>				
Bayer	EUR	39,362	3,803	2.19
Continental	EUR	20,752	3,542	2.04
Deutsche Wohnen	EUR	109,446	3,300	1.90
Fresenius	EUR	66,628	4,309	2.48
KION Group	EUR	41,316	2,716	1.56
SAP	EUR	74,817	6,028	3.47
			23,698	13.64
<b>Ireland 5.77% (6.47%)</b>				
Bank of Ireland Group	EUR	509,143	3,182	1.83
CRH	EUR	132,147	3,511	2.02
Kerry Group 'A'	EUR	27,289	1,854	1.07
Kingspan Group	EUR	58,514	1,477	0.85
			10,024	5.77
<b>Italy 6.55% (10.29%)</b>				
Cerved Information Solutions	EUR	212,280	1,833	1.05
Davide Campari-Milano	EUR	188,648	1,062	0.61
Italgas	EUR	434,646	1,808	1.04
Telecom Italia	EUR	2,574,041	2,014	1.16
UniCredit	EUR	314,007	4,666	2.69
			11,383	6.55

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Luxembourg 1.61% (0.00%)</b>				
ArcelorMittal	EUR	141,161	2,800	1.61
			2,800	1.61
<b>Netherlands 15.62% (10.68%)</b>				
ABN AMRO Group, CVA	EUR	202,129	4,308	2.48
Akzo Nobel	EUR	44,686	3,054	1.76
CNH Industrial	EUR	242,836	2,114	1.21
Euronext	EUR	57,134	2,539	1.46
ING Groep	EUR	179,336	2,537	1.46
RELX	EUR	64,764	1,029	0.59
Unilever, CVA	EUR	170,044	7,574	4.36
Wolters Kluwer	EUR	119,083	3,993	2.30
			27,148	15.62
<b>Norway 1.70% (4.18%)</b>				
Europris	NOK	37,784	133	0.08
Petroleum Geo-Services	NOK	173,668	282	0.16
Statoil	NOK	180,744	2,548	1.46
			2,963	1.70
<b>Portugal 1.40% (0.00%)</b>				
Galp Energia	EUR	200,391	2,436	1.40
			2,436	1.40
<b>Spain 2.77% (2.35%)</b>				
Bankia	EUR	407,196	1,563	0.90
Merlin Properties Socimi, REIT	EUR	170,364	1,740	1.00
Red Electrica	EUR	92,334	1,504	0.87
			4,807	2.77
<b>Sweden 4.77% (0.00%)</b>				
Hexagon 'B'	SEK	82,686	3,098	1.78
Nordea Bank	SEK	378,684	3,626	2.09
Saab 'B'	SEK	44,363	1,563	0.90
			8,287	4.77
<b>Switzerland 11.79% (15.23%)</b>				
Cie Financiere Richemont	CHF	43,240	2,803	1.61
Credit Suisse Group	CHF	298,274	3,528	2.03
Galenica	CHF	23,000	811	0.46
Julius Baer Group	CHF	60,453	2,607	1.50
Landis+Gyr Group	CHF	17,100	1,038	0.60
Novartis	CHF	149,476	9,709	5.59
			20,496	11.79
<b>Turkey 1.68% (1.57%)</b>				
Turkcell Iletisim Hizmetleri	TRY	1,042,877	2,912	1.68
			2,912	1.68
<b>United Kingdom 0.00% (0.75%)</b>				
<b>Equities total</b>			<b>174,686</b>	<b>100.52</b>
Investment assets			174,686	100.52
Net other liabilities			(901)	(0.52)
<b>Net assets</b>			<b>173,785</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		29,688		4,681
Revenue	3	4,224		4,234	
Expenses					
Net revenue before taxation	4	(1,627)		(1,584)	
Taxation	5	(205)		(398)	
Net revenue after taxation			2,392		2,252
<b>Total return before distributions</b>			<b>32,080</b>		<b>6,933</b>
Distributions	6		(2,392)		(2,266)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>29,688</b>		<b>4,667</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>138,928</b>		<b>154,186</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	9,007		4,082	
Amounts payable on cancellation of shares	(3,864)		(24,110)	
		5,143		(20,028)
Dilution adjustment		26		103
Change in net assets attributable to shareholders from investment activities (see above)		29,688		4,667
<b>Closing net assets attributable to shareholders</b>		<b>173,785</b>		<b>138,928</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		174,686	136,597
<b>Current assets:</b>			
Debtors	8	592	1,089
Cash and bank balances	9	937	6,646
<b>Total assets</b>		<b>176,215</b>	<b>144,332</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(2,235)	(1,925)
Other creditors	10	(195)	(3,479)
<b>Total liabilities</b>		<b>(2,430)</b>	<b>(5,404)</b>
<b>Net assets attributable to shareholders</b>		<b>173,785</b>	<b>138,928</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(183)	(143)
Expenses relating to the purchase and sale of investments	(20)	(18)
Forward currency contracts gains	–	4
Non-derivative securities gains	29,891	4,838
<b>Net capital gains</b>	<b>29,688</b>	<b>4,681</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	3	–
Overseas dividends	4,221	4,234
<b>Total revenue</b>	<b>4,224</b>	<b>4,234</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,553	1,499
	1,553	1,499
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	21	20
Interest payable	1	2
Safe custody fee	32	33
	54	55
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	3	2
Professional fees	–	14
Statement fees	6	5
	20	30
<b>Total expenses</b>	<b>1,627</b>	<b>1,584</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	205	398
<b>Total current tax for the year (see note 5b)</b>	<b>205</b>	<b>398</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,597</b>	<b>2,650</b>
Corporation tax at 20%	519	530
<b>Effects of:</b>		
Expenses not deductible for tax purposes	–	3
Movement in excess expenses	317	303
Overseas dividends not subject to corporation tax	(835)	(836)
Overseas tax suffered	205	398
Tax relief for overseas tax suffered	(1)	–
	(314)	(132)
<b>Current tax charge (see note 5a)</b>	<b>205</b>	<b>398</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £7,026,000 (2016: £5,439,000) creating a potential deferred tax asset of £1,405,000 (2016: £1,088,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	168	–
Final distribution	2,235	1,925
	2,403	1,925
Add: Revenue deducted on cancellation of shares	6	348
Deduct: Revenue received on issue of shares	(17)	(7)
<b>Total distributions</b>	<b>2,392</b>	<b>2,266</b>
<b>Reconciliations of distributions for the year to net revenue after taxation</b>		
Distributions for the year	2,392	2,266
Other fees borne by the capital account	–	(14)
<b>Net revenue after taxation</b>	<b>2,392</b>	<b>2,252</b>

Details of the distributions per share are set out in the distribution tables on page 100.

**7 Fair value hierarchy**

	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
<b>Basis of valuation</b>		
Level 1: Quoted prices	174,686	136,597
<b>Total value</b>	<b>174,686</b>	<b>136,597</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Overseas tax recoverable	587	629
Sales awaiting settlement	5	460
<b>Total debtors</b>	<b>592</b>	<b>1,089</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	937	6,646
<b>Total cash and bank balances</b>	<b>937</b>	<b>6,646</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	182	153
Corporation tax payable	13	13
Purchases awaiting settlement	–	3,313
<b>Total creditors</b>	<b>195</b>	<b>3,479</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £148,000 (2016: £123,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £2,403,000 (2016: £1,925,000). The amount outstanding at the year end was £2,235,000 (2016: £1,925,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	73,313,168	2,425,970	70,887,198

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 89. The distributions per share class are given in the distribution tables on page 100.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	70,887,198	4,246,906	(1,820,936)	–	73,313,168

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 100.86% (2016: 97.00%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 10.09% (2016: 9.70%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Danish Krone	34	16	8,126	8,447	8,160	8,463
Euro	329	(2,090)	131,902	99,001	132,231	96,911
Norwegian Krone	73	67	2,963	5,806	3,036	5,873
Swedish Krona	(2)	(3)	8,287	–	8,285	(3)
Swiss Franc	155	172	20,496	21,164	20,651	21,336
Turkish Lira	–	–	2,912	2,179	2,912	2,179

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 0.54% (2016: 4.78%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 100.52% (2016: 98.32%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 10.05% (2016: 9.83%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(130,613)	(124)	(119)	(130,856)	0.09%	0.09%
<b>Purchases (include corporate action activity only)</b>						
Equities	(1,685)	–	–	(1,685)	0.00%	0.00%
	(132,298)	(124)	(119)	(132,541)		
<b>Sales</b>						
Equities	124,465	(123)	–	124,342	0.10%	0.00%
	124,465	(123)	–	124,342		
<b>Total</b>		(247)	(119)			
<b>Percentage of Fund average net assets</b>		0.16%	0.08%			
<b>Purchases</b>						
Equities	(110,258)	(119)	(117)	(110,494)	0.11%	0.11%
	(110,258)	(119)	(117)	(110,494)		
<b>Sales</b>						
Equities	134,412	(125)	–	134,287	0.09%	0.00%
	134,412	(125)	–	134,287		
<b>Total</b>		(244)	(117)			
<b>Percentage of Fund average net assets</b>		0.16%	0.08%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.06% (2016: 0.08%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	3.0486	–	3.0486	2.7159
	Group 2	2.5563	0.4923	3.0486	2.7159

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.2312	–	0.2312	0.0000
	Group 2	0.0000	0.2312	0.2312	0.0000

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS EURO EQUITY MOM 2 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in European equities (excluding UK).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Europe (excluding UK). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 22.66 per cent (net of fees), underperforming the MSCI Europe ex UK Total Return GBP Index return of 24.21 per cent.

#### Review

The early part of the period was dominated by the US presidential election and the shock result that saw Donald Trump defy the polls. Despite earlier speculation that a Trump win would send markets into a heightened state of uncertainty and trigger a sharp reversal, the president's pro-growth rhetoric of fiscal stimulus was the catalyst for a rally in markets, particularly in the US.

The Trump trade initially helped US stocks outperform Europe, but the president's subsequent inability to implement legislative change damaged market confidence in his reflationary policies.

Meanwhile European equities strengthened in 2017, helped by both political outcomes and economic news. The market focused on strong European PMI data, a narrowing of the output gap and the unemployment rate falling to its lowest level since just after the financial crisis. This improvement in the European economy saw European Central Bank (ECB) President Mario Draghi become less dovish. In a speech in June 2017 he noted that "deflationary forces have been replaced by reflationary ones" heightening expectation that the ECB may scale back its considerable stimulus package. The euro continued appreciating for the rest of the review period, touching its highest level (in trade weighted terms) since late 2014.

On the political front, there was a market-friendly outcome in the French presidential election as centrist Emmanuel Macron achieved a convincing victory over far-right rival Marine Le Pen. This eased concerns about the rising influence of populism and provided a seemingly more stable outlook for the French economy. In the UK, there was a surprise outcome in the general election with Theresa May's Conservatives losing their majority in parliament, with Labour performing better than expected.

Sector trends within the equity market showed a fairly clear split between cyclicals and defensives over the period. The financials sector was the strongest performing sector, up 46.5 per cent in sterling terms. This was followed by industrials (26.2 per cent) and materials (24.4 per cent). The weakest sectors included real estate (-2.4 per cent), health care (4.5 per cent) and consumer staples (6.8 per cent).

The Fund's exposure to the industrials rally and strong stock selection in the health care sector more than offset the weakness seen in the consumer staples space.

The Fund's strongest contributors included OMV, Partners Group Holdings and NKT:

Oil & gas producer OMV produced healthy returns amid a volatile period for oil prices. The company revealed in April 2017 that its first quarter clean operating result (on a current cost of supply basis) was significantly above analyst consensus expectations. The stock was then sold in May 2017 as a result of our annual review of companies' reports and accounts.

Partners Group Holdings enjoyed a steady improvement in its share price throughout the period. Most recently the private equity company raised its full-year guidance for client commitments after reporting robust client demand for the first half of 2017.

NKT shares jumped in September 2016 when it announced its intention to split into two separately listed companies: NKT Cables and Nilfisk (professional cleaning). The decision coincided with its purchase of ABB's high voltage cables business in a deal with enterprise value of €5.3bn.

The biggest detractors from performance included Novo Nordisk, Liberbank and Orion:

In August 2016, Novo Nordisk recorded 5 per cent sales growth in the first six months of 2016, but operating profit fell by 6 per cent and the company lowered its 2016 guidance range. The stock was sold from the portfolio in October 2016 because of deterioration in secondary scores in our cash flow screens.

Spanish lender Liberbank's shares fell due to a read across from peer Banco Popular, which had to be rescued by Banco Santander after the ECB declared the bank was "failing or likely to fail". The stock rebounded slightly in July 2017 after its Q2 results included stronger than expected net income, boosted by growth in lending. A reduction in the nonperforming loan ratio and an improvement in the CET Tier 1 ratio were also reported.

Finnish pharma company Orion was added to the Portfolio in May 2017. The company released second quarter results showing net sales of €272.4m, which fell short of the consensus forecast of €278.5m, while second quarter EBIT and pre-tax profit also disappointed.

A number of Portfolio changes were made over the year, primarily representing changes resulting from this year's review of company report and accounts. The annual Fund restructuring was largely completed during May and June. Following the changes, the Fund continued to consist primarily of companies with strong cash flows that have strong business momentum that are able to self-fund growth and possess robust balance sheets which allow shareholder cash returns.

## AVIVA INVESTORS EURO EQUITY MOM 2 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

**Outlook**

There has been no change to the constructive view we have taken in recent reviews to equity markets at this point, or to our expectation that more contrarian value stock opportunities are likely to struggle against a backdrop of continued very low levels of investor anxiety. The only exception to this general rule is likely to be energy and banks in Europe, both of which continue to show elevated levels of investor concern and therefore may well reward more contrarian value investment styles.

We note a particularly benign backdrop for momentum – supported not just by the very low levels of investor anxiety that we currently observe across the majority of the European market but also recent very low levels of volatility for trend following styles. Corporate animal spirits remain contained with no significant pick up in aggressive investment behaviour and are currently at normal levels – this is usually constructive for equity markets.

August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Liontrust Investment Partners LLP.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 103 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

**Material Portfolio Changes**

Purchases	Sales
Hexpol	Actelion
Orion 'B'	NKT Holding
Dassault Aviation	Forbo Holdings
Lenzing	CIE Automotive
Stora Enso 'R'	ACS Actividades de Construccion y Servicios
Skandinaviska Enskilda Banken 'A'	Schindler Holding
JM	Nexans
Energias de Portugal	DiaSorin
SimCorp	NN Group
Loomis 'B'	OMV

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- During the year ended 31 July 2017, the indicator changed from category 6 to category 5.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- The value of investments will be affected by changes in exchange rates.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.



## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	202.20	172.00	162.20
Return before operating charges <sup>†</sup>	48.32	34.90	13.74
Operating charges	(2.50)	(1.87)	(1.79)
Return after operating charges <sup>†</sup>	45.82	33.03	11.95
Distributions	(3.72)	(2.83)	(2.15)
Closing net asset value per share	244.30	202.20	172.00
<sup>†</sup> after direct transaction costs of	(0.23)	(0.66)	(0.57)
<b>Performance</b>			
Return after charges	22.66%	19.20%	7.37%
<b>Other information</b>			
Closing net asset value (£000)	56,003	47,015	83,266
Closing number of shares	22,923,740	23,251,716	48,409,590
Operating charges (%) <sup>†</sup>	1.09%	1.05%	1.06%
Direct transaction costs (%) <sup>#</sup>	0.10%	0.37%	0.34%
<b>Prices<sup>≈</sup></b>			
Highest share price	256.01	205.29	182.14
Lowest share price	197.75	158.47	146.66

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.09%	1.05%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 97.84% (98.28%)</b>				
<b>Austria 2.63% (1.78%)</b>				
Lenzing	EUR	10,902	1,470	2.63
			<u>1,470</u>	<u>2.63</u>
<b>Denmark 11.45% (18.89%)</b>				
Dfds	DKK	33,395	1,438	2.57
SimCorp	DKK	31,888	1,504	2.68
Sydbank	DKK	55,233	1,736	3.10
Vestas Wind Systems	DKK	23,157	1,734	3.10
			<u>6,412</u>	<u>11.45</u>
<b>Finland 8.03% (0.00%)</b>				
Nokian Renkaat	EUR	46,108	1,433	2.56
Orion 'B'	EUR	34,585	1,335	2.38
Stora Enso 'R'	EUR	168,654	1,729	3.09
			<u>4,497</u>	<u>8.03</u>
<b>France 8.49% (7.54%)</b>				
Dassault Aviation	EUR	1,471	1,668	2.98
Peugeot	EUR	96,842	1,577	2.81
TOTAL	EUR	39,125	1,512	2.70
			<u>4,757</u>	<u>8.49</u>
<b>Germany 10.69% (7.95%)</b>				
Covestro	EUR	25,691	1,520	2.71
Deutsche Pfandbriefbank	EUR	149,082	1,485	2.65
HOCHTIEF	EUR	11,058	1,491	2.66
Software	EUR	45,165	1,493	2.67
			<u>5,989</u>	<u>10.69</u>
<b>Italy 8.44% (3.54%)</b>				
Mediobanca	EUR	209,357	1,649	2.95
Moncler	EUR	81,135	1,646	2.94
Technogym	EUR	256,740	1,430	2.55
			<u>4,725</u>	<u>8.44</u>
<b>Luxembourg 2.46% (0.00%)</b>				
Subsea 7	NOK	123,044	1,380	2.46
			<u>1,380</u>	<u>2.46</u>
<b>Netherlands 3.08% (8.66%)</b>				
ING Groep	EUR	122,038	1,726	3.08
			<u>1,726</u>	<u>3.08</u>
<b>Norway 0.20% (1.25%)</b>				
Fred Olsen Energy	NOK	104,706	112	0.20
			<u>112</u>	<u>0.20</u>
<b>Portugal 2.88% (0.00%)</b>				
Energias de Portugal	EUR	602,021	1,614	2.88
			<u>1,614</u>	<u>2.88</u>
<b>Spain 8.90% (15.35%)</b>				
Amadeus IT Group	EUR	37,542	1,769	3.16
Construcciones y Auxiliar de Ferrocarriles	EUR	17,426	588	1.05
Endesa	EUR	84,617	1,516	2.71
Liberbank	EUR	1,266,196	1,110	1.98
			<u>4,983</u>	<u>8.90</u>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Sweden 19.45% (12.17%)</b>				
Atlas Copco 'A'	SEK	53,445	1,477	2.64
Hexpol	SEK	195,875	1,519	2.71
Investor 'B'	SEK	43,345	1,564	2.79
JM	SEK	56,021	1,497	2.68
Loomis 'B'	SEK	54,526	1,529	2.73
Peab	SEK	182,502	1,629	2.91
Skandinaviska Enskilda Banken 'A'	SEK	174,100	1,675	2.99
			10,890	19.45
<b>Switzerland 11.14% (21.15%)</b>				
Cembra Money Bank	CHF	23,433	1,592	2.84
Oriflame Holding	SEK	47,977	1,401	2.50
Partners Group Holding	CHF	3,290	1,622	2.90
Straumann Holding	CHF	3,769	1,623	2.90
			6,238	11.14
<b>Equities total</b>			<b>54,793</b>	<b>97.84</b>
Investment assets			54,793	97.84
Net other assets			1,210	2.16
<b>Net assets</b>			<b>56,003</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		9,898		11,812
Revenue	3	1,426		1,927	
Expenses	4	(563)		(782)	
Net revenue before taxation		863		1,145	
Taxation	5	4		(66)	
Net revenue after taxation			867		1,079
<b>Total return before distributions</b>			<b>10,765</b>		<b>12,891</b>
Distributions	6		(867)		(1,079)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>9,898</b>		<b>11,812</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>47,015</b>		<b>83,266</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	2,962		–	
Amounts payable on cancellation of shares	(3,884)		(48,198)	
		(922)		(48,198)
Dilution adjustment		12		135
Change in net assets attributable to shareholders from investment activities (see above)		9,898		11,812
<b>Closing net assets attributable to shareholders</b>		<b>56,003</b>		<b>47,015</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		54,793	46,208
<b>Current assets:</b>			
Debtors	8	211	197
Cash and bank balances	9	1,946	1,358
<b>Total assets</b>		<b>56,950</b>	<b>47,763</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts		(2)	–
Distribution payable		(853)	(658)
Other creditors	10	(92)	(90)
<b>Total liabilities</b>		<b>(947)</b>	<b>(748)</b>
<b>Net assets attributable to shareholders</b>		<b>56,003</b>	<b>47,015</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(70)	(139)
Expenses relating to the purchase and sale of investments	(16)	(9)
Non-derivative securities gains	9,984	11,960
<b>Net capital gains</b>	<b>9,898</b>	<b>11,812</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	3	12
Overseas dividends	1,423	1,915
<b>Total revenue</b>	<b>1,426</b>	<b>1,927</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	530	750
	530	750
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	9	11
Interest payable	1	1
Safe custody fee	9	6
	19	18
<b>Other expenses:</b>		
Audit fee*	10	9
Printing & postage expenses	1	2
Statement fees	3	3
	14	14
<b>Total expenses</b>	<b>563</b>	<b>782</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax (credit)/charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	(4)	66
<b>Total current tax for the year (see note 5b)</b>	<b>(4)</b>	<b>66</b>

**b Factors affecting current tax (credit)/charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>863</b>	<b>1,145</b>
Corporation tax at 20%	173	229
<b>Effects of:</b>		
Movement in excess expenses	103	154
Overseas dividends not subject to corporation tax	(275)	(383)
Tax relief for overseas tax suffered	(1)	–
Overseas tax suffered	(4)	66
	(177)	(163)
<b>Current tax (credit)/charge (see note 5a)</b>	<b>(4)</b>	<b>66</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £3,739,000 (2016: £3,222,000) creating a potential deferred tax asset of £748,000 (2016: £645,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Final distribution	853	658
	853	658
Add: Revenue deducted on cancellation of shares	15	421
Deduct: Revenue received on issue of shares	(1)	–
<b>Total distributions</b>	<b>867</b>	<b>1,079</b>

Details of the distributions per share are set out in the distribution tables on page 114.

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
Level 1: Quoted prices	54,793	46,208
<b>Total value</b>	<b>54,793</b>	<b>46,208</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Overseas tax recoverable	210	197
Prepaid Expenses	1	–
<b>Total debtors</b>	<b>211</b>	<b>197</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	1,946	1,358
<b>Total cash and bank balances</b>	<b>1,946</b>	<b>1,358</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	92	90
<b>Total creditors</b>	<b>92</b>	<b>90</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £48,000 (2016: £41,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £853,000 (2016: £658,000). The amount outstanding at the year end was £853,000 (2016: £658,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	22,923,740	(327,976)	23,251,716

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.00%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 103. The distributions per share class are given in the distribution tables on page 114.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	23,251,716	1,318,260	(1,646,236)	–	22,923,740

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 98.21% (2016: 98.73%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 9.82% (2016: 9.87%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Danish Krone	38	25	6,412	8,882	6,450	8,907
Euro	105	110	29,761	21,075	29,866	21,185
Norwegian Krone	9	13	1,492	588	1,501	601
Swedish Krona	–	–	12,291	5,721	12,291	5,721
Swiss Franc	57	60	4,837	9,942	4,894	10,002

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 3.47% (2016: 2.89%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 97.84% (2016: 98.28%) of the net assets of the Fund were invested in ordinary shares or stock units or debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.78% (2016: 9.83%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases</b>						
Equities	(38,375)	(22)	(12)	(38,409)	0.06%	0.03%
	(38,375)	(22)	(12)	(38,409)		
<b>Sales</b>						
Equities	39,828	(20)	–	39,808	0.05%	0.00%
	39,828	(20)	–	39,808		
<b>Total</b>		(42)	(12)			
<b>Percentage of Fund average net assets</b>		0.08%	0.02%			

<b>Purchases</b>						
Equities	(27,438)	(121)	(7)	(27,566)	0.44%	0.03%
	(27,438)	(121)	(7)	(27,566)		
<b>Sales</b>						
Equities	73,823	(151)	–	73,672	0.20%	0.00%
	73,823	(151)	–	73,672		
<b>Total</b>		(272)	(7)			
<b>Percentage of Fund average net assets</b>		0.36%	0.01%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.08% (2016: 0.08%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	3.7231	–	3.7231	2.8284
	Group 2	3.4165	0.3066	3.7231	2.8284

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.0000	–	0.0000	0.0000
	Group 2	0.0000	0.0000	0.0000	0.0000

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS APAC EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in Asia Pacific equities (excluding Japan).

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in the Asia Pacific region (excluding Japan). Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 25.51 per cent (net of fees), outperforming the FTSE® World Asia Pacific ex Japan, India and Pakistan Equity Index return of 23.73 per cent.

#### Review

Market sentiment has remained positive throughout the year despite numerous political events that took investors by surprise. Market disruptions have proven to be short-lived as investors quickly digested events such as the Brexit referendum and election of Mr. Trump as US president. Global equity markets continued to benefit from optimism that recovering inflation and economic growth will finally provide the backdrop for the US Federal Reserve to normalise interest rates after a decade of easing.

Stock markets in Asia were also buoyed by market optimism about growth following President Trump's election, led by China which saw its best performing quarter in over ten years on the back of strong economic data and a stabilising currency. Ongoing restrictions on the property market and increased efforts by the government to clamp down on capital outflows also caused liquidity to divert into equities. The Hong Kong market has generally tracked the US and Chinese markets higher, helped by buying interest from Mainland Chinese investors via the Stock Connect scheme.

The Korean market reached record levels amid a slew of share buybacks and higher dividends. The victory of the new President Moon Jae-in also supported the market on expectations of fiscal stimulus to reinvigorate the economy as well as meaningful reform on corporate governance. ASEAN markets on the other hand have been laggards on the back of soft economic growth and an uncertain political environment.

The majority of the outperformance came from stock selection in Australia, Korea, Taiwan and Hong Kong, while the zero allocation to Malaysia, which underperformed over the year, also contributed to performance. From a sector perspective, the positive stock selection in technology and financials were key contributors, whereas the more traditional and old-economy sectors like industrial conglomerates and telecom were among the detractors.

Within technology, the overweight in Chinese ecommerce name Alibaba and social media platform Sina have contributed significantly, with share prices almost doubling over the year amid solid earnings growth and optimism on the increased technology adoption and ecommerce penetration. On the tech hardware side, the overweight positions in Samsung Electronics and SK Hynix have done well as the increased prevalence of technology from multiple fronts (AI, robotics, the Internet of Things, electric vehicles, etc.) fuelled demands for computer memory and processing power which is expected to accelerate. Similarly in Taiwan, the overweight positions in TSMC and Hon Hai strengthened amid optimism on Apple's smartphone cycle.

Among the key detractors were industrial holdings like Brambles in Australia and Zhuzhou CRRC in China. Brambles shares retreated following US price discounting to reduce inventory. Zhuzhou CRRC has been weak due to delays in procurement orders from Chinese railway operator CRC. Traditional telecom names like China Mobile and Singtel have retreated due to traditional mobile services being cannibalised by data services.

During the year we initiated new positions in technology stocks like ecommerce website Vipshop and gaming companies NetEase and NCSOFT, which stand to benefit from the structural uptrend of online activities. We have also added to banks HSBC and OCBC on expectations that credit spreads will widen. We have trimmed the positions in telecommunication stocks Singtel and Taiwan Mobile in view of the challenging operating environment.

#### Outlook

Technology stocks have been the key drivers of the markets in 2017. Hardware technology stocks are being driven by better product specifications and higher semiconductor memory prices. Valuations, despite the rally appear reasonable, and are well supported by dividend yields. Internet stocks appear to be trading at rich valuations but there is still further potential in initiatives such as cloud, fintech, media etc. However, opportunities in the technology sector are concentrated in China, Korea and Taiwan.

Select opportunities in financials also look interesting, with some banking and insurance companies offering structural growth. The real estate sector, primarily in Hong Kong, continues to benefit from low vacancy rates amidst limited new supply.

China's sizeable fiscal and monetary stimulus since 2016 has been a strong tailwind for the Chinese economy as well as global growth. However, such stimulus is largely credit driven, and this build-up of leverage in China is a potential risk to the global economy. While the pace of credit creation in China remains high, the growth rate has moderated in 2017. This may put pressure on China's growth trajectory if it continues to reign in credit growth further. Access to the local 'A' share markets through "Stock Connect" as well as inclusion in MSCI's indices is likely to provide a positive liquidity backdrop for the market.

The Fund's strategy remains unchanged, focusing on strong individual ideas with good earnings visibility even in an environment fraught with top-down uncertainties. We continue to favour technology component supply chain companies that have technology leadership, solid balance sheets and a commitment to pay a good dividend yield. These stocks have delivered good performance, but still trade at defensible valuations. We also favour software companies (internet, e-commerce and games) where the revenue growth continues, in some cases, at over 20 per cent. Whilst valuations are high, the premium for growth remains acceptable.

## AVIVA INVESTORS APAC EQUITY MOM 1 FUND (CONTINUED)

### FUND MANAGER'S REPORT (CONTINUED)

Overall valuations are in line with long-term average historical trading ranges although there are significant dispersions across sectors. We still see a good list of stocks to invest for medium to long-term returns.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Schroder Investment Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 117 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
Samsung Electronics	National Australia Bank
Westpac Banking	Taiwan Mobile
Taiwan Semiconductor Manufacturing	Belle International Holdings
Oversea-Chinese Banking	Singapore Telecommunications
BHP Billiton	BTS Rail Mass Transit Growth Infrastructure Fund 'F'
AIA Group	Cathay Pacific Airways
China Mobile	Samsonite International
NCSOFT	First Resources
China Mengniu Dairy	Hyundai Motor
Australia & New Zealand Banking Group	Cheung Kong Property Holdings

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Developing market investments can be less easy to buy and sell, and their values may be influenced by the economic and political risks of the countries of issue.
- During the year ended 31 July 2017, the indicator changed from category 6 to category 5.
- The value of investments will be affected by changes in exchange rates.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	214.31	189.20	198.14
Return before operating charges <sup>†</sup>	57.89	31.27	(2.80)
Operating charges	(3.28)	(2.49)	(2.75)
Return after operating charges <sup>†</sup>	54.61	28.78	(5.55)
Distributions	(3.72)	(3.67)	(3.39)
Closing net asset value per share	265.20	214.31	189.20
† after direct transaction costs of	(0.17)	(0.16)	(0.14)
<b>Performance</b>			
Return after charges	25.48%	15.21%	(2.80)%
<b>Other information</b>			
Closing net asset value (£000)	71,264	43,444	47,473
Closing number of shares	26,871,824	20,271,338	25,091,209
Operating charges (%) <sup>†</sup>	1.34%	1.36%	1.34%
Direct transaction costs (%) <sup>#</sup>	0.07%	0.09%	0.07%
<b>Prices<sup>≈</sup></b>			
Highest share price	271.09	218.46	228.05
Lowest share price	211.41	162.38	190.45

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.34%	1.36%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 98.41% (98.86%)</b>				
<b>Australia 20.50% (21.22%)</b>				
AGL Energy	AUD	45,193	661	0.93
ASX	AUD	22,025	698	0.98
Australia & New Zealand Banking Group	AUD	78,300	1,409	1.98
BHP Billiton	AUD	111,399	1,749	2.45
Brambles	AUD	155,755	874	1.23
Commonwealth Bank of Australia	AUD	14,009	712	1.00
Computershare	AUD	98,593	843	1.18
CSL	AUD	14,986	1,147	1.61
Incitec Pivot	AUD	403,162	784	1.10
Medibank	AUD	438,247	721	1.01
National Australia Bank	AUD	46,047	838	1.18
QBE Insurance Group	AUD	35,592	256	0.36
Rio Tinto	AUD	17,231	689	0.97
Wesfarmers	AUD	14,520	359	0.50
Westpac Banking	AUD	97,152	1,878	2.63
Woodside Petroleum	AUD	20,593	365	0.51
Woolworths	AUD	38,514	624	0.88
			14,607	20.50
<b>Bermuda 4.89% (6.29%)</b>				
Hongkong Land Holdings	USD	267,400	1,531	2.15
Jardine Matheson Holdings	USD	29,500	1,422	1.99
Kerry Properties	HKD	200,000	533	0.75
Peace Mark <sup>A</sup>	HKD	276,000	–	–
			3,486	4.89
<b>Cayman Islands 14.17% (13.17%)</b>				
Alibaba Group Holding, ADR	USD	14,690	1,764	2.48
China Mengniu Dairy	HKD	614,000	911	1.28
China Resources Land	HKD	418,888	1,024	1.44
CK Hutchison Holdings	HKD	62,832	630	0.88
NetEase, ADR	USD	1,592	381	0.53
Pacific Textiles Holdings	HKD	748,000	644	0.90
SINA	USD	15,937	1,149	1.61
Tencent Holdings	HKD	106,500	3,255	4.57
Vipshop Holdings, ADR	USD	26,628	250	0.35
Weibo, ADR	USD	1,593	93	0.13
			10,101	14.17
<b>China 7.36% (7.52%)</b>				
China Construction Bank 'H'	HKD	1,704,000	1,079	1.52
China Pacific Insurance Group 'H'	HKD	413,000	1,391	1.95
China Petroleum & Chemical 'H'	HKD	828,200	479	0.67
Industrial & Commercial Bank of China 'H'	HKD	1,702,000	907	1.27
Shandong Weigao Group Medical Polymer 'H'	HKD	852,000	523	0.73
Zhuzhou CRRC Times Electric 'H'	HKD	238,700	867	1.22
			5,246	7.36



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Hong Kong 10.81% (10.80%)</b>				
AIA Group	HKD	497,200	2,984	4.19
BOC Hong Kong Holdings	HKD	373,000	1,400	1.97
China Mobile	HKD	193,000	1,577	2.21
Galaxy Entertainment Group	HKD	49,000	231	0.32
Sun Hung Kai Properties	HKD	57,000	672	0.94
Swire Pacific 'A'	HKD	28,000	213	0.30
Swire Properties	HKD	238,000	626	0.88
			7,703	10.81
<b>Indonesia 1.13% (1.44%)</b>				
Bank Mandiri Persero	IDR	470,404	365	0.51
Matahari Department Store	IDR	605,500	438	0.62
			803	1.13
<b>Ireland 1.07% (1.69%)</b>				
James Hardie Industries, CDI	AUD	65,703	765	1.07
			765	1.07
<b>Luxembourg 0.00% (0.54%)</b>				
<b>Philippines 0.96% (1.35%)</b>				
Ayala Land	PHP	633,500	401	0.56
Globe Telecom	PHP	8,900	282	0.40
			683	0.96
<b>Singapore 4.26% (5.00%)</b>				
Jardine Cycle & Carriage	SGD	26,588	602	0.84
Oversea-Chinese Banking	SGD	139,600	891	1.25
Singapore Telecommunications	SGD	126,400	282	0.40
United Overseas Bank	SGD	50,000	674	0.95
UOL Group	SGD	132,400	585	0.82
			3,034	4.26
<b>South Korea 15.49% (11.78%)</b>				
Cell Biotech	KRW	11,436	276	0.39
Hyundai Motor	KRW	4,796	473	0.66
LG Chem	KRW	4,544	1,011	1.42
NAVER	KRW	1,008	550	0.77
NCSOFT	KRW	2,565	629	0.88
Samsung Electronics	KRW	2,825	4,627	6.49
Samsung Fire & Marine Insurance	KRW	1,572	311	0.44
SK Hynix	KRW	39,703	1,778	2.50
SK Telecom	KRW	5,053	955	1.34
Yuhan	KRW	2,679	430	0.60
			11,040	15.49
<b>Taiwan 11.16% (12.11%)</b>				
Advanced Semiconductor Engineering	TWD	1,011,364	1,028	1.44
Cathay Financial Holding	TWD	266,000	329	0.46
Hon Hai Precision Industry	TWD	704,672	2,079	2.92
Taiwan Mobile	TWD	104,000	282	0.40
Taiwan Semiconductor Manufacturing	TWD	785,000	4,235	5.94
			7,953	11.16

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Thailand 3.75% (3.99%)</b>				
Bangkok Bank	THB	260,700	1,095	1.53
Intouch Holdings, NVDR	THB	555,200	756	1.06
Kasikornbank, NVDR	THB	42,000	185	0.26
Land & Houses, NVDR	THB	2,806,940	639	0.90
			2,675	3.75
<b>United Kingdom 1.86% (0.63%)</b>				
HSBC Holdings	HKD	172,800	1,322	1.86
			1,322	1.86
<b>United States of America 1.00% (1.33%)</b>				
ResMed, CDI	AUD	121,232	711	1.00
			711	1.00
<b>Equities total</b>			<b>70,129</b>	<b>98.41</b>
Investment assets			70,129	98.41
Net other assets			1,135	1.59
<b>Net assets</b>			<b>71,264</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

^ Unlisted, suspended or delisted security.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		11,634		6,254
Revenue	3	1,861		1,674	
Expenses	4	(794)		(624)	
Net revenue before taxation		1,067		1,050	
Taxation	5	(152)		(119)	
Net revenue after taxation			915		931
<b>Total return before distributions</b>			<b>12,549</b>		<b>7,185</b>
Distributions	6		(915)		(931)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>11,634</b>		<b>6,254</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>43,444</b>		<b>47,473</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	16,124		459	
Amounts payable on cancellation of shares	–		(10,786)	
		16,124		(10,327)
Dilution adjustment		62		44
Change in net assets attributable to shareholders from investment activities (see above)		11,634		6,254
<b>Closing net assets attributable to shareholders</b>		<b>71,264</b>		<b>43,444</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		70,129	42,949
<b>Current assets:</b>			
Debtors	8	728	253
Cash and bank balances	9	1,121	754
<b>Total assets</b>		<b>71,978</b>	<b>43,956</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(619)	(442)
Other creditors	10	(95)	(70)
<b>Total liabilities</b>		<b>(714)</b>	<b>(512)</b>
<b>Net assets attributable to shareholders</b>		<b>71,264</b>	<b>43,444</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency losses	(44)	(34)
Expenses relating to the purchase and sale of investments	(10)	(10)
Forward currency contracts gains	–	3
Non-derivative securities gains	11,688	6,295
<b>Net capital gains</b>	<b>11,634</b>	<b>6,254</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	3	3
Overseas dividends	1,804	1,648
Stock dividends	13	7
UK dividends	41	16
<b>Total revenue</b>	<b>1,861</b>	<b>1,674</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	747	572
	747	572
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	10	8
Interest payable	–	15
Safe custody fee	20	16
	30	39
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	1	2
Professional fees	4	–
Statement fees	1	2
	17	13
<b>Total expenses</b>	<b>794</b>	<b>624</b>

\* The audit fee was £8,333 (2016: £8,266) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	152	119
<b>Total current tax for the year (see note 5b)</b>	<b>152</b>	<b>119</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>1,067</b>	<b>1,050</b>
Corporation tax at 20%	213	210
<b>Effects of:</b>		
Movement in excess expenses	148	122
Overseas dividends not subject to corporation tax	(350)	(330)
Overseas tax suffered	152	119
Stock dividends not taxable	(3)	(1)
Non-trade deficit set against current year income	–	2
UK dividends not subject to corporation tax	(8)	(3)
	(61)	(91)
<b>Current tax charge (see note 5a)</b>	<b>152</b>	<b>119</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £6,510,000 (2016: £5,768,000) creating a potential deferred tax asset of £1,302,000 (2016: £1,154,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	354	373
Final distribution	619	442
	973	815
Add: Revenue deducted on cancellation of shares	–	117
Deduct: Revenue received on issue of shares	(58)	(1)
<b>Total distributions</b>	<b>915</b>	<b>931</b>

Details of the distributions per share are set out in the distribution tables on page 129.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
Basis of valuation		
Level 1: Quoted prices	70,129	42,841
Level 3: Unobservable data	–	108
<b>Total value</b>	<b>70,129</b>	<b>42,949</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	186	148
Overseas tax recoverable	6	17
Sales awaiting settlement	536	88
<b>Total debtors</b>	<b>728</b>	<b>253</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	1,121	754
<b>Total cash and bank balances</b>	<b>1,121</b>	<b>754</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	95	70
<b>Total creditors</b>	<b>95</b>	<b>70</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 Related party transactions

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £76,000 (2016: £51,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £973,000 (2016: £815,000). The amount outstanding at the year end was £619,000 (2016: £442,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	26,871,824	6,600,486	20,271,338

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 117. The distributions per share class are given in the distribution tables on page 129.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	20,271,338	6,600,486	–	–	26,871,824



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 99.46% (2016: 99.40%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund would change by 9.95% (2016: 9.94%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Australian Dollar	–	53	16,083	10,531	16,083	10,584
Hong Kong Dollar	563	109	21,268	13,442	21,831	13,551
Indonesian Rupiah	–	–	803	627	803	627
Philippine Peso	–	–	683	587	683	587
Singapore Dollar	–	–	3,034	2,172	3,034	2,172
South Korean Won	87	10	11,040	5,117	11,127	5,127
Taiwan Dollar	80	23	7,953	5,263	8,033	5,286
Thailand Baht	–	–	2,675	1,734	2,675	1,734
US Dollar	20	40	6,590	3,476	6,610	3,516

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 1.57% (2016: 1.72%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 98.41% (2016: 98.86%) of the net assets of the Fund were invested in ordinary shares or stock units or debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.84% (2016: 9.89%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(23,250)	(21)	(8)	(23,279)	0.09%	0.03%
<b>Purchases (include corporate action activity only)</b>						
Equities	(19)	-	-	(19)	0.00%	0.00%
	(23,269)	(21)	(8)	(23,298)		
<b>Sales</b>						
Equities	7,821	(6)	(9)	7,806	0.08%	0.12%
	7,821	(6)	(9)	7,806		
<b>Total</b>		(27)	(17)			
<b>Percentage of Fund average net assets</b>		0.04%	0.03%			

<b>Purchases</b>						
Equities	(6,512)	(7)	(2)	(6,521)	0.11%	0.03%
	(6,512)	(7)	(2)	(6,521)		
<b>Sales</b>						
Equities	15,940	(13)	(19)	15,908	0.08%	0.12%
	15,940	(13)	(19)	15,908		
<b>Total</b>		(20)	(21)			
<b>Percentage of Fund average net assets</b>		0.04%	0.05%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.18% (2016: 0.23%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	2.3013	–	2.3013	2.1792
	Group 2	1.7769	0.5244	2.3013	2.1792

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	1.4184	–	1.4184	1.4884
	Group 2	0.4093	1.0091	1.4184	1.4884

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS JAPAN EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in Japanese equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded on Regulated markets in Japan. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 16.28 per cent (net of fees), outperforming the FTSE® World Japan Index return of 16.09 per cent.

#### Review

Sector allocation and stock selection both contributed to the positive relative performance during this review period. Robust global demand and steady economic growth have supported the corporate earnings outlook, in particular for the manufacturing sectors, and these sectors drove the Japan equity market higher. Among the cyclical sectors, Electronics outperformed along with strong global demand for semiconductors and components used for data storage and smartphones. Growing demand for factory automation (FA) equipment is also helping the top-line growth among Japanese electronics and capital goods component producers. Steady increases in manufacturing wages, in China especially, have lifted demand for FA equipment in a shift towards labour substitution. On the other hand, domestic demand has weakened during this review period. Despite the massive scale of unconventional monetary easing measures, including purchases of ETFs and control over long term bond yields by the Bank of Japan (BoJ), National CPI has failed to get anywhere near the target rate of 2 per cent. Consumer spending figures have mostly been in a downward trend for the last twelve months. However, despite these headwinds, many domestic companies have improved their profit margins through increased product prices and cost reductions, which have helped the Japan equity market to rally during this annual review period.

(Please note that the attribution analysis is performed on the equity portfolio only on a Japanese yen basis.)

Sector allocation and stock selection both contributed to the relative performance over the twelve months under review. Our sector allocation strategy made a positive contribution of 84bp on the relative performance during the review period. We held an overweight exposure to manufacturing sectors as they offer relatively attractive valuations compared with domestic oriented defensive sectors, in addition to their exposure to improving global demand prospects. As a result, our underweight position in the Medical sector added 41bp to the relative return. The sector underperformed the benchmark index partly due to rich valuations, and limited new flows of promising new drug developments. Growing official pressure to limit the cost of drugs to the national health insurance system by the Japanese government and an ambiguous political outlook in the US have also left an unclear outlook for the industry. The underweight position in the Consumption sector also added 27bp to the relative performance. Weakening domestic demand failed to support the sector performance.

Stock selection contributed 45bp to the relative performance. In the Infrastructure sector, construction companies enjoyed a robust outperformance with support from steady demand in both the private and public sectors and improved profit margins. Our bias toward construction companies therefore worked positively and contributed 123bp to the relative return. Stock selection also added 45bp to the relative return in the Automobiles sector. Within the sector, we saw that earnings prospects for large automobile makers such as Toyota and Honda were flattening out as demand growth in the large markets of the US and China started to level off. Our underweight positions in these large companies had a positive effect on the relative performance.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Nomura Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 132 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	171.18	150.25	130.54
Return before operating charges <sup>†</sup>	30.40	24.13	22.31
Operating charges	(2.48)	(1.94)	(1.95)
Return after operating charges <sup>†</sup>	27.92	22.19	20.36
Distributions	(1.25)	(1.26)	(0.65)
Closing net asset value per share	197.85	171.18	150.25
† after direct transaction costs of	(0.13)	(0.18)	(0.10)
<b>Performance</b>			
Return after charges	16.31%	14.77%	15.60%
<b>Other information</b>			
Closing net asset value (£000)	315,140	214,330	276,694
Closing number of shares	159,284,578	125,210,846	184,152,820
Operating charges (%) <sup>‡</sup>	1.30%	1.31%	1.31%
Direct transaction costs (%) <sup>#</sup>	0.07%	0.12%	0.07%
<b>Prices<sup>≈</sup></b>			
Highest share price	200.88	172.42	160.10
Lowest share price	165.55	126.69	122.60

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	1.30%	1.31%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 99.51% (99.17%)</b>				
<b>Consumer Discretionary 21.41% (23.62%)</b>				
<b>Auto Components 6.18% (4.57%)</b>				
Exedy	JPY	110,100	2,624	0.83
Futaba Industrial	JPY	213,400	1,682	0.53
Keihin	JPY	152,500	1,671	0.53
KYB	JPY	502,000	2,161	0.69
Sanden Holdings	JPY	520,000	1,130	0.36
Stanley Electric	JPY	133,700	3,366	1.07
Sumitomo Electric Industries	JPY	181,500	2,237	0.71
Toyoda Gosei	JPY	54,000	972	0.31
Toyota Industries	JPY	88,500	3,620	1.15
			19,463	6.18
<b>Automobiles 6.99% (8.04%)</b>				
Isuzu Motors	JPY	72,700	760	0.24
Mazda Motor	JPY	276,400	3,173	1.01
Mitsubishi Motors	JPY	703,600	3,873	1.23
Nissan Motor	JPY	627,800	4,746	1.51
Subaru	JPY	181,100	4,988	1.58
Toyota Motor	JPY	104,300	4,482	1.42
			22,022	6.99
<b>Diversified Consumer Services 0.97% (0.00%)</b>				
Benesse Holdings	JPY	105,100	3,059	0.97
			3,059	0.97
<b>Household Durables 1.58% (3.25%)</b>				
Alpine Electronics	JPY	66,900	929	0.29
Foster Electric	JPY	141,900	2,119	0.67
Fujitsu General	JPY	122,100	1,958	0.62
			5,006	1.58
<b>Leisure Products 0.78% (1.09%)</b>				
Bandai Namco Holdings	JPY	93,500	2,470	0.78
			2,470	0.78
<b>Multiline Retail 0.00% (0.89%)</b>				
<b>Specialty Retail 4.91% (5.78%)</b>				
ABC-Mart	JPY	44,000	1,906	0.60
EDION	JPY	243,200	1,703	0.54
K's Holdings	JPY	62,900	960	0.30
Nishimatsuya Chain	JPY	169,000	1,407	0.45
Nitori Holdings	JPY	42,100	4,515	1.43
Shimachu	JPY	38,700	737	0.23
Shimamura	JPY	20,600	1,948	0.62
Yamada Denki	JPY	572,700	2,323	0.74
			15,499	4.91
<b>Consumer Discretionary total</b>			<b>67,519</b>	<b>21.41</b>
<b>Consumer Staples 3.39% (4.40%)</b>				
<b>Food &amp; Staples Retailing 1.10% (0.54%)</b>				
Mitsubishi Shokuhin	JPY	68,200	1,500	0.48
Tsuruha Holdings	JPY	24,600	1,965	0.62
			3,465	1.10
<b>Food Products 1.12% (1.99%)</b>				
Kewpie	JPY	121,900	2,332	0.74
MEIJI Holdings	JPY	19,800	1,199	0.38
			3,531	1.12

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Personal Products 0.00% (0.97%)</b>				
<b>Tobacco 1.17% (0.90%)</b>				
Japan Tobacco	JPY	139,200	3,679	1.17
			<u>3,679</u>	<u>1.17</u>
<b>Consumer Staples total</b>			<b>10,675</b>	<b>3.39</b>
<b>Energy 0.82% (1.01%)</b>				
<b>Oil, Gas &amp; Consumable Fuels 0.82% (1.01%)</b>				
Inpex	JPY	349,900	2,590	0.82
			<u>2,590</u>	<u>0.82</u>
<b>Energy total</b>			<b>2,590</b>	<b>0.82</b>
<b>Financials 11.49% (12.92%)</b>				
<b>Banks 5.47% (8.91%)</b>				
Aozora Bank	JPY	766,000	2,240	0.71
Mitsubishi UFJ Financial Group	JPY	694,140	3,352	1.06
Mizuho Financial Group	JPY	2,594,900	3,513	1.12
Nishi-Nippon Financial Holdings	JPY	180,900	1,547	0.49
Sumitomo Mitsui Financial Group	JPY	227,600	6,586	2.09
			<u>17,238</u>	<u>5.47</u>
<b>Consumer Finance 2.05% (0.48%)</b>				
AEON Financial Service	JPY	152,500	2,525	0.80
Hitachi Capital	JPY	138,200	2,499	0.79
Jaccs	JPY	406,000	1,445	0.46
			<u>6,469</u>	<u>2.05</u>
<b>Diversified Financial Services 1.27% (1.55%)</b>				
ORIX	JPY	331,900	4,006	1.27
			<u>4,006</u>	<u>1.27</u>
<b>Insurance 2.70% (1.98%)</b>				
T&D Holdings	JPY	280,900	3,161	1.00
Tokio Marine Holdings	JPY	167,000	5,349	1.70
			<u>8,510</u>	<u>2.70</u>
<b>Financials total</b>			<b>36,223</b>	<b>11.49</b>
<b>Health Care 4.84% (6.41%)</b>				
<b>Health Care Providers &amp; Services 0.64% (0.30%)</b>				
Ship Healthcare Holdings	JPY	85,900	2,006	0.64
			<u>2,006</u>	<u>0.64</u>
<b>Pharmaceuticals 4.20% (6.11%)</b>				
Daiichi Sankyo	JPY	262,800	4,364	1.38
Ono Pharmaceutical	JPY	74,200	1,236	0.39
Otsuka Holdings	JPY	54,100	1,813	0.58
Shionogi	JPY	111,900	4,544	1.44
Tsumura	JPY	43,500	1,287	0.41
			<u>13,244</u>	<u>4.20</u>
<b>Health Care total</b>			<b>15,250</b>	<b>4.84</b>
<b>Industrials 24.87% (21.17%)</b>				
<b>Airlines 0.57% (0.80%)</b>				
ANA Holdings	JPY	685,000	1,788	0.57
			<u>1,788</u>	<u>0.57</u>



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Building Products 1.85% (0.96%)</b>				
Daikin Industries	JPY	25,200	2,033	0.65
Nichias	JPY	121,000	1,116	0.35
Nichiha	JPY	81,200	2,290	0.73
Takasago Thermal Engineering	JPY	30,300	385	0.12
			5,824	1.85
<b>Commercial Services &amp; Supplies 0.56% (1.13%)</b>				
Dai Nippon Printing	JPY	209,000	1,754	0.56
			1,754	0.56
<b>Construction &amp; Engineering 4.96% (4.11%)</b>				
Kandenko	JPY	325,000	2,641	0.84
Kinden	JPY	192,600	2,281	0.72
Kyowa Exeo	JPY	178,800	2,322	0.74
Nippo	JPY	151,000	2,335	0.74
Penta-Ocean Construction	JPY	543,200	2,458	0.78
Shimizu	JPY	447,400	3,595	1.14
			15,632	4.96
<b>Electrical Equipment 4.24% (3.83%)</b>				
Daihen	JPY	386,000	2,620	0.83
Fuji Electric	JPY	285,000	1,193	0.38
Furukawa Electric	JPY	88,300	3,030	0.96
Mabuchi Motor	JPY	4,200	169	0.05
Mitsubishi Electric	JPY	307,200	3,619	1.15
Nidec	JPY	32,600	2,734	0.87
			13,365	4.24
<b>Machinery 7.85% (5.71%)</b>				
Amada Holdings	JPY	245,600	2,134	0.68
Ebara	JPY	151,200	3,369	1.07
Furukawa	JPY	1,441,000	2,038	0.65
Makino Milling Machine	JPY	283,000	1,821	0.58
Meidensha	JPY	545,000	1,470	0.47
Mitsui Engineering & Shipbuilding	JPY	1,661,000	1,753	0.56
SMC	JPY	9,300	2,251	0.71
Star Micronics	JPY	164,100	2,068	0.65
Sumitomo Heavy Industries	JPY	599,000	3,326	1.05
THK	JPY	179,700	4,177	1.32
YAMABIKO	JPY	37,300	343	0.11
			24,750	7.85
<b>Professional Services 0.99% (1.32%)</b>				
Recruit Holdings	JPY	237,000	3,119	0.99
			3,119	0.99
<b>Road &amp; Rail 1.42% (1.18%)</b>				
Fukuyama Transporting	JPY	319,000	1,549	0.49
Sankyu	JPY	512,000	2,935	0.93
			4,484	1.42
<b>Trading Companies &amp; Distributors 2.32% (1.80%)</b>				
Hanwa	JPY	329,000	1,788	0.57
Kanematsu	JPY	1,257,000	2,081	0.66
Mitsubishi	JPY	208,000	3,437	1.09
			7,306	2.32
<b>Transportation Infrastructure 0.11% (0.33%)</b>				
Sumitomo Warehouse	JPY	70,000	340	0.11
			340	0.11
<b>Industrials total</b>			<b>78,362</b>	<b>24.87</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Information Technology 15.21% (10.26%)</b>				
<b>Communications Equipment 0.00% (0.43%)</b>				
<b>Electronic Equipment, Instruments &amp; Components 4.71% (1.52%)</b>				
Hitachi	JPY	1,033,000	5,409	1.72
Ibiden	JPY	166,900	2,204	0.70
Murata Manufacturing	JPY	30,800	3,647	1.16
Nichicon	JPY	213,600	1,787	0.57
Nippon Signal	JPY	228,500	1,764	0.56
			14,811	4.71
<b>Internet Software &amp; Services 0.52% (0.80%)</b>				
Yahoo Japan	JPY	471,400	1,623	0.52
			1,623	0.52
<b>IT Services 3.25% (1.32%)</b>				
Fujitsu	JPY	769,000	4,369	1.39
Itochu Techno-Solutions	JPY	121,500	3,214	1.02
NEC Networks & System Integration	JPY	44,800	744	0.24
NET One Systems	JPY	259,500	1,886	0.60
			10,213	3.25
<b>Semiconductors &amp; Semiconductor Equipment 3.32% (1.43%)</b>				
Disco	JPY	29,500	3,982	1.26
Sanken Electric	JPY	567,000	2,190	0.69
Tokyo Electron	JPY	19,700	2,116	0.67
Tokyo Seimitsu	JPY	83,100	2,198	0.70
			10,486	3.32
<b>Software 0.83% (1.34%)</b>				
Capcom	JPY	32,000	603	0.19
Square Enix Holdings	JPY	81,400	2,027	0.64
			2,630	0.83
<b>Technology Hardware, Storage &amp; Peripherals 2.58% (3.42%)</b>				
Canon	JPY	144,100	3,813	1.21
Eizo	JPY	70,300	2,143	0.68
Hitachi Maxell	JPY	129,800	2,187	0.69
			8,143	2.58
<b>Information Technology total</b>			<b>47,906</b>	<b>15.21</b>
<b>Materials 8.18% (7.30%)</b>				
<b>Chemicals 2.75% (3.35%)</b>				
Mitsui Chemicals	JPY	958,000	4,156	1.32
NOF	JPY	252,000	2,607	0.83
Toyobo	JPY	1,314,000	1,904	0.60
			8,667	2.75
<b>Construction Materials 0.00% (1.01%)</b>				
<b>Metals &amp; Mining 5.08% (2.94%)</b>				
Dowa Holdings	JPY	427,000	2,627	0.83
JFE Holdings	JPY	277,700	4,084	1.30
Kobe Steel	JPY	525,800	5,012	1.59
Nippon Denko	JPY	183,600	655	0.21
Sumitomo Metal Mining	JPY	316,000	3,636	1.15
			16,014	5.08
<b>Paper &amp; Forest Products 0.35% (0.00%)</b>				
Daio Paper	JPY	111,100	1,097	0.35
			1,097	0.35
<b>Materials total</b>			<b>25,778</b>	<b>8.18</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Real Estate 4.54% (4.54%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 0.77% (1.51%)</b>				
Hoshino Resorts REIT	JPY	360	1,408	0.45
Japan Hotel REIT Investment	JPY	1,858	1,020	0.32
			2,428	0.77
<b>Real Estate Management &amp; Development 3.77% (3.03%)</b>				
Daiwa House Industry	JPY	208,200	5,524	1.75
Mitsui Fudosan	JPY	206,500	3,609	1.15
Tokyu Fudosan Holdings	JPY	598,400	2,728	0.87
			11,861	3.77
<b>Real Estate total</b>			<b>14,289</b>	<b>4.54</b>
<b>Telecommunication Services 4.76% (6.88%)</b>				
<b>Diversified Telecommunication Services 1.65% (2.75%)</b>				
Nippon Telegraph & Telephone	JPY	140,200	5,210	1.65
			5,210	1.65
<b>Wireless Telecommunication Services 3.11% (4.13%)</b>				
NTT DOCOMO	JPY	328,900	5,813	1.84
SoftBank Group	JPY	64,700	3,996	1.27
			9,809	3.11
<b>Telecommunication Services total</b>			<b>15,019</b>	<b>4.76</b>
<b>Utilities 0.00% (0.66%)</b>				
<b>Electric Utilities 0.00% (0.66%)</b>				
<b>Equities total</b>			<b>313,611</b>	<b>99.51</b>
Investment assets			313,611	99.51
Net other assets			1,529	0.49
<b>Net assets</b>			<b>315,140</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		38,222		29,968
Revenue	3	5,735		6,260	
Expenses	4	(3,478)		(3,269)	
Net revenue before taxation		2,257		2,991	
Taxation	5	(573)		(622)	
Net revenue after taxation			1,684		2,369
<b>Total return before distributions</b>			<b>39,906</b>		<b>32,337</b>
Distributions	6		(1,684)		(2,369)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>38,222</b>		<b>29,968</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>214,330</b>		<b>276,694</b>
Amounts transferred from Other Fund		38,707		–
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	24,501		–	
Amounts payable on cancellation of shares	(646)		(92,618)	
		23,855		(92,618)
Dilution adjustment		26		286
Change in net assets attributable to shareholders from investment activities (see above)		38,222		29,968
<b>Closing net assets attributable to shareholders</b>		<b>315,140</b>		<b>214,330</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		313,611	212,546
<b>Current assets:</b>			
Debtors	8	1,269	1,769
Cash and bank balances	9	2,897	3,077
<b>Total assets</b>		<b>317,777</b>	<b>217,392</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(1,216)	(1,299)
Other creditors	10	(1,421)	(1,763)
<b>Total liabilities</b>		<b>(2,637)</b>	<b>(3,062)</b>
<b>Net assets attributable to shareholders</b>		<b>315,140</b>	<b>214,330</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency gains	118	93
Expenses relating to the purchase and sale of investments	(40)	(48)
Non-derivative securities gains	38,144	29,923
<b>Net capital gains</b>	<b>38,222</b>	<b>29,968</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	4	1
Overseas dividends	5,517	6,104
Property income distributions	214	155
<b>Total revenue</b>	<b>5,735</b>	<b>6,260</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	3,371	3,182
	3,371	3,182
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	35	33
Interest payable	2	–
Safe custody fee	36	35
	73	68
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	4	6
Statement fees	19	4
	34	19
<b>Total expenses</b>	<b>3,478</b>	<b>3,269</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	573	622
<b>Total current tax for the year (see note 5b)</b>	<b>573</b>	<b>622</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,257</b>	<b>2,991</b>
Corporation tax at 20%	451	598
<b>Effects of:</b>		
Movement in excess expenses	654	618
Overseas dividends not subject to corporation tax	(1,104)	(1,221)
Overseas tax suffered	573	622
Revenue taxable in different periods	3	8
Tax relief for overseas tax expensed	(4)	(3)
	122	24
<b>Current tax charge (see note 5a)</b>	<b>573</b>	<b>622</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £10,197,000 (2016: £6,924,000) creating a potential deferred tax asset of £2,039,000 (2016: £1,385,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	728	401
Final distribution	1,216	1,299
	1,944	1,700
Add: Revenue deducted on cancellation of shares	4	669
Deduct: Revenue received on issue of shares	(264)	–
<b>Total distributions</b>	<b>1,684</b>	<b>2,369</b>

Details of the distributions per share are set out in the distribution tables on page 146.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
Level 1: Quoted prices	313,611	212,546
<b>Total value</b>	<b>313,611</b>	<b>212,546</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	178	239
Sales awaiting settlement	1,091	1,530
<b>Total debtors</b>	<b>1,269</b>	<b>1,769</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	2,897	3,077
<b>Total cash and bank balances</b>	<b>2,897</b>	<b>3,077</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	379	260
Purchases awaiting settlement	1,042	1,503
<b>Total creditors</b>	<b>1,421</b>	<b>1,763</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £328,000 (2016: £228,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £1,944,000 (2016: £1,701,000). The amount outstanding at the year end was £1,216,000 (2016: £1,299,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	159,284,578	34,073,732	125,210,846

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 132. The distributions per share class are given in the distribution tables on page 146.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	125,210,846	34,404,754	(331,022)	–	159,284,578

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 Derivatives and other financial instruments

The policies applied in the management of financial instruments are set out on pages 6 and 7.

#### Fair value of financial assets and financial liabilities

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

#### Currency risk

At the year end date, 99.95% (2016: 100.59%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If currency rates were to change by 10%, the value of the Fund will change by 10.00% (2016:10.06%).

Currency	Net foreign currency assets				Total	
	Monetary exposure £000		Non monetary exposure £000		£000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Japanese Yen	1,373	3,055	313,611	212,546	314,984	215,601

#### Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end date 0.92% (2016: 1.44%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

#### Market price risk

At the year end date, 99.51% (2016: 99.17%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.95% (2016: 9.92%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(143,228)	(94)	–	(143,322)	0.07%	0.00%
<b>Purchases (including in-specie activity only)</b>						
Equities	(38,707)	–	–	(38,707)	0.00%	0.00%
	(181,935)	(94)	–	(182,029)		
<b>Sales</b>						
Equities	119,097	(87)	–	119,010	0.07%	0.00%
	119,097	(87)	–	119,010		
<b>Total</b>		(181)	–			
<b>Percentage of Fund average net assets</b>		0.07%	0.00%			

<b>Purchases</b>						
Equities	(197,503)	(151)	–	(197,654)	0.08%	0.00%
	(197,503)	(151)	–	(197,654)		
<b>Sales</b>						
Equities	290,829	(152)	–	290,677	0.05%	0.00%
	290,829	(152)	–	290,677		
<b>Total</b>		(303)	–			
<b>Percentage of Fund average net assets</b>		0.12%	0.00%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.17% (2016: 0.25%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	0.7637	–	0.7637	1.0377
	Group 2	0.0000	0.7637	0.7637	1.0377

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.  
Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.4906	–	0.4906	0.2180
	Group 2	0.0000	0.4906	0.4906	0.2180

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.  
Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS EM EQUITY MOM 1 FUND

### INVESTMENT OBJECTIVE

Long term capital growth by investing primarily in emerging market equities.

### INVESTMENT POLICY

The Fund will invest primarily in equity securities listed or traded in emerging markets. Limited exposure to other geographic regions may be possible. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: equities or securities with equity characteristics, unlisted transferable securities, convertibles, preference shares, warrants, money market instruments, collective investment schemes and deposits.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 22.80 per cent (net of fees) underperforming the MSCI Emerging Markets Index return of 26.19 per cent.

#### Review

Emerging markets rose strongly over the twelve months ended 31 July 2017—and outperformed developed markets—in what was an eventful period for the asset class.

In the early part of the period, positive developments included an improvement in macroeconomic fundamentals in emerging markets, particularly in two of the larger countries in this space—China and Brazil. In China, the concerns over potential capital flight and currency depreciation seen at the beginning of 2016 diminished, while fiscal and monetary stimulus were supportive for the economy. In Brazil, the political environment improved and the domestic economy showed signs of turning the corner. The final few months of 2016 were a tougher environment: emerging stock markets and currencies sold off, in part due to investor concerns over some of the potential trade policies that President Donald Trump may pursue following the unexpected result of the US presidential election in November. Overall, the asset class was hit by macro trades and, as a result, there was indiscriminate selling in markets such as Mexico.

By the turn of the year, emerging markets had ridden out these volatile conditions; they had a strong start to 2017, and the upward trend continued for the rest of the period. Positive factors included stronger economic data from China, a key export destination for a number of developing countries, and burgeoning investor interest in the asset class. In other developments, the US Federal Reserve (Fed) raised interest rates further. While tightening US monetary policy is generally seen as a headwind for emerging markets, investors were heartened by indications from the Fed that rates would be increased at a gentle pace.

The main negative over the period was the Fund's positioning in the consumer space. A large overweight to the consumer staples sector weighed on relative returns, as did stock selection here. For example, Philippines-based snack and beverages manufacturer Universal Robina underperformed, with negatives including the commodity cost pressures that have been affecting the company's domestic business; we continue to hold the stock, however. Universal Robina is a high-quality company with geographical exposure to attractive markets (the Philippines consumer and the broader Southeast Asia region) that is difficult to replicate. The company expects to achieve strong growth in revenues over time and improving margins, which we believe will underpin robust earnings growth. Stock selection in the consumer discretionary sector also had a negative impact. Shares in South African retailer Woolworths Holdings underperformed, with the company facing a tough consumer environment, particularly in its domestic market. The firm targets upper- and middle-income groups mainly in South Africa (which accounts for most of its earnings) and Australia via businesses including department stores.

Our positioning in the information technology sector was the main positive, with our large overweight to this space adding value, as did stock selection. The Fund's position in Chinese small-cap Sunny Optical Technology, which manufactures optical scientific instruments and lenses for uses including smartphone cameras, was a major contributor. The shares rose sharply over the period, with the company unveiling stronger-than-expected earnings and revenue growth.

At the country level, group allocation weighed on relative returns, although this was partially offset by the positive impact of stock selection. Our overweight to the Philippines detracted, as did stock selection within — and our overweight to — India. Security selection in China was the main positive from a country perspective, outweighing the negative effect of our underweight stance. Stock selection in Taiwan also added value.

#### Outlook

Economic growth across many developing markets should continue to be higher than in the developed world in the near future, with some signs that this gap, which narrowed for five years through to 2015, is turning wider. Those countries that push forward with reforms should do well, while countries that do not will struggle. Valuations are compelling and remain at a discount relative to their history and to their developed market peers. Our view is that we are likely to see a much more uneven world going forward, with less correlation and greater divergence in performance among countries and in stocks within those countries. We will remain focused on quality companies as we continue to believe that these leading firms will weather the tough environment and will, in fact, improve their competitive positioning.

Near-term risks include a worse-than-expected slowdown in China or a breakdown in its financial system, an unexpected bout of risk aversion due to geopolitical events on the Korean Peninsula or the potential for President Donald Trump to ratchet up his anti-trade rhetoric. A stronger-than-expected US dollar could also pose a risk for these markets. However, we believe that investor concerns may be overdone. The extent of the Chinese growth slowdown remains a key question, but we believe policymakers have the tools to manage the transition and slowdown that is occurring in China. We believe President Trump will prove more pragmatic with the checks and guidance of the Senate and the House of Representatives.

## AVIVA INVESTORS EM EQUITY MOM 1 FUND (CONTINUED)

## FUND MANAGER'S REPORT (CONTINUED)

In our opinion, the impact that higher US interest rates will have on emerging markets will prove less significant than investors fear. Higher interest rates are reviving the concerns about lower capital flows (such as foreign direct investment) and weaker currencies within these emerging market countries. But broadly speaking, most emerging market countries are in better shape to weather this volatility, with improved current account positions, higher foreign exchange reserves, higher real interest rates and currencies that, in most cases, have fallen over the past several years.

Overall, the environment will remain complex, but this should provide a good opportunity for active investors to take advantage of valuation anomalies. The emerging consumer remains a powerful force and should continue to drive strong growth in a variety of industries and companies, including retail, banking, technology, and the Internet. With investors skeptical, valuations attractive, and fundamentals bottoming, the environment appears positive for emerging market equities and ripe for stock picking.

August 2017

\* Fund performance figures – share class 2, source Lipper Hindight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by T Rowe Price International.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 149 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## Material Portfolio Changes

Purchases	Sales
Alibaba Group Holding, ADR	SK Hynix
Samsung Electronics	Lojas Renner
Infosys, ADR	Itau Unibanco Holding Preference
Raia Drogasil	Tencent Holdings
Tencent Holdings	Kasikornbank, NVDR
LG Household & Health Care	Uni-President Enterprises
Taiwan Semiconductor Manufacturing	SABMiller
First Abu Dhabi Bank	Magnit, GDR
Itau Unibanco Holding Preference	Samsung Electronics
CP ALL	Infosys, ADR

## Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- Developing market investments can be less easy to buy and sell, and their values may be influenced by the economic and political risks of the countries of issue.
- The value of investments will be affected by changes in exchange rates.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	386.67	310.22	320.22
Return before operating charges <sup>†</sup>	94.14	82.16	(4.22)
Operating charges	(6.04)	(4.55)	(4.87)
Return after operating charges <sup>†</sup>	88.10	77.61	(9.09)
Distributions	(1.89)	(1.16)	(0.91)
Closing net asset value per share	472.88	386.67	310.22
<sup>†</sup> after direct transaction costs of	(0.60)	(0.50)	(0.67)
<b>Performance</b>			
Return after charges	22.78%	25.02%	(2.84)%
<b>Other information</b>			
Closing net asset value (£000)	113,339	87,881	39,873
Closing number of shares	23,967,847	22,727,468	12,853,103
Operating charges (%) <sup>‡</sup>	1.41%	1.45%	1.45%
Direct transaction costs (%) <sup>#</sup>	0.14%	0.16%	0.20%
<b>Prices<sup>≈</sup></b>			
Highest share price	477.59	391.24	377.86
Lowest share price	380.39	268.73	307.65

<sup>‡</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

## Ongoing Charges Figure\*

Share class	31.07.17	31.07.16
Class 2	1.41%	1.46%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equities 97.79% (97.17%)</b>				
<b>Belgium 0.41% (0.00%)</b>				
Anheuser-Busch InBev	ZAR	5,001	462	0.41
			462	0.41
<b>Bermuda 0.57% (0.00%)</b>				
Credicorp	USD	4,500	648	0.57
			648	0.57
<b>Brazil 11.46% (12.14%)</b>				
Ambev, ADR	USD	43,800	202	0.18
Banco Bradesco Preference	BRL	164,841	1,190	1.05
BR Malls Participacoes	BRL	228,372	725	0.64
BRF	BRL	53,700	482	0.42
Itau Unibanco Holding Preference	BRL	460,649	4,146	3.66
Lojas Renner	BRL	434,020	3,101	2.74
Multiplan Empreendimentos Imobiliarios	BRL	39,199	697	0.61
Raia Drogasil	BRL	147,800	2,445	2.16
			12,988	11.46
<b>Cayman Islands 20.01% (14.26%)</b>				
58.com, ADR	USD	11,700	458	0.40
Alibaba Group Holding, ADR	USD	52,017	6,246	5.51
Baidu, ADR	USD	16,550	2,776	2.45
China Mengniu Dairy	HKD	702,000	1,041	0.92
Ctrip.com International, ADR	USD	13,800	628	0.55
Hengan International Group	HKD	226,000	1,315	1.16
Sunny Optical Technology Group	HKD	128,000	1,162	1.03
Tencent Holdings	HKD	279,400	8,541	7.54
Vipshop Holdings, ADR	USD	54,300	509	0.45
			22,676	20.01
<b>Chile 1.83% (1.50%)</b>				
Banco Santander Chile, ADR	USD	60,000	1,260	1.11
SACI Falabella	CLP	119,703	819	0.72
			2,079	1.83
<b>China 3.55% (4.24%)</b>				
Anhui Conch Cement 'H'	HKD	337,500	952	0.84
China Longyuan Power Group 'H'	HKD	781,000	435	0.38
Huaneng Renewables 'H'	HKD	1,776,000	411	0.36
Ping An Insurance Group Co. of China 'H'	HKD	395,000	2,230	1.97
			4,028	3.55
<b>Colombia 0.42% (0.41%)</b>				
Grupo Aval Acciones y Valores, ADR Preference	USD	70,930	473	0.42
			473	0.42
<b>Hong Kong 0.76% (1.69%)</b>				
CSPC Pharmaceutical Group	HKD	728,000	863	0.76
			863	0.76
<b>India 10.67% (12.25%)</b>				
Axis Bank, GDR	USD	53,231	1,627	1.44
HDFC Bank, ADR	USD	35,060	2,589	2.28
ICICI Bank, ADR	USD	255,148	1,801	1.59
Infosys, ADR	USD	319,056	3,819	3.37
Larsen & Toubro, GDR	USD	7,476	105	0.09
Mahindra & Mahindra, GDR	USD	5,361	89	0.08
State Bank of India, GDR	USD	3,465	127	0.11
Tata Motors, ADR	USD	73,299	1,933	1.71
			12,090	10.67



## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Indonesia 2.69% (3.15%)</b>				
Astra International	IDR	2,396,900	1,094	0.97
Bank Central Asia	IDR	1,527,700	1,632	1.44
Matahari Department Store	IDR	445,200	322	0.28
			3,048	2.69
<b>Malaysia 0.00% (0.40%)</b>				
<b>Mexico 2.14% (2.30%)</b>				
Grupo Aeroportuario del Sureste, ADR	USD	900	147	0.13
Grupo Financiero Santander Mexico, ADR 'B'	USD	83,500	641	0.57
Wal-Mart de Mexico	MXN	917,200	1,634	1.44
			2,422	2.14
<b>Netherlands 0.74% (0.38%)</b>				
X5 Retail Group, GDR	USD	11,027	324	0.28
Yandex 'A'	USD	23,100	520	0.46
			844	0.74
<b>Philippines 3.12% (4.08%)</b>				
BDO Unibank	PHP	300,815	564	0.50
GT Capital Holdings	PHP	27,175	495	0.43
SM Investments	PHP	120,065	1,460	1.29
Universal Robina	PHP	425,700	1,022	0.90
			3,541	3.12
<b>Russia 4.15% (4.95%)</b>				
Magnit, GDR	USD	54,967	1,531	1.35
Sberbank of Russia, ADR	USD	358,207	3,176	2.80
			4,707	4.15
<b>South Africa 7.12% (8.46%)</b>				
Aspen Pharmacare Holdings	ZAR	61,143	977	0.86
Bid	ZAR	24,782	453	0.40
Clicks Group	ZAR	54,395	471	0.42
FirstRand	ZAR	604,111	1,824	1.61
Mr Price Group	ZAR	57,850	585	0.52
Naspers 'N'	ZAR	6,442	1,080	0.95
Sanlam	ZAR	197,537	768	0.68
Shoprite Holdings	ZAR	105,878	1,251	1.10
Woolworths Holdings	ZAR	179,167	657	0.58
			8,066	7.12
<b>South Korea 10.74% (10.49%)</b>				
AMOREPACIFIC Group	KRW	5,800	477	0.42
Hyundai Glovis	KRW	1,261	135	0.12
Hyundai Motor	KRW	5,060	499	0.44
LG Household & Health Care	KRW	3,793	2,552	2.25
NAVER	KRW	2,157	1,177	1.04
Samsung Electronics	KRW	3,836	6,283	5.54
Samsung Electronics Preference	KRW	805	1,056	0.93
			12,179	10.74
<b>Taiwan 11.10% (9.82%)</b>				
Catcher Technology	TWD	263,000	2,301	2.03
Delta Electronics	TWD	88,511	357	0.32
Largan Precision	TWD	18,000	2,496	2.20
President Chain Store	TWD	142,000	916	0.81
Quanta Computer	TWD	314,000	567	0.50
Taiwan Semiconductor Manufacturing	TWD	950,000	5,126	4.52
Uni-President Enterprises	TWD	558,878	813	0.72
			12,576	11.10

PORTFOLIO STATEMENT (CONTINUED)  
As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Thailand 2.30% (2.72%)</b>				
Airports of Thailand	THB	682,500	804	0.71
CP ALL	THB	1,298,100	1,805	1.59
			2,609	2.30
<b>Turkey 1.02% (1.75%)</b>				
BIM Birlesik Magazalar	TRY	78,118	1,156	1.02
			1,156	1.02
<b>United Arab Emirates 2.06% (0.00%)</b>				
DP World	USD	42,970	750	0.66
Emaar Malls	AED	763,284	393	0.35
First Abu Dhabi Bank	AED	538,051	1,190	1.05
			2,333	2.06
<b>United Kingdom 0.64% (2.18%)</b>				
Fresnillo	GBP	47,353	724	0.64
			724	0.64
<b>Virgin Islands, British 0.29% (0.00%)</b>				
Mail.Ru Group, GDR Preference	USD	15,475	326	0.29
			326	0.29
<b>Equities total</b>			<b>110,838</b>	<b>97.79</b>
Investment assets			110,838	97.79
Net other assets			2,501	2.21
<b>Net assets</b>			<b>113,339</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains	2		19,713		14,296
Revenue	3	2,054		1,011	
Expenses					
Net revenue before taxation	4	(1,353)		(666)	
Taxation	5	(265)		(111)	
Net revenue after taxation					
			436		234
<b>Total return before distributions</b>			<b>20,149</b>		<b>14,530</b>
Distributions	6		(436)		(234)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>19,713</b>		<b>14,296</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>87,881</b>		<b>39,873</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	18,965		35,821	
Amounts payable on cancellation of shares	(13,320)		(2,235)	
		5,645		33,586
Dilution adjustment		100		126
Change in net assets attributable to shareholders from investment activities (see above)		19,713		14,296
<b>Closing net assets attributable to shareholders</b>		<b>113,339</b>		<b>87,881</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		110,838	85,397
<b>Current assets:</b>			
Debtors	8	665	354
Cash and bank balances	9	3,351	2,775
<b>Total assets</b>		<b>114,854</b>	<b>88,526</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(335)	(262)
Other creditors	10	(1,180)	(383)
<b>Total liabilities</b>		<b>(1,515)</b>	<b>(645)</b>
<b>Net assets attributable to shareholders</b>		<b>113,339</b>	<b>87,881</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains on investments during the year comprise:</b>		
Currency (losses)/gains	(129)	232
Expenses relating to the purchase and sale of investments	(57)	(49)
Forward currency contracts losses	–	(37)
Non-derivative securities gains	19,899	14,150
<b>Net capital gains</b>	<b>19,713</b>	<b>14,296</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	1	–
Overseas dividends	2,027	982
Stock dividends	–	8
UK dividends	26	21
<b>Total revenue</b>	<b>2,054</b>	<b>1,011</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,251	612
	1,251	612
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	14	8
Dividend collection charges	22	12
Safe custody fee	47	22
	83	42
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	2	–
Professional fees	5	2
Statement fees	1	1
	19	12
<b>Total expenses</b>	<b>1,353</b>	<b>666</b>

\* The audit fee was £8,333 (2016: £8,266) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	265	111
<b>Total current tax for the year (see note 5b)</b>	<b>265</b>	<b>111</b>

**b Factors affecting current tax charge**

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>701</b>	<b>345</b>
Corporation tax at 20%	140	69
<b>Effects of:</b>		
Movement in excess expenses	193	109
Overseas dividends not subject to corporation tax	(317)	(171)
Overseas tax suffered	265	111
Stock dividends not taxable	–	(2)
Tax relief for overseas tax suffered	(11)	(1)
UK dividends not subject to corporation tax	(5)	(4)
	125	42
<b>Current tax charge (see note 5a)</b>	<b>265</b>	<b>111</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £2,613,000 (2016: £1,649,000) creating a potential deferred tax asset of £523,000 (2016: £330,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Interim distribution	110	–
Final distribution	335	262
	445	262
Add: Revenue deducted on cancellation of shares	30	2
Deduct: Revenue received on issue of shares	(39)	(30)
<b>Total distributions</b>	<b>436</b>	<b>234</b>

Details of the distributions per share are set out in the distribution tables on page 161.

**7 Fair value hierarchy**

	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
<b>Basis of valuation</b>		
Level 1: Quoted prices	110,838	85,397
<b>Total value</b>	<b>110,838</b>	<b>85,397</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	172	94
Overseas tax recoverable	1	5
Sales awaiting settlement	492	255
<b>Total debtors</b>	<b>665</b>	<b>354</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	3,351	2,775
<b>Total cash and bank balances</b>	<b>3,351</b>	<b>2,775</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	150	107
Amounts payable for cancellation of shares	700	–
Purchases awaiting settlement	330	276
<b>Total creditors</b>	<b>1,180</b>	<b>383</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £117,000 (2016: £81,000). Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £445,000 (2016: £263,000). The amount outstanding at the year end was £335,000 (2016: £263,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	23,967,847	1,240,379	22,727,468

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 1.25%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 149. The distributions per share class are given in the distribution tables on page 161.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	22,727,468	4,449,919	(3,209,540)	–	23,967,847



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 99.83% (2016: 99.00%) of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. If exchange rates were to change by 10%, the value of the Fund would change by 9.98% (2016: 9.90%).

Currency	Net foreign currency assets					
	Monetary exposure £000		Non monetary exposure £000		Total £000	
	31.07.17	31.07.16	31.07.17	31.07.16	31.07.17	31.07.16
Arab Emirates Dirham	–	–	1,583	–	1,583	–
Brazilian Real	29	22	12,786	10,228	12,815	10,250
Chilean Peso	–	–	819	543	819	543
Chinese Yuan	–	5	–	–	–	5
Hong Kong Dollar	34	62	16,950	12,915	16,984	12,978
Indonesian Rupiah	–	–	3,048	2,769	3,048	2,769
Malaysian Ringgit	–	–	–	355	–	355
Mexican Peso	–	–	1,634	1,275	1,634	1,275
Philippine Peso	–	–	3,541	3,586	3,541	3,586
Polish Zloty	1	–	–	–	1	–
South African Rand	–	–	8,528	8,377	8,528	8,376
South Korean Won	100	(268)	12,179	9,217	12,279	8,949
Swiss Franc	–	5	–	–	–	5
Taiwan Dollar	25	2	12,576	8,633	12,601	8,635
Thailand Baht	–	94	2,609	2,386	2,609	2,480
Turkish Lira	–	–	1,156	1,533	1,156	1,533
US Dollar	2,847	2,452	32,705	22,603	35,552	25,055

**Interest rate risk**

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the year end 2.96% (2016: 3.16%) of the net assets of the Fund were interest bearing and as such the interest rate risk is not considered significant.

The floating rate on bank balances is linked to the Depositary's base rate.

**Market price risk**

At the year end date, 97.79% (2016: 97.17%) of the net assets of the Fund were invested in ordinary shares or stock units or debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.78% (2016: 9.72%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

<b>Purchases (excluding in-specie transfers and corporate actions)</b>						
Equities	(40,748)	(46)	(17)	(40,811)	0.11%	0.04%
<b>Purchases (include corporate action activity only)</b>						
Equities	(103)	–	–	(103)	0.00%	0.00%
	(40,851)	(46)	(17)	(40,914)		
<b>Sales</b>						
Equities	35,448	(40)	(35)	35,373	0.11%	0.10%
	35,448	(40)	(35)	35,373		
<b>Total</b>		(86)	(52)			
<b>Percentage of Fund average net assets</b>		0.09%	0.05%			

<b>Purchases</b>						
Equities	(44,831)	(32)	(23)	(44,886)	0.07%	0.05%
	(44,831)	(32)	(23)	(44,886)		
<b>Sales</b>						
Equities	12,683	(14)	(12)	12,657	0.11%	0.09%
	12,683	(14)	(12)	12,657		
<b>Total</b>		(46)	(35)			
<b>Percentage of Fund average net assets</b>		0.09%	0.07%			

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.17% (2016: 0.17%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**17 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the six months ended 31 July 2017**

Income shares		Net revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	1.3987	–	1.3987	1.1530
	Group 2	0.0000	1.3987	1.3987	1.1530

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the six months ended 31 January 2017**

Income shares		Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.4957	–	0.4957	0.0027
	Group 2	0.1447	0.3510	0.4957	0.0027

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

**Equalisation**

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

## AVIVA INVESTORS UK GILTS MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in UK government fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in UK government fixed interest securities listed or traded on Regulated markets in the UK. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling gilts, index linked gilts, Sterling, US dollar and Euro denominated investment grade credit, money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017, the Fund\* returned -3.01 per cent (net of fees), underperforming the FTSE® British Government All Stocks Index return of -2.53 per cent.

#### Review

Gilts posted a negative return during the review period. The main factor driving yields higher (and therefore bond prices lower) was the worry that central banks would be compelled to reduce their momentary support programmes to combat rising inflation. Investors had become accustomed to inflation remaining anchored well below the targets set by world's monetary policy makers. However, global inflation expectations rose rapidly as energy and food prices regained momentum. The inflation theme was lent further impetus by the surprise victory of Donald Trump in November's US presidential election. The incoming administration pledged a fiscal stimulus programme of tax cuts and infrastructure spending that was expected to heat up the US economy and fuel inflationary pressures globally. In the UK, some of the losses sustained by the gilt market in the first half of period were recovered from the end of January as investors focused on the UK economy, which grew by just 0.2 per cent and 0.3 per cent in the first and second quarters of 2017 respectively. However, the modest recovery of the market was interrupted by a sharp spike in yields at the end of June as a number of leading central banks appeared to turn more hawkish on rate policy. With three members of the Bank of England (BoE) monetary policy committee (MPC) voting for an interest rate hike to bring down above-target inflation, market sentiment wavered before stabilising once again as the period drew to a close.

The Fund began the period well, thanks largely to its bullish stance into and out of the BoE's August meeting, which saw the delivery of a package of measures that boosted the gilt market. However, this was offset in October by the portfolio's positioning on the yield curve. Our decision to initiate a trade anticipating a rise in long-term gilt yields proved unsuccessful as the continued weight of institutional demand for gilts overwhelmed concerns about pension fund regulation. In December, a cautious short duration bias worked well initially. However, the benefit was more than offset by a market rally into the year-end caused by technical factors relating to liquidity. We retained the short duration bias for much of the remainder period as we anticipated central banks reducing their monetary support programmes.

However, this mostly detracted from relative returns as, aside from a sharp spike at the end of June, yields trended lower over the remainder of the review period. While we were able to mitigate this to a degree by moving tactically to a more neutral duration position, the overall impact was negative. To help negate the conflicting factors influencing the gilt market we opened a new cross-market position taking exposure to US government bonds, whose prices we expected to be supported by economic and political risks. This position worked well, offsetting some of the duration-related underperformance.

#### Outlook

In absolute terms, the gilt market will find support from heightened political risk. The domestic picture is clouded by the uncertainty created by the weakness of the UK government following the surprise result of the UK general election, while international risk has been heightened by the increasing belligerence of a nuclear-armed North Korea. The perceived path of interest rates will also have a major influence on gilt market performance as differences of opinion play out within the MPC. We believe, however, that the more dovish instincts of BoE governor Mark Carney will prevail, meaning that rates should remain fixed at 0.25 per cent for some time yet. It should not be assumed that the UK's economic and political challenges will drive outperformance by the gilt market. Once the shape of Brexit becomes clearer, gilts have the potential to give back some of the risk premium associated with this major area of uncertainty.

#### August 2017

\* Fund performance figures –share class 2, source Lipper Hindsight, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Aviva Investors Global Services Limited.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 164 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

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Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.



## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	127.64	115.31	108.28
Return before operating charges <sup>†</sup>	(3.22)	15.15	9.79
Operating charges	(0.99)	(0.92)	(0.91)
Return after operating charges <sup>†</sup>	(4.21)	14.23	8.88
Distributions	(1.54)	(1.90)	(1.85)
Closing net asset value per share	121.89	127.64	115.31
† after direct transaction costs of	-	-	-
<b>Performance</b>			
Return after charges	(3.30)%	12.34%	8.20%
<b>Other information</b>			
Closing net asset value (£000)	66,487	91,970	74,945
Closing number of shares	54,546,750	72,055,485	64,992,280
Operating charges (%) <sup>‡</sup>	0.79%	0.78%	0.79%
Direct transaction costs (%) <sup>#</sup>	-	-	-
<b>Prices<sup>≈</sup></b>			
Highest share price	132.19	128.62	122.34
Lowest share price	119.86	113.65	108.76

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	0.79%	0.78%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 98.07% (98.52%)</b>				
<b>United Kingdom 98.07% (98.52%)</b>				
UK Treasury 1.00% 07/09/2017	GBP	1,663,529	1,665	2.50
UK Treasury 1.75% 22/07/2019	GBP	2,793,000	2,875	4.32
UK Treasury 2.00% 22/07/2020	GBP	5,385,000	5,653	8.50
UK Treasury 3.75% 07/09/2020	GBP	3,394,000	3,756	5.65
UK Treasury 1.50% 22/01/2021	GBP	3,801,000	3,948	5.94
UK Treasury 1.75% 07/09/2022	GBP	3,851,000	4,078	6.13
UK Treasury 2.25% 07/09/2023	GBP	4,290,667	4,683	7.04
UK Treasury 1.25% 22/07/2027	GBP	13,342,529	13,305	20.01
UK Treasury 4.50% 07/09/2034	GBP	3,102,000	4,390	6.60
UK Treasury 4.25% 07/09/2039	GBP	2,074,000	2,975	4.48
UK Treasury 4.25% 07/12/2040	GBP	2,472,000	3,589	5.40
UK Treasury 1.50% 22/07/2047	GBP	5,662,000	5,197	7.82
UK Treasury 3.75% 22/07/2052	GBP	2,118,500	3,196	4.81
UK Treasury 1.75% 22/07/2057	GBP	326,000	327	0.49
UK Treasury 2.50% 22/07/2065	GBP	4,411,000	5,569	8.38
			65,206	98.07
<b>Government Bonds total</b>			<b>65,206</b>	<b>98.07</b>
<b>Futures 0.02% ((0.04)%)</b>				
Long Gilt 27/09/2017	GBP	(74)	7	0.01
US 10 Year Note 20/09/2017	USD	67	7	0.01
<b>Futures total</b>			<b>14</b>	<b>0.02</b>
Investment assets			65,220	98.09
Net other assets			1,267	1.91
<b>Net assets</b>			<b>66,487</b>	<b>100.00</b>

All holdings are debt securities denominated in sterling and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital (losses)/gains	2		(3,915)		8,401
Revenue	3	1,025		1,275	
Expenses					
Net revenue before taxation	4	(636)		(605)	
Taxation	5	–		–	
Net revenue after taxation					
			389		670
<b>Total return before distributions</b>			<b>(3,526)</b>		<b>9,071</b>
Distributions	6		(996)		(1,251)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(4,522)</b>		<b>7,820</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>91,970</b>		<b>74,945</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	6,482		18,691	
Amounts payable on cancellation of shares	(27,455)		(9,496)	
		(20,973)		9,195
Dilution adjustment		12		10
Change in net assets attributable to shareholders from investment activities (see above)		(4,522)		7,820
<b>Closing net assets attributable to shareholders</b>		<b>66,487</b>		<b>91,970</b>



## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		65,220	90,608
<b>Current assets:</b>			
Debtors	8	246	338
Cash and bank balances	9	1,298	1,428
<b>Total assets</b>		<b>66,764</b>	<b>92,374</b>
<b>Liabilities:</b>			
Investment liabilities		–	(36)
<b>Creditors:</b>			
Distribution payable		(215)	(302)
Other creditors	10	(62)	(66)
<b>Total liabilities</b>		<b>(277)</b>	<b>(404)</b>
<b>Net assets attributable to shareholders</b>		<b>66,487</b>	<b>91,970</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital (losses)/gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Currency gains	51	7
Derivative contracts losses	(15)	(200)
Expenses relating to the purchase and sale of investments	(4)	(3)
Non-derivative securities (losses)/gains	(3,947)	8,597
<b>Net capital (losses)/gains</b>	<b>(3,915)</b>	<b>8,401</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	2	2
Interest on debt securities	1,041	1,294
Interest on derivatives	(18)	(21)
<b>Total revenue</b>	<b>1,025</b>	<b>1,275</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	607	581
	607	581
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	12	12
Safe custody fee	1	1
	13	13
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	2	–
Statement fees	3	2
	16	11
<b>Total expenses</b>	<b>636</b>	<b>605</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Corporation tax	–	–
<b>Total current tax for the year (see note 5b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>389</b>	<b>670</b>
Corporation tax at 20%	78	134
<b>Effects of:</b>		
Movement in excess expenses	127	121
Tax deductible on interest distributions	(205)	(255)
	(78)	(134)
<b>Current tax charge (see note 5a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,057,000 (2016: £4,422,000) creating a potential deferred tax asset of £1,011,000 (2016: £884,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	313	362
Gross interest distribution for the three months ended 31 January	230	325
Gross interest distribution for the three months ended 30 April	193	279
Gross interest distribution for the three months ended 31 July	215	302
	951	1,268
Add: Revenue deducted on cancellation of shares	60	19
Deduct: Revenue received on issue of shares	(15)	(36)
<b>Total distributions</b>	<b>996</b>	<b>1,251</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	996	1,251
ACD's periodic charge borne by the capital account	(607)	(581)
<b>Net revenue after taxation</b>	<b>389</b>	<b>670</b>

Details of the distributions per share are set out in the distribution tables on page 174.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17		As at 31.07.16	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 2: Observable market data	65,220	–	90,608	(36)
<b>Total value</b>	<b>65,220</b>	<b>–</b>	<b>90,608</b>	<b>(36)</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	246	338
<b>Total debtors</b>	<b>246</b>	<b>338</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Amounts held at futures clearing house and brokers	209	210
Cash and bank balances	1,089	1,218
<b>Total cash and bank balances</b>	<b>1,298</b>	<b>1,428</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	62	66
<b>Total creditors</b>	<b>62</b>	<b>66</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £43,000 (2016: £49,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £835,000 (2016: £1,019,000). The amount outstanding at the year end was £215,000 (2016: £248,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	54,546,750	(17,508,735)	72,055,485

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 164. The distributions per share class are given in the distribution tables on page 174.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	72,055,485	5,222,365	(22,731,100)	–	54,546,750

**15 Counterparty Exposure****Financial derivative exposure**

The types of derivatives held at the year end date were futures contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the year end date was as follows:

31.07.17	Futures contracts £000	Total £000
JPMorgan Chase & Co	14	14
<b>Total</b>	<b>14</b>	<b>14</b>

31.07.16	Futures contracts £000	Total £000
JPMorgan Chase & Co	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

The counterparty exposure on futures contracts is reported at their positive mark to market values.

**Collateral**

At the year end date no collateral was held or pledged by the Company or on behalf of the counterparties in respect of the above (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, 0.19% (2016: 0.05%) of the net assets of the Fund were denominated in currencies other than sterling. As such, the currency risk is not considered significant.

**Interest rate risk**

At the year end date 100.03% (2016: 100.07%) of the net assets of the Fund were interest bearing. If the interest rates were to change by 10%, the value of the Fund will change by 10.00% (2016: 10.00%).

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2017 was:

Currency 31.07.17	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	1,176	65,206	253	66,635
Euro	55	–	–	55
US Dollar	67	–	7	74
<b>Financial Liabilities</b>				
Sterling	–	–	(277)	(277)
<b>Total</b>	<b>1,298</b>	<b>65,206</b>	<b>(17)</b>	<b>66,487</b>

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	1,384	90,608	338	92,330
Euro	44	–	–	44
<b>Financial Liabilities</b>				
Sterling	–	–	(404)	(404)
<b>Total</b>	<b>1,428</b>	<b>90,608</b>	<b>(66)</b>	<b>91,970</b>

The floating rate on bank balances is linked to the Depository's base rate.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 98.09% (2016: 98.48%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.81% (2016: 9.85%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**17 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.17	31.07.16	31.07.17	31.07.16
Investment grade	65,206	90,608	98.07%	98.52%
<b>Total debt securities</b>	<b>65,206</b>	<b>90,608</b>	<b>98.07%</b>	<b>98.52%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BB or lower are considered below investment grade.

**18 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2017 (2016: £nil). The total purchases for the year amounted to £124,161,000 (2016: £216,762,000) and the total sales amounted to £144,988,000 (2016: £207,063,000).

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.08% (2016: 0.06%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**19 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2017

Income shares		Gross revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	0.3948	–	0.3948	0.3447
	Group 2	0.3948	0.0000	0.3948	0.3447

Group 1 shares are those shares purchased at or before 2pm on 30 April 2017.  
Group 2 shares are those shares purchased after 2pm on 30 April 2017.

## Interim distribution paid in pence per share for the three months ended 30 April 2017

Income shares		Gross revenue	Equalisation	Interim distribution paid 30 June 2017	Interim distribution paid 30 June 2016
Share Class 2	Group 1	0.3490	–	0.3490	0.3552
	Group 2	0.3490	0.0000	0.3490	0.3552

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.  
Group 2 shares are those shares purchased after 2pm on 31 January 2017.

## Interim distribution paid in pence per share for the three months ended 31 January 2017

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.3826	0.0765	0.3061	–	0.3061	0.3926
	Group 2	0.3826	0.0765	0.3061	0.0000	0.3061	0.3926

Group 1 shares are those shares purchased at or before 2pm on 31 October 2016.  
Group 2 shares are those shares purchased after 2pm on 31 October 2016.

## Interim distribution paid in pence per share for the three months ended 31 October 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2016	Interim distribution paid 31 December 2015
Share Class 2	Group 1	0.4105	0.0821	0.3284	–	0.3284	0.4262
	Group 2	0.0443	0.0088	0.0354	0.2930	0.3284	0.4262

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.  
Group 2 shares are those shares purchased after 2pm on 31 July 2016.

Up to 5 April 2017, the distributions payable were calculated after the deduction of basic rate income tax. From 6 April 2017, distributions payable are calculated without deducting this tax. The tax treatment of distributions will depend on an investor's individual circumstances.

## Equalisation

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



## AVIVA INVESTORS UK CREDIT MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in UK corporate fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in UK corporate fixed interest securities listed or traded on Regulated Markets in the UK. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling denominated investment grade credit, overseas investment grade credit (hedged), gilts, overseas government bonds (hedged), money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 2.07% (net of fees), outperforming the iBoxx Sterling Non Gilts Index return of 1.72 per cent.

#### Review

The key factor influencing markets in the period was the surprise election of Donald Trump as US president. This event sparked the largest sell-off in bond markets for several years and the steepest rise in long-dated US Treasury yields for several decades.

Bond markets were also unsettled by the prospect of higher inflation due to both rising commodity prices and Trump's intended policies, and a likely rise in interest rates. In reality, inflation only moved marginally higher and interest rate hikes were largely confined to North America. The Federal Reserve continued to increase their benchmark interest rate range, to 1.00 – 1.25 per cent. The Bank of Canada followed suit, also raising rates.

Worries about an unwinding of the prevailing ultra-loose monetary policy haunted markets in the final months of the period. Rhetoric from the European Central Bank (ECB) and others seemed to suggest a likely tapering of quantitative easing, although this language has since moderated.

Very strong stock selection drove the excess return over the benchmark. Our duration (interest rate risk) and sector positioning were a positive, only our small underweight to the below five years segment of the curve detracted from relative performance – a less than five basis points drag.

Our overall duration positioning was broadly neutral against the benchmark. We flexed this throughout the period, taking the interest rate risk of the Fund to be slightly lower by the end of 2016. This benefited performance until the end of the year when UK government bonds rallied sharply in the thin markets following Christmas. We retained our positioning, which proved beneficial as government bond yields rose at the beginning of 2017. We reduced our underweight as the year progressed and closed it in the aftermath of the UK general election, when we felt we could no longer justify running a relative short-duration position.

Spreads broadly narrowed over the period and in aggregate, we maintained a small overweight position in overall credit risk which was beneficial to performance. From a sector perspective, our overweight to financial credit was a strong contributor to performance, as was our underweight to non-financials. Collateralised debt was a notable area of outperformance, in particular, our off-benchmark position in Tesco Property's secured bonds.

In addition to the above-mentioned Tesco bonds, which rallied sharply on better than expected results and again as they tendered for their unsecured debt, our holdings in Annington Finance performed very well. Towards the end of the period, Annington announced they were looking to redeem the bonds early on attractive terms to bondholders, sparking a strong rally. Financials such as Santander UK, Citigroup, ABN Amro and Rabobank added to performance. Our off-benchmark holdings in Virgin Media's secured bonds performed particularly well as the company offered to exchange the bonds for a new instrument on attractive terms.

On the negative side, property companies British Land and Westfield lagged. Utility companies such as EDF and Engie underperformed while retailer John Lewis struggled amongst a broader market rally.

#### Outlook

Near the end of the period, we saw what felt like an almost concerted change in tone from central bankers. This pivot in rhetoric from dovish to hawkish took the market by surprise. With an improvement in global economic activity and a reduction in political uncertainty, central banks appeared emboldened to consider removing the emergency monetary policy that has long been a technical support for global bond markets.

However, although the Federal Reserve and the Bank of Canada did raise interest rates, central bankers now appear to have reverted to dovish or mixed signals and geopolitics is once again in the headlines. We do expect yields to move higher, so a low or neutral-interest rate risk position is prudent. Corporate valuations in the short-term are less-compelling, however, on a medium-term view, a better macroeconomic environment with monetary policy that will remain overall supportive should be positive for credit markets. The extent and pace of any monetary policy unwind will be key going forward.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Kames Capital.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 177 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

## AVIVA INVESTORS UK CREDIT MOM 1 FUND (CONTINUED)

**Material Portfolio Changes**

Purchases	Sales
UK Treasury 4.25% 07/12/2027	UK Treasury 4.25% 07/12/2027
European Investment Bank 6.00% 07/12/2028	Transport for London 2.25% 09/08/2022
United Kingdom Gilt 1.50% 22/07/2026	Kreditanstalt fuer Wiederaufbau 2.00% 06/12/2018
European Investment Bank 5.38% 07/06/2021	European Investment Bank 4.75% 15/10/2018
Transport for London 2.25% 09/08/2022	United Kingdom Gilt 1.50% 22/07/2026
Martlet Homes 3.00% 09/05/2052	Annington Finance No. 4, Series C1 8.07% 10/01/2023
Verizon Communications 4.07% 18/06/2024	European Investment Bank 5.63% 07/06/2032
Virgin Media Secured Finance, STEP 6.00% 15/01/2025	Mitchells & Butlers Finance, Series C1 6.47% 15/09/2032
National Express Group 2.50% 11/11/2023	Motability Operations Group 5.63% 29/11/2030
Land Securities Capital Markets 2.40% 08/02/2031	E.ON International Finance 6.75% 27/01/2039

**Synthetic Risk and Reward Indicator**

The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean 'risk free'.
- During the year ended 31 July 2017, the indicator changed from category 3 to category 4.
- Bond values are affected by changes in interest rates.
- Further information on the risks applicable to the Fund is detailed in the Fund's Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	104.84	99.10	96.64
Return before operating charges <sup>†</sup>	3.49	10.39	7.34
Operating charges	(0.83)	(0.78)	(0.80)
Return after operating charges <sup>†</sup>	2.66	9.61	6.54
Distributions	(3.87)	(3.87)	(4.08)
Closing net asset value per share	103.63	104.84	99.10
† after direct transaction costs of	-	-	-
<b>Performance</b>			
Return after charges	2.54%	9.70%	6.77%
<b>Other information</b>			
Closing net asset value (£000)	69,168	97,632	117,868
Closing number of shares	66,746,623	93,126,919	118,941,868
Operating charges (%) <sup>‡</sup>	0.79%	0.79%	0.79%
Direct transaction costs (%) <sup>#</sup>	-	-	-
<b>Prices<sup>≈</sup></b>			
Highest share price	109.10	106.12	106.07
Lowest share price	101.18	96.37	97.22

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	0.79%	0.79%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 0.00% (0.56%)</b>				
<b>United Kingdom 0.00% (0.56%)</b>				
<b>Corporate Bonds 89.21% (90.60%)</b>				
<b>Australia 2.46% (3.15%)</b>				
APT Pipelines 3.50% 22/03/2030	GBP	600,000	629	0.91
Asciano Finance 5.00% 19/09/2023	GBP	400,000	447	0.65
Scentre Group Trust 1, REIT 2.38% 08/04/2022	GBP	600,000	625	0.90
			1,701	2.46
<b>Belgium 0.86% (0.00%)</b>				
Anheuser-Busch InBev 2.25% 24/05/2029	GBP	300,000	294	0.43
Anheuser-Busch InBev 2.85% 25/05/2037	GBP	300,000	298	0.43
			592	0.86
<b>Cayman Islands 1.12% (1.06%)</b>				
Phoenix Group Holdings 4.13% 20/07/2022	GBP	200,000	214	0.31
THPA Finance, Series A2 7.13% 15/03/2024	GBP	500,960	564	0.81
			778	1.12
<b>Denmark 1.05% (1.37%)</b>				
DONG Energy 5.75% 09/04/2040	GBP	500,000	726	1.05
			726	1.05
<b>France 7.44% (5.98%)</b>				
BPCE 5.25% 16/04/2029	GBP	600,000	714	1.03
Credit Agricole 7.38% 18/12/2023	GBP	650,000	857	1.24
Dexia Credit Local 2.13% 12/02/2025	GBP	800,000	827	1.20
Electricite de France 6.00% 23/01/2114	GBP	600,000	848	1.23
Engie 5.00% 01/10/2060	GBP	500,000	809	1.17
Engie, FRN 4.62% Perpetual	GBP	300,000	312	0.45
Orange, FRN 5.75% Perpetual	GBP	700,000	777	1.12
			5,144	7.44
<b>Germany 0.00% (2.23%)</b>				
<b>Jersey 3.66% (3.24%)</b>				
AA Bond 6.27% 02/07/2043	GBP	515,000	632	0.92
CPUK Finance 7.24% 28/02/2042	GBP	600,000	777	1.12
Heathrow Funding 6.45% 10/12/2033	GBP	773,000	1,121	1.62
			2,530	3.66
<b>Netherlands 3.05% (3.43%)</b>				
ABN AMRO Bank 2.25% 11/09/2017	GBP	600,000	601	0.87
Cooperatieve Rabobank, FRN 6.91% Perpetual	GBP	700,000	910	1.32
LafargeHolcim Sterling Finance Netherlands 3.00% 12/05/2032	GBP	300,000	297	0.43
Volkswagen Financial Services 1.50% 12/04/2021	GBP	300,000	300	0.43
			2,108	3.05
<b>Sweden 0.00% (0.94%)</b>				
<b>United Kingdom 56.11% (55.15%)</b>				
A2Dominion Housing Group 3.50% 15/11/2028	GBP	400,000	407	0.59
Annington Funding 3.69% 12/07/2034	GBP	300,000	310	0.45
Annington Funding 3.94% 12/07/2047	GBP	300,000	319	0.46
Arqiva Financing 4.88% 31/12/2032	GBP	700,000	797	1.15
Aspire Defence Finance 4.67% 31/03/2040	GBP	454,628	563	0.81
BG Energy Capital, FRN 6.50% 30/11/2072	GBP	492,000	501	0.72
BL Superstores Finance 4.48% 04/10/2030	GBP	497,881	576	0.83

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United Kingdom 56.11% (55.15%) (continued)</b>				
British Land, REIT 5.26% 24/09/2035	GBP	500,000	619	0.90
BUPA Finance, FRN 6.12% Perpetual	GBP	700,000	786	1.14
Cadent Finance 2.13% 22/09/2028	GBP	600,000	588	0.85
Cadent Finance 2.63% 22/09/2038	GBP	600,000	577	0.83
Centrica 6.38% 10/03/2022	GBP	633,000	772	1.12
Coventry Building Society 5.88% 28/09/2022	GBP	600,000	727	1.05
Dignity Finance 4.70% 31/12/2049	GBP	500,000	614	0.89
Drax Finco 4.25% 01/05/2022	GBP	200,000	205	0.30
Eastern Power Networks 4.75% 30/09/2021	GBP	443,000	507	0.73
Electricity North West 8.88% 25/03/2026	GBP	500,000	765	1.11
FCE Bank 2.73% 03/06/2022	GBP	500,000	520	0.75
GKN Holdings 3.38% 12/05/2032	GBP	100,000	100	0.14
HJ Heinz Finance UK 6.25% 18/02/2030	GBP	500,000	643	0.93
HSBC Bank 4.75% 24/03/2046	GBP	725,000	929	1.34
Imperial Brands Finance 9.00% 17/02/2022	GBP	400,000	527	0.76
Imperial Brands Finance 4.88% 07/06/2032	GBP	400,000	481	0.70
Intu Metrocentre Finance, REIT 4.13% 06/12/2028	GBP	600,000	666	0.96
John Lewis 4.25% 18/12/2034	GBP	600,000	633	0.92
Land Securities Capital Markets 2.40% 08/02/2031	GBP	600,000	616	0.89
Legal & General Group, FRN 5.50% 27/06/2064	GBP	600,000	659	0.95
Marston's Issuer, FRN 5.18% 15/07/2032	GBP	600,000	671	0.97
Martlet Homes 3.00% 09/05/2052	GBP	400,000	393	0.57
Meadowhall Finance 4.99% 12/07/2037	GBP	548,870	683	0.99
Mitchells & Butlers Finance 5.57% 15/12/2030	GBP	47,751	56	0.08
National Express Group 2.50% 11/11/2023	GBP	600,000	612	0.89
Nationwide Building Society 3.00% 06/05/2026	GBP	800,000	861	1.24
Nats En Route 5.25% 31/03/2026	GBP	715,330	839	1.21
Network Rail Infrastructure Finance 4.75% 29/11/2035	GBP	879,000	1,249	1.81
Northern Powergrid Yorkshire 9.25% 17/01/2020	GBP	703,000	842	1.22
Prudential 1.38% 19/01/2018	GBP	600,000	602	0.87
Prudential, FRN 11.37% 29/05/2039	GBP	492,000	580	0.84
RAC Bond 4.87% 06/05/2046	GBP	600,000	667	0.96
RELX Investments 2.75% 01/08/2019	GBP	500,000	515	0.74
RSA Insurance Group, FRN 9.37% 20/05/2039	GBP	152,000	175	0.25
Santander UK 1.88% 17/02/2020	GBP	800,000	819	1.18
Severn Trent Utilities Finance 1.13% 07/09/2021	GBP	400,000	400	0.58
SP Manweb 4.88% 20/09/2027	GBP	600,000	740	1.07
SSE, FRN 3.87% Perpetual	GBP	500,000	516	0.75
Stagecoach Group 4.00% 29/09/2025	GBP	500,000	545	0.79
Standard Chartered Bank, FRN 5.38% Perpetual	GBP	527,000	556	0.80
Student Finance 2.67% 30/09/2029	GBP	500,000	503	0.73
Telereal Securitisation 6.16% 10/12/2033	GBP	492,218	598	0.86
Telereal Securitisation, Series A5 5.39% 10/12/2033	GBP	271,822	326	0.47
Tesco Property Finance 1 7.62% 13/07/2039	GBP	543,550	702	1.02
Transport for London 2.25% 09/08/2022	GBP	700,000	740	1.07
Transport for London 3.88% 23/07/2042	GBP	1,800,000	2,279	3.30
Unique Pub Finance 6.54% 30/03/2021	GBP	559,600	608	0.88
Virgin Media Secured Finance, STEP 6.00% 15/01/2025	GBP	633,000	735	1.06
Vodafone Group 3.00% 12/08/2056	GBP	600,000	516	0.75
Wales & West Utilities Finance 6.25% 30/11/2021	GBP	703,000	853	1.23
Western Power Distribution East Midlands 5.25% 17/01/2023	GBP	600,000	711	1.03
White City Property Finance 5.12% 17/04/2035	GBP	644,445	803	1.16
Yorkshire Building Society 3.50% 21/04/2026	GBP	700,000	750	1.08
Zurich Finance UK, FRN 6.62% Perpetual	GBP	800,000	958	1.39
			38,810	56.11

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United States of America 13.46% (14.05%)</b>				
American International Group 5.00% 26/04/2023	GBP	400,000	465	0.67
AT&T 3.55% 14/09/2037	GBP	300,000	294	0.42
AT&T 7.00% 30/04/2040	GBP	500,000	737	1.07
Bank of America 7.00% 31/07/2028	GBP	500,000	714	1.03
Citigroup 7.63% 03/04/2018	GBP	633,000	661	0.96
Digital Stout Holding, REIT 2.75% 19/07/2024	GBP	200,000	201	0.29
Fidelity National Information Services 1.70% 30/06/2022	GBP	200,000	201	0.29
Goldman Sachs Group 6.88% 18/01/2038	GBP	600,000	897	1.30
Juneau Investments 5.90% 22/02/2021	GBP	600,000	652	0.94
Morgan Stanley 2.63% 09/03/2027	GBP	500,000	508	0.73
Pfizer 6.50% 03/06/2038	GBP	400,000	648	0.94
Verizon Communications 4.07% 18/06/2024	GBP	600,000	675	0.98
Walgreens Boots Alliance 2.88% 20/11/2020	GBP	700,000	734	1.06
Wells Fargo 4.88% 29/11/2035	GBP	500,000	633	0.91
Welltower, REIT 4.80% 20/11/2028	GBP	600,000	702	1.01
Westfield America Management 2.13% 30/03/2025	GBP	600,000	592	0.86
			9,314	13.46
<b>Corporate Bonds total</b>			<b>61,703</b>	<b>89.21</b>
<b>Supranationals 10.08% (7.50%)</b>				
European Investment Bank 5.38% 07/06/2021	GBP	2,500,000	2,939	4.25
European Investment Bank 6.00% 07/12/2028	GBP	1,500,000	2,171	3.14
European Investment Bank 3.88% 08/06/2037	GBP	1,433,000	1,863	2.69
			6,973	10.08
<b>Supranationals total</b>			<b>6,973</b>	<b>10.08</b>
Investment assets			68,676	99.29
Net other assets			492	0.71
<b>Net assets</b>			<b>69,168</b>	<b>100.00</b>

All holdings are debt securities denominated in sterling and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital (losses)/gains	2		(623)		6,330
Revenue	3	3,013		4,128	
Expenses					
	4	(641)		(822)	
Net revenue before taxation		2,372		3,306	
Taxation	5	–		–	
Net revenue after taxation			2,372		3,306
<b>Total return before distributions</b>			<b>1,749</b>		<b>9,636</b>
Distributions	6		(2,979)		(4,090)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(1,230)</b>		<b>5,546</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>97,632</b>		<b>117,868</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	–		7,908	
Amounts payable on cancellation of shares	(27,365)		(33,859)	
		(27,365)		(25,951)
Dilution adjustment		131		169
Change in net assets attributable to shareholders from investment activities (see above)		(1,230)		5,546
<b>Closing net assets attributable to shareholders</b>		<b>69,168</b>		<b>97,632</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		68,676	96,327
<b>Current assets:</b>			
Debtors	8	960	1,482
Cash and bank balances	9	257	789
<b>Total assets</b>		<b>69,893</b>	<b>98,598</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		(659)	(888)
Other creditors	10	(66)	(78)
<b>Total liabilities</b>		<b>(725)</b>	<b>(966)</b>
<b>Net assets attributable to shareholders</b>		<b>69,168</b>	<b>97,632</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital (losses)/gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Expenses relating to the purchase and sale of investments	(2)	(1)
Non-derivative securities (losses)/gains	(621)	6,331
<b>Net capital (losses)/gains</b>	<b>(623)</b>	<b>6,330</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	3	10
Interest on debt securities	3,010	4,118
<b>Total revenue</b>	<b>3,013</b>	<b>4,128</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	607	784
	607	784
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	12	15
Safe custody fee	6	8
	18	23
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	2	2
Statement fees	3	4
	16	15
<b>Total expenses</b>	<b>641</b>	<b>822</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	–	–
<b>Total current tax for the year (see note 5b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,372</b>	<b>3,306</b>
Corporation tax at 20%	474	661
<b>Effects of:</b>		
Movement in excess expenses	–	(661)
Tax deductible on interest distributions	(474)	–
	(474)	(661)
<b>Current tax charge (see note 5a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	797	1,051
Gross interest distribution for the three months ended 31 January	718	1,013
Gross interest distribution for the three months ended 30 April	618	1,037
Gross interest distribution for the three months ended 31 July	659	900
	2,792	4,001
Add: Revenue deducted on cancellation of shares	187	138
Deduct: Revenue received on issue of shares	–	(49)
<b>Total distributions</b>	<b>2,979</b>	<b>4,090</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	2,979	4,090
ACD's periodic charge borne by the capital account	(607)	(784)
<b>Net revenue after taxation</b>	<b>2,372</b>	<b>3,306</b>

Details of the distributions per share are set out in the distribution tables on page 189.

**7 Fair value hierarchy**

	As at 31.07.17 Assets £000	As at 31.07.16 Assets £000
<b>Basis of valuation</b>		
Level 1: Quoted prices	–	399
Level 2: Observable market data	68,676	95,928
<b>Total value</b>	<b>68,676</b>	<b>96,327</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	960	1,381
Sales awaiting settlement	–	101
<b>Total debtors</b>	<b>960</b>	<b>1,482</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	257	789
<b>Total cash and bank balances</b>	<b>257</b>	<b>789</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	66	78
<b>Total creditors</b>	<b>66</b>	<b>78</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £45,000 (2016: £58,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £2,462,000 (2016: £3,184,000). The amount outstanding at the year end was £659,000 (2016: £706,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	66,746,623	(26,380,296)	93,126,919

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 177. The distributions per share class are given in the distribution tables on page 189.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	93,126,919	–	(26,380,296)	–	66,746,623

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, none (2016: none) of the net assets of the Fund were denominated in currencies other than sterling. As such the currency risk is not considered significant.

**Interest rate risk**

At the year end date 99.66% (2016: 99.47%) of the net assets of the Fund were interest bearing. If interest rates were to change by 10%, the value of the Fund would change by 9.97% (2016: 9.95%).

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2017 was:

Currency 31.07.17	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	4,526	64,405	960	69,891
US Dollar	2	–	–	2
<b>Financial Liabilities</b>				
Sterling	–	–	(725)	(725)
<b>Total</b>	<b>4,528</b>	<b>64,405</b>	<b>235</b>	<b>69,168</b>

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	13,926	83,187	1,482	98,595
US Dollar	3	–	–	3
<b>Financial Liabilities</b>				
Sterling	–	–	(966)	(966)
<b>Total</b>	<b>13,929</b>	<b>83,187</b>	<b>516</b>	<b>97,632</b>

The floating rate on bank balances is linked to the Depository's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and sterling denominated bank balances that bear interest rates based on LIBOR.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 99.29% (2016: 98.66%) of the net assets of the Fund were invested in ordinary shares or stock units or debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.93% (2016: 9.87%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.17	31.07.16	31.07.17	31.07.16
Investment grade	57,736	87,556	83.45%	89.68%
Below investment grade	9,036	6,240	13.08%	6.39%
Unrated	1,904	2,531	2.76%	2.59%
<b>Total debt securities</b>	<b>68,676</b>	<b>96,327</b>	<b>99.29%</b>	<b>98.66%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BBB- or lower are considered below investment grade.

**17 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2017 (2016: £nil). The total purchases for the year amounted to £20,660,000 (2016: £21,405,000) and the total sales amounted to £47,353,000 (2016: £43,695,000).

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.73% (2016: 1.00%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**18 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2017

Income shares		Gross revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	0.9874	–	0.9874	0.7581
	Group 2	0.9874	0.0000	0.9874	0.7581

Group 1 shares are those shares purchased at or before 2pm on 30 April 2017.

Group 2 shares are those shares purchased after 2pm on 30 April 2017.

## Interim distribution paid in pence per share for the three months ended 30 April 2017

Income shares		Gross revenue	Equalisation	Interim distribution paid 30 June 2017	Interim distribution paid 30 June 2016
Share Class 2	Group 1	0.8951	–	0.8951	0.7576
	Group 2	0.8951	0.0000	0.8951	0.7576

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

## Interim distribution paid in pence per share for the three months ended 31 January 2017

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.9645	0.1929	0.7716	–	0.7716	0.7865
	Group 2	0.9645	0.1929	0.7716	0.0000	0.7716	0.7865

Group 1 shares are those shares purchased at or before 2pm on 31 October 2016.

Group 2 shares are those shares purchased after 2pm on 31 October 2016.

## Interim distribution paid in pence per share for the three months ended 31 October 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2016	Interim distribution paid 31 December 2015
Share Class 2	Group 1	1.0203	0.2041	0.8162	–	0.8162	0.7975
	Group 2	1.0203	0.2041	0.8162	0.0000	0.8162	0.7975

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

Up to 5 April 2017, the distributions payable were calculated after the deduction of basic rate income tax. From 6 April 2017, distributions payable are calculated without deducting this tax. The tax treatment of distributions will depend on an investor's individual circumstances.

## Equalisation

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

## AVIVA INVESTORS STERLING CREDIT MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth).

### INVESTMENT POLICY

The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling credit, overseas credit, gilts, overseas government bonds, asset backed securities, (including mortgage backed securities), money market instruments, collective investment schemes and deposits. Up to 50 per cent of the value of the scheme property may be invested in credit which is deemed to be below investment grade. The Fund's exposure will be in Sterling or currency hedged back to Sterling. The Sterling exposure will be within a range of 98 per cent to 102 per cent.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned 9.21 per cent (net of fees), outperforming its composite benchmark 35 per cent iBoxx EUR High Yield; 35 per cent iBoxx EUR Overall Corporate; 30 per cent 3m LIBOR return of 6.56 per cent.

#### Review

The period from August 2016 to July 2017 was mostly dominated by a strong rally for risk assets, which started in November when Donald Trump was elected President of the US, while the decision by the European Central Bank (ECB) to extend quantitative easing (QE) in December also supported European markets. Central banks remained very supportive throughout the period, even though the Federal Reserve (The Fed) did raise rates, and the impact of this and strong technicals, help spreads to squeeze towards historic tightness.

The Bank of England (BoE) was the main focus for markets in August, when, in response to the Brexit vote, an aggressive round of stimuli was announced including a 25bp rate cut and an increase in bond purchases of €60bn. Unsurprisingly UK markets reacted very positively, with both equity and fixed income indices rallying strongly. Data in the US was mixed during the month and it was no surprise that the Fed refrained from hiking rates, however three members did vote for a hike and the market interpreted the minutes as becoming more hawkish.

The quarter was obviously dominated by the US Presidential election, which delivered a surprise victory for Donald Trump. The key theme for fixed income markets quickly became one of fiscal expansion, which when placed on top of highly accommodative monetary policy, was deemed by the markets to be inflationary. As a consequence, ten year US Treasuries moved higher by almost 60 basis points, (a 5 per cent fall in the cash price) and contagion was felt across all government bonds globally.

A combination of strong market technical, high cash balances and President-elect Trump's campaign pledge of a raft of fiscal expansion projects all helped to tighten credit spreads as year-end approached. December also saw the early move in USTs being consolidated, while the Federal Open Market Committee (FOMC) also finally raised rates by 25bps, which was completely expected.

In Europe, markets were given a boost by Mario Draghi when he announced a nine month extension to the QE program, albeit at a reduced rate of €60bn per month. December also saw Matteo Renzi stand down as Italian Prime Minister as the electorate rejected his call for constitutional reform, in the highly personalised referendum. However, markets shrugged the result aside as technicals dominated investor focus.

Potential political headwinds in 2017 did not materialise and as expected, the Dutch elections passed without any major shift to an extreme party, while in France, Emmanuel Macron ended up winning the presidency comfortably. The triggering of Article 50 in the UK happened on 29 March, and after a surprise snap general election, the incumbent Conservative party lost their overall majority in Parliament, adding to the uncertainty in the 'Brexit' negotiations that commenced in Brussels on June 19th.

From the start of the year, the new US President struggled to get his policies through congress and at the end of the quarter, his new healthcare bill was defeated. This was one of the catalysts for the entire \$7bn inflows into the high yield sector seen in the aftermath of the election victory, turning into outflows. Naturally this had a negative impact on market pricing; but the market handled the situation very well and by month end the positive technical backdrop was reinstated. However, this volatility did boost US treasuries, which ended the quarter firmly at 2.38 per cent after having hit 2.6 per cent earlier in the year, and this was despite the FOMC hiking rates at its March meeting. The FOMC continued on this path in June, when they hiked rates for the third time since December.

The ECB began tapering its QE purchases in Q1 2017, dropping monthly purchases to €60bn from €80bn. However, at the ECB Forum in Portugal, the market latched onto a passage in a speech where Mr Draghi said "reflationary dynamics slowly taking hold", which the market interpreted as early guidance that supportive ECB action is coming towards the end. As a result EU government bond yields saw their biggest one day spike for over a year, with ten year Bund yields rising from 0.24 per cent to close the month at 0.415 per cent.

During the second quarter of 2017 the major threat to the continuing rally came once again from geopolitical risks, as tension between the US and North Korea began to escalate. However the biggest worry for investors remained the fact that President Trump's infrastructure spending programmes and tax cutting agendas were continually pushed back, often due to self-inflicted problems, which increased the risk of the rally grinding to a halt, or reversing. Nevertheless, the first half of the year ended on a strong note, with risk assets continuing to grind tighter.

The Fund was well positioned to benefit from the strong rally. The banking sector contributed 3.34 per cent, while Asset Backed Securities (1.90 per cent) and insurance (1.75 per cent) were the other notable sectors which helped to drive performance. Volatility for the year was 2.58 per cent (calculated using monthly returns).



## AVIVA INVESTORS STERLING CREDIT MOM 1 FUND (CONTINUED)

### FUND MANAGER’S REPORT (CONTINUED)

#### Outlook

Looking ahead, there are reasons for investors to be cautious; President Trump is finding it difficult to force his domestic policies through in the US, the ECB is approaching a possible taper tantrum moment and tensions between the US and North Korea remaining elevated, however, with the rally firmly entrenched and the drivers likely to remain in place, it will require a reasonable external shock to force investors onto the sidelines for a sustained period of time and it is likely that spreads will grind tighter. However, as mentioned, there are reasons to be cautious and the Portfolio Managers are holding additional cash and short dated government bonds to help balance the risks.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP, composite benchmark source Morningstar Direct. Unless otherwise indicated, all data has been sourced by Twentyfour Asset Management.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 192 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.

### Material Portfolio Changes

Purchases	Sales
UK Treasury 1.25% 22/07/2018	UK Treasury 1.25% 22/07/2018
UK Treasury 2.00% 22/07/2020	UK Treasury 2.00% 22/07/2020
Australia Government Bond 5.75% 15/05/2021	Australia Government Bond 5.75% 15/05/2021
US Treasury 2.50% 15/05/2046	UK Treasury 2.25% 07/09/2023
US Treasury 1.13% 15/06/2018	Society of Lloyd’s, FRN 7.42% Perpetual
UK Treasury 1.00% 07/09/2017	Spain Government Bond 1.95% 30/04/2026
Spain Government Bond 1.95% 30/04/2026	US Treasury 2.50% 15/05/2046
US Treasury 2.88% 15/11/2046	UK Treasury 1.00% 07/09/2017
Society of Lloyd’s, FRN 7.42% Perpetual	UK Treasury 2.00% 07/09/2025
Portugal Obrigaçoes do Tesouro OT 4.13% 14/04/2027	Hayfin Ruby II Luxembourg SCA, FRN, Series 2X ‘D2’ 5.02% 28/08/2024

### Synthetic Risk and Reward Indicator



The Fund has been allocated a risk number based on the historic volatility of its share price. Where insufficient share price information is available, the risk number has been based on the historic volatility of the asset classes appropriate to the Fund.

- This indicator is based on historical data, calculated using European Union rules, and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may change over time. The lowest category does not mean ‘risk free’.
- Bond values 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 have a greater risk of default.
- For Asset Backed securities, there is no guarantee that the value of the underlying assets or the income from them will be maintained, which could result in losses for the Fund. These types of security may also be more difficult to sell which can adversely affect their value.
- Further information on the risks applicable to the Fund is detailed in the Fund’s Key Investor Information Document, and a full description is set out in the Prospectus, both of which are available on the internet at [www.avivainvestors.com](http://www.avivainvestors.com) or from the ACD on request.

## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	100.72	105.79	106.07
Return before operating charges <sup>†</sup>	10.11	1.42	1.79
Operating charges	(0.83)	(0.81)	(0.85)
Return after operating charges <sup>†</sup>	9.28	0.61	0.94
Distributions	(4.81)	(5.68)	(1.22)
Closing net asset value per share	105.19	100.72	105.79
† after direct transaction costs of	-	-	-
<b>Performance</b>			
Return after charges	9.21%	0.58%	0.89%
<b>Other information</b>			
Closing net asset value (£000)	44,844	70,809	89,287
Closing number of shares	42,630,931	70,306,075	84,396,386
Operating charges (%) <sup>‡</sup>	0.80%	0.80%	0.80%
Direct transaction costs (%) <sup>#</sup>	-	-	-
<b>Prices<sup>≈</sup></b>			
Highest share price	106.73	106.02	108.94
Lowest share price	100.98	96.74	104.84

‡ The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

# The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

≈ The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	0.80%	0.80%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Equity 0.00% (0.00%)</b>				
<b>Spain 0.00% (0.00%)</b>				
Grupo Isolux Corsan Warrant 22/12/2021	EUR	761	–	–
			–	–
<b>Equity total</b>				
			–	–
<b>Government Bonds 17.91% (10.23%)</b>				
<b>Australia 2.85% (0.00%)</b>				
Australia Government Bond 5.75% 15/05/2021	AUD	1,855,000	1,279	2.85
			1,279	2.85
<b>Portugal 1.63% (0.00%)</b>				
Portugal Obrigacoes do Tesouro OT 4.13% 14/04/2027	EUR	740,000	730	1.63
			730	1.63
<b>Spain 0.00% (1.04%)</b>				
<b>United Kingdom 8.91% (9.19%)</b>				
UK Treasury 1.25% 22/07/2018	GBP	3,960,000	3,997	8.91
			3,997	8.91
<b>United States of America 4.52% (0.00%)</b>				
US Treasury 1.13% 15/06/2018	USD	2,660,000	2,026	4.52
			2,026	4.52
<b>Government Bonds total</b>				
			<b>8,032</b>	<b>17.91</b>
<b>Corporate Bonds 79.38% (82.50%)</b>				
<b>Austria 0.00% (1.66%)</b>				
<b>Belgium 0.88% (2.38%)</b>				
Ethias 5.00% 14/01/2026	EUR	400,000	393	0.88
			393	0.88
<b>Bermuda 1.65% (1.17%)</b>				
Hiscox, FRN 6.12% 24/11/2045	GBP	650,000	741	1.65
			741	1.65
<b>Cayman Islands 3.96% (0.00%)</b>				
Phoenix Group Holdings 4.13% 20/07/2022	GBP	125,000	134	0.30
Phoenix Group Holdings 6.63% 18/12/2025	GBP	855,000	1,015	2.26
Transocean Phoenix 2 7.75% 15/10/2024	USD	760,000	625	1.40
			1,774	3.96
<b>France 6.38% (5.90%)</b>				
AXA, FRN 6.46% Perpetual	USD	100,000	79	0.17
BNPP AM Euro CLO, FRN, Series 2017-1X 'E' 0.00% 05/10/2031	EUR	250,000	212	0.47
CNP Assurances, FRN 7.37% 30/09/2041	GBP	600,000	712	1.59
Credit Agricole, FRN 8.12% Perpetual	GBP	1,000,000	1,129	2.52
Orange, FRN 5.75% Perpetual	GBP	658,000	730	1.63
			2,862	6.38
<b>Germany 0.87% (2.49%)</b>				
Aareal Bank, FRN 7.63% Perpetual	EUR	400,000	385	0.86
Grupo Isolux Corsan Finance 3.00% 22/12/2021	EUR	309,766	6	0.01
			391	0.87
<b>Ireland 6.88% (5.84%)</b>				
CVC Cordatus Loan Fund VIII, FRN, Series 8X 'E' 5.70% 23/04/2030	EUR	500,000	454	1.01
GLG Euro CLO II, FRN, Series 2X 'DNE' 3.80% 15/01/2030	EUR	1,000,000	909	2.03
Halcyon Loan Advisors European Funding, FRN, Series 2017-1X 'DNE' 3.20% 25/07/2030	EUR	1,000,000	899	2.00
Taurus DEU, FRN, Series 2016-DE1 'D' 4.00% 17/11/2026	EUR	921,357	825	1.84
			3,087	6.88

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Italy 2.14% (1.90%)</b>				
Assicurazioni Generali, FRN 6.42% Perpetual	GBP	400,000	440	0.98
Intesa Sanpaolo, FRN 7.75% Perpetual	EUR	510,000	519	1.16
			959	2.14
<b>Luxembourg 8.48% (7.60%)</b>				
ARD Finance 6.63% 15/09/2023	EUR	500,000	478	1.06
Cabot Financial Luxembourg 7.50% 01/10/2023	GBP	700,000	759	1.69
Garfunkelux Holdco 3 8.50% 01/11/2022	GBP	839,000	901	2.01
Gazprom 4.25% 06/04/2024	GBP	400,000	411	0.92
Intralot Capital Luxembourg 6.00% 15/05/2021	EUR	250,000	230	0.51
Lecta 6.50% 01/08/2023	EUR	320,000	299	0.67
Wind Acquisition Finance 7.00% 23/04/2021	EUR	523,000	489	1.09
Wind Acquisition Finance 7.38% 23/04/2021	USD	300,000	237	0.53
			3,804	8.48
<b>Mexico 1.69% (0.00%)</b>				
America Movil, FRN 6.37% 06/09/2073	GBP	300,000	326	0.73
Petroleos Mexicanos 3.75% 21/02/2024	EUR	461,000	430	0.96
			756	1.69
<b>Netherlands 9.43% (7.64%)</b>				
ARES EUROPEAN CLO VII, FRN, Series 7X 'DR' 0.00% 15/10/2030	EUR	100,000	87	0.19
ATF Netherlands, FRN 3.75% Perpetual	EUR	500,000	453	1.01
Cairn CLO V, FRN, Series 2015-5X 'DRE' 3.00% 20/07/2030	EUR	1,500,000	1,348	3.01
Jubilee CLO, FRN, Series 2014-14X 'E' 4.67% 15/01/2028	EUR	1,000,000	918	2.05
Marfrig Holdings Europe 6.88% 24/06/2019	USD	600,000	470	1.05
Petrobras Global Finance 6.25% 14/12/2026	GBP	400,000	412	0.92
Swiss Reinsurance, FRN 6.30% Perpetual	GBP	500,000	539	1.20
			4,227	9.43
<b>New Zealand 0.00% (1.66%)</b>				
<b>Norway 0.00% (0.67%)</b>				
<b>Spain 3.74% (0.99%)</b>				
Banco Bilbao Vizcaya Argentaria, FRN 8.88% Perpetual	EUR	600,000	631	1.41
Banco de Sabadell, FRN 6.50% Perpetual	EUR	600,000	548	1.22
Banco Santander, FRN 6.75% Perpetual	EUR	500,000	497	1.11
			1,676	3.74
<b>Switzerland 1.01% (2.97%)</b>				
Credit Suisse Group, FRN 7.50% Perpetual	USD	525,000	455	1.01
			455	1.01
<b>United Kingdom 30.16% (33.95%)</b>				
Amicus Mortgage Finance, FRN, Series 2015-1 'A' 3.60% 12/07/2021	GBP	750,000	754	1.68
Barclays, FRN 7.25% Perpetual	GBP	370,000	400	0.89
Bracken MidCo1 10.50% 15/11/2021	GBP	320,000	339	0.76
BUPA Finance, FRN 6.12% Perpetual	GBP	200,000	225	0.50
Coventry Building Society, FRN 6.37% Perpetual	GBP	1,100,000	1,134	2.53
esure Group 6.75% 19/12/2024	GBP	250,000	270	0.60
Honours, FRN 'A1' 0.58% 10/04/2029	GBP	447,148	445	0.99
Investec Bank 9.63% 17/02/2022	GBP	550,000	707	1.58
Jerrold Finco 6.25% 15/09/2021	GBP	200,000	207	0.46
Jerrold Finco 6.13% 15/01/2024	GBP	400,000	402	0.90
Legal & General Group, FRN 5.88% Perpetual	GBP	180,000	191	0.43
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	GBP	591,000	637	1.42
Lloyds Bank, FRN 12.00% Perpetual	USD	680,000	703	1.57
Nationwide Building Society, FRN 6.88% Perpetual	GBP	1,100,000	1,149	2.56
New Look Secured Issuer 6.50% 01/07/2022	GBP	325,000	226	0.50
Old Mutual 8.00% 03/06/2021	GBP	450,000	522	1.16
Paragon Group, FRN 7.25% 09/09/2026	GBP	600,000	644	1.44
Pension Insurance 6.50% 03/07/2024	GBP	275,000	295	0.66
Pension Insurance 8.00% 23/11/2026	GBP	400,000	463	1.03

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United Kingdom 30.16% (33.95%) (continued)</b>				
Pizzaexpress Financing 2 6.63% 01/08/2021	GBP	300,000	296	0.66
Royal Bank of Scotland Group, FRN 6.99% Perpetual	USD	350,000	304	0.68
Royal Bank of Scotland Group, FRN 7.09% Perpetual	EUR	550,000	469	1.05
Society of Lloyd's, FRN 4.87% 07/02/2047	GBP	250,000	275	0.61
Standard Chartered, FRN 7.75% Perpetual	USD	700,000	585	1.30
Standard Chartered Bank, FRN 7.75% Perpetual	GBP	500,000	579	1.29
Virgin Money Holdings UK, FRN 8.75% Perpetual	GBP	300,000	318	0.71
Warwick Finance Residential Mortgages No. Two, FRN, Series 2 'E' 2.54% 21/09/2049	GBP	1,000,000	988	2.20
			13,527	30.16
<b>United States of America 2.11% (5.68%)</b>				
JC Penney 5.65% 01/06/2020	USD	850,000	654	1.46
Men's Wearhouse 7.00% 01/07/2022	USD	425,000	291	0.65
			945	2.11
<b>Corporate Bonds total</b>			<b>35,597</b>	<b>79.38</b>
<b>Supranational 1.01% (0.00%)</b>				
African Export-Import Bank 4.13% 20/06/2024	USD	600,000	454	1.01
			454	1.01
<b>Supranational total</b>			<b>454</b>	<b>1.01</b>
<b>Forward Currency Contracts (0.47)% (0.73%)</b>				
Buy AUD 1,142,570 sell GBP 683,764 dated 03/08/2017			10	0.02
Buy EUR 8,149,727 sell GBP 7,217,118 dated 03/08/2017			73	0.16
Buy GBP 2,032,010 sell AUD 3,441,095 dated 03/08/2017			(58)	(0.13)
Buy GBP 18,973,694 sell EUR 21,577,120 dated 03/08/2017			(329)	(0.73)
Buy GBP 10,735,260 sell USD 13,895,752 dated 03/08/2017			142	0.32
Buy USD 4,731,994 sell GBP 3,656,769 dated 03/08/2017			(49)	(0.11)
<b>Forward Currency Contracts total</b>			<b>(211)</b>	<b>(0.47)</b>
Investment assets (including investment liabilities)			43,872	97.83
Net other assets			972	2.17
<b>Net assets</b>			<b>44,844</b>	<b>100.00</b>

All holdings are debt securities and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.

## STATEMENT OF TOTAL RETURN

### For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital gains/(losses)	2		3,206		(3,819)
Revenue	3	3,223		4,502	
Expenses					
	4	(550)		(656)	
Net revenue before taxation		2,673		3,846	
Taxation	5	–		–	
Net revenue after taxation			2,673		3,846
<b>Total return before distributions</b>			<b>5,879</b>		<b>27</b>
Distributions	6		(3,189)		(4,443)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>2,690</b>		<b>(4,416)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

### For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		<b>70,809</b>		<b>89,287</b>
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	57		11,263	
Amounts payable on cancellation of shares	(28,824)		(25,490)	
		(28,767)		(14,227)
Dilution adjustment		112		165
Change in net assets attributable to shareholders from investment activities (see above)		2,690		(4,416)
<b>Closing net assets attributable to shareholders</b>		<b>44,844</b>		<b>70,809</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		44,308	66,202
<b>Current assets:</b>			
Debtors	8	672	1,848
Cash and bank balances	9	1,599	6,230
<b>Total assets</b>		<b>46,579</b>	<b>74,280</b>
<b>Liabilities:</b>			
Investment liabilities		(436)	(27)
<b>Creditors:</b>			
Distribution payable		(520)	(965)
Other creditors	10	(779)	(2,479)
<b>Total liabilities</b>		<b>(1,735)</b>	<b>(3,471)</b>
<b>Net assets attributable to shareholders</b>		<b>44,844</b>	<b>70,809</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital gains/(losses)

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital gains/(losses) on investments during the year comprise:</b>		
Currency gains/(losses)	388	(1,632)
Derivative contracts losses	–	(402)
Expenses relating to the purchase and sale of investments	(5)	(3)
Forward currency contracts losses	(1,253)	(4,979)
Non-derivative securities gains	4,076	3,197
<b>Net capital gains/(losses)</b>	<b>3,206</b>	<b>(3,819)</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	8	12
Interest on debt securities	3,215	4,561
Interest on derivatives	–	(71)
<b>Total revenue</b>	<b>3,223</b>	<b>4,502</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	516	597
	516	597
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	11	12
Interest payable	4	26
Safe custody fee	5	6
	20	44
<b>Other expenses:</b>		
Audit fee*	10	10
Statement fees	4	5
	14	15
<b>Total expenses</b>	<b>550</b>	<b>656</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	–	–
<b>Total current tax for the year (see note 5b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,673</b>	<b>3,846</b>
Corporation tax at 20%	535	769
<b>Effects of:</b>		
Tax deductible on interest distributions	(535)	(769)
	(535)	(769)
<b>Current tax charge (see note 5a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	888	1,202
Gross interest distribution for the three months ended 31 January	844	1,049
Gross interest distribution for the three months ended 30 April	681	1,071
Gross interest distribution for the three months ended 31 July	520	967
	2,933	4,289
Add: Revenue deducted on cancellation of shares	256	214
Deduct: Revenue received on issue of shares	–	(60)
<b>Total distributions</b>	<b>3,189</b>	<b>4,443</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	3,189	4,443
ACD's periodic charge borne by the capital account	(516)	(597)
<b>Net revenue after taxation</b>	<b>2,673</b>	<b>3,846</b>

Details of the distributions per share are set out in the distribution tables on page 204.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17		As at 31.07.16	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 2: Observable market data	44,017	(436)	65,714	(27)
Level 3: Unobservable data	291	–	488	–
<b>Total value</b>	<b>44,308</b>	<b>(436)</b>	<b>66,202</b>	<b>(27)</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	671	1,042
Prepaid expenses	1	–
Sales awaiting settlement	–	806
<b>Total debtors</b>	<b>672</b>	<b>1,848</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Cash and bank balances	1,599	6,230
<b>Total cash and bank balances</b>	<b>1,599</b>	<b>6,230</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	48	75
Purchases awaiting settlement	731	2,404
<b>Total creditors</b>	<b>779</b>	<b>2,479</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12 Related party transactions**

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £30,000 (2016: £38,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £2,587,000 (2016: £3,401,000). The amount outstanding at the year end was £520,000 (2016: £773,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	42,630,931	(27,675,144)	70,306,075

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

**13 Shareholder funds**

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 192. The distributions per share class are given in the distribution tables on page 204.

**14 Shares in issue reconciliation**

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	70,306,075	55,149	(27,730,293)	–	42,630,931

**15 Counterparty Exposure****Financial derivative exposure**

The types of derivatives held at the year end date were forward currency contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the year end date was as follows:

31.07.17	Forward currency contracts £000	Total £000
JPMorgan Chase & Co	(211)	(211)
<b>Total</b>	<b>(211)</b>	<b>(211)</b>

31.07.16	Forward currency contracts £000	Total £000
JPMorgan Chase & Co	519	519
<b>Total</b>	<b>519</b>	<b>519</b>

The counterparty exposure on forward currency contracts is reported at their mark to market values.

**Collateral**

At the year end date no collateral was held or pledged by the Company or on behalf of the counterparties in respect of the above (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Currency risk**

At the year end date, 0.15% (2016: 0.15%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

**Interest rate risk**

At the year end date 101.87% (2016:104.86%) of the net assets of the Fund were interest bearing. If interest rates were to change by 10%, the value of the Fund would change by 10.19% (2016: 10.49%).

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2017 was:

Currency 31.07.17	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	18,116	7,020	32,193	57,329
Australian Dollar	61	1,279	708	2,048
Euro	9,677	2,577	7,431	19,685
Swiss Franc	8	–	–	8
US Dollar	4,213	2,731	3,673	10,617
<b>Financial Liabilities</b>				
Sterling	–	–	(12,560)	(12,560)
Australian Dollar	–	–	(2,090)	(2,090)
Euro	–	–	(19,600)	(19,600)
US Dollar	–	–	(10,593)	(10,593)
<b>Total</b>	<b>32,075</b>	<b>13,607</b>	<b>(838)</b>	<b>44,844</b>

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	30,934	15,315	31,054	77,303
Euro	14,665	4,105	3,723	22,493
Swiss Franc	10	382	9	401
US Dollar	2,628	3,847	1,651	8,126
<b>Financial Liabilities</b>				
Sterling	–	–	(6,597)	(6,597)
Euro	–	–	(22,375)	(22,375)
Swiss Franc	–	–	(408)	(408)
US Dollar	–	–	(8,134)	(8,134)
<b>Total</b>	<b>48,237</b>	<b>23,649</b>	<b>(1,077)</b>	<b>70,809</b>

The floating rate on bank balances is linked to the Depositary's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and sterling denominated bank balances that bear interest rates based on LIBOR.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 98.30% (2016: 93.46%) of the net assets of the Fund were invested in debt securities admitted to an official stock exchange. If the market were to change by 10%, the value of the Fund will change by 9.83% (2016: 9.35%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**17 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.17	31.07.16	31.07.17	31.07.16
Investment grade	15,283	28,676	34.07%	40.50%
Below investment grade	26,694	33,529	59.54%	47.35%
Unrated	2,106	3,451	4.69%	4.87%
<b>Total debt securities</b>	<b>44,083</b>	<b>65,656</b>	<b>98.30%</b>	<b>92.72%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BB or lower are considered below investment grade.

**18 Direct transaction costs**

Due to the nature of the investments held, no transaction costs or taxes were incurred on the Fund's purchases or sales during the current year ended 31 July 2017 (2016: £nil). The total purchases for the year amounted to £101,834,000 (2016: £61,261,000) and the total sales amounted to £127,200,000 (2016: £84,748,000).

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.59% (2016: 1.44%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**19 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

**Final distribution payable in pence per share for the three months ended 31 July 2017**

Income shares		Gross revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	1.2204	–	1.2204	1.0990
	Group 2	0.3908	0.8296	1.2204	1.0990

Group 1 shares are those shares purchased at or before 2pm on 30 April 2017.

Group 2 shares are those shares purchased after 2pm on 30 April 2017.

**Interim distribution paid in pence per share for the three months ended 30 April 2017**

Income shares		Gross revenue	Equalisation	Interim distribution paid 30 June 2017	Interim distribution paid 30 June 2016
Share Class 2	Group 1	1.1255	–	1.1255	1.1374
	Group 2	0.3559	0.7696	1.1255	1.1374

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

**Interim distribution paid in pence per share for the three months ended 31 January 2017**

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	1.2030	0.2406	0.9624	–	0.9624	1.1337
	Group 2	0.4278	0.0856	0.3422	0.6202	0.9624	1.1337

Group 1 shares are those shares purchased at or before 2pm on 31 October 2016.

Group 2 shares are those shares purchased after 2pm on 31 October 2016.

**Interim distribution paid in pence per share for the three months ended 31 October 2016**

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2016	Interim distribution paid 31 December 2015
Share Class 2	Group 1	1.2628	0.2526	1.0102	–	1.0102	1.1768
	Group 2	0.4256	0.0851	0.3405	0.6697	1.0102	1.1768

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

Up to 5 April 2017, the distributions payable were calculated after the deduction of basic rate income tax. From 6 April 2017, distributions payable are calculated without deducting this tax. The tax treatment of distributions will depend on an investor's individual circumstances.

**Equalisation**

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

## AVIVA INVESTORS GLOBAL AGG MOM 1 FUND

### INVESTMENT OBJECTIVE

To achieve income (with some prospect for long-term capital growth) by investing primarily in global fixed interest securities.

### INVESTMENT POLICY

The Fund will invest primarily in global fixed interest securities listed or traded on Regulated Markets. The Fund may invest in any of the following financial instruments in order to achieve its investment objective: Sterling denominated investment grade credit, overseas investment grade credit (hedged), gilts, overseas government bonds (hedged), money market instruments, collective investment schemes and deposits. In addition to the instruments detailed above, on an ancillary basis and not exceeding 10 per cent of the value of the scheme property, the Fund may invest in credit which is deemed to be below investment grade.

### FUND MANAGER'S REPORT

#### Performance

Over the twelve months ended 31 July 2017 the Fund\* returned -0.84 per cent (net of fees), outperforming the Barclays Global Aggregate (Hedged to GBP) index return of -1.49 per cent.

#### Review

2016 Third quarter post-Brexit market volatility brought record-breaking levels for both US equities and fixed income. US Treasuries dropped to all-time low in Q3, with ten and thirty year treasuries hitting 1.479 per cent and 2.099 per cent respectively. Central bank policy continued to impact global bond yields during the third quarter, as negative interest rate policies from the European Central Bank (ECB), the Bank of Japan (BoJ) and others continue to drive yields lower. Ten year rates across in Japan and the US were higher, contrasted but lower ten year rates in most of Europe, Australia, and Canada. Generally, risk assets were positive for the third quarter. US High Yield was up 5.5 per cent and US Fixed Rate Mortgage Backed Securities (MBS) up 0.6 per cent over the three month period. Investment Grade corporates were up roughly 1.41 per cent (per the Barclay's US Corporate index). Investment Grade US commercial mortgages posted positive 70 basis points of return for the third quarter. Both hard and local currency emerging markets debt posted positive total returns on the quarter, generating 3.3 per cent and 3.12 per cent, respectively. The S&P 500 was up 3.8 per cent for the quarter.

Pollsters missed again in the fourth quarter as Donald Trump surprised most of the planet with a victory in the US election. After a few hours of trading volatility, a somewhat conciliatory speech by president-elect Donald Trump pacified risk markets. Concerns over new fiscal spending plans, corporate tax cuts and protectionism began to be priced into markets over the next few weeks. Global rates moved higher during the quarter, with emerging markets having the highest beta. US stocks were up during the fourth quarter, while performance across global stocks was mixed. Most spread sectors were positive versus Treasuries on the period, with MBS the only laggard.

The first quarter brought a strong start to 2017 for fixed income. Risk markets performed well as newly elected US President Donald Trump's administration takes shape. President Trump's attempt at health care policy restructuring failed and a quick pivot was made to the consideration of tax reform. On the backside of the failure, however, interest rates rallied on a decrease in expectations for the new President's policies to succeed. Tax reform, infrastructure spending, and deregulation, all potentially constructive for US growth, will be the topic of discussion for the remainder of 2017.

A hawkish shift in central bank communication was a prevalent theme during the second quarter, leading to higher global yields. ECB President Mario Draghi signaled upcoming changes in policy parameters during his June speech in the ECB Forum on Central Banking in Sintra, Portugal. Draghi's speech caught attention by markets as he stressed that the ECB believes the forces currently impacting Eurozone inflation are temporary.

Expectations for tightening from the Bank of England's (BoE) Monetary Policy Committee (MPC) have notably grown in June, despite markets not yet pricing in a cycle. Recent communication from BoE Governor Carney noted that "some removal of monetary stimulus is likely to become necessary if the trade-off facing the MPC continues to lessen and the policy decision accordingly becomes more conventional".

In the US, numerous Federal Reserve (Fed) officials explained that the weak first-quarter data on spending was transitory, the economy is at full employment, and inflation is headed toward their goal of two per cent. In the minutes of the May meeting, they repeated the phrase that "...it would soon be appropriate for the Committee to take another step in removing some policy accommodation..." which they had used in January to signal action at the next meeting. As such, June's Fed meeting brought a quarter point interest rate increase.

Relative performance was up versus the benchmark during the time period, with positive performance in most areas, including yield curve positioning, security selection, and FX allocation. Positive performance was partially offset by slight underperformance in asset allocation. Positioning in the US (curve steepener) and Australia (overweight intermediate duration) were the main positive contributors to yield curve positioning during the period. Security selection in the European periphery was also a positive contributor to performance as spreads versus Germany tightened. Emerging market FX positioning was also additive to performance, as overweight positions in Russia, Mexico, and India posted positive relative returns. Conversely, underperformance in global inflation-linked positioning and US High Yield marginally detracted from positive performance.

#### Outlook

Economic growth is above trend, corporations meet or exceed earnings expectations, firms have access to finance, and the VIX, if not in single digits, will move in the lower end of its historical range. In light of the rally in corporate markets thus far this year, developed market investment grade spreads are fairly valued, but high yield debt is more attractive.

Tightening Fed policy, both in terms of raising its funds rate target and slimming its balance sheet, and a backup in volatility bodes poorly for securitized assets. In that segment, focus on higher quality segments of Asset Backed Securities and Commercial Mortgage Backed Securities given tight valuations and deteriorating fundamentals.

Central banks generally got good press for policy tightening, or at least signaling the intention to tighten. They apparently want to enter the renormalization phase of the policy cycle; induced to firming policy to catch up to increases in the neutral policy rates as headwinds to activity abate further.

#### August 2017

\* Fund performance figures – share class 2, source Lipper, net of fees, net income reinvested in GBP. Unless otherwise indicated, all data has been sourced by Rogge Global Partners.

As noted above, the performance figures in this commentary have been sourced from an external party and are based on published prices. The performance figures quoted in the comparative table on page 207 are based on the net asset value per the published accounts and may be different due to post year end accounting adjustments.

Any opinions expressed are those of the Fund manager. They should not be viewed as a guarantee of a return from an investment in the Funds. The content of the commentary should not be viewed as a recommendation to invest nor to buy or sell stocks. Past performance is not a guide to future performance. The value of an investment in the Fund and any income from it may go down as well as up, and the investor may not get back the original amount invested.





## COMPARATIVE TABLE

	2017	2016	2015
Class 2 Income	p per share	p per share	p per share
<b>Change in net assets per share</b>			
Opening net asset value per share	108.70	106.88	104.69
Return before operating charges <sup>†</sup>	0.16	4.79	5.20
Operating charges	(0.86)	(0.87)	(0.86)
Return after operating charges <sup>†</sup>	(0.70)	3.92	4.34
Distributions	(2.36)	(2.10)	(2.15)
Closing net asset value per share	105.64	108.70	106.88
<sup>†</sup> after direct transaction costs of	–	(0.09)	–
<b>Performance</b>			
Return after charges	(0.64)%	3.67%	4.15%
<b>Other information</b>			
Closing net asset value (£000)	202,514	98,397	90,224
Closing number of shares	191,708,815	90,517,628	84,417,523
Operating charges (%) <sup>‡</sup>	0.80%	0.82%	0.80%
Direct transaction costs (%) <sup>#</sup>	0.00%	0.08%	0.00%
<b>Prices<sup>≈</sup></b>			
Highest share price	109.51	109.41	110.26
Lowest share price	104.79	105.42	104.78

<sup>‡</sup> The operating charges are calculated on an ex-post basis and as such may differ from the Ongoing Charge Figure where:

(a) Changes to fee rates were made during the year and the Ongoing Charge Figure has been amended to be future proofed for this change.

(b) The Ongoing Charge has been annualised for a share class that has not yet been open for a full year.

<sup>#</sup> The direct transaction costs have been stated after deducting, in the case of single-priced funds, the proportion of the amounts collected from dilution adjustments or dilution levies that relates to direct transaction costs and, in the case of dual-priced funds, the amounts collected in relation to direct transaction costs added to, or subtracted from, the valuations by virtue of COLL 6.3.6 G (4).

<sup>≈</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year and are based on published prices. The net asset value per share price is based on the net asset value in the published accounts and may be different due to post year end accounting adjustments.

**Ongoing Charges Figure\***

Share class	31.07.17	31.07.16
Class 2	0.80%	0.82%

\* The Ongoing Charges Figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the Fund over the year. The OCF is made up of the Annual Management Charge and other operating costs deducted from the assets of the Fund during the year, except for those payments that are explicitly excluded (performance fees).

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## PORTFOLIO STATEMENT

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Government Bonds 70.13% (64.09%)</b>				
<b>Argentina 2.02% (0.78%)</b>				
Argentina Government Bond 6.88% 26/01/2027	USD	800,000	626	0.31
Argentina Government Bond, FRN 5.91% 31/12/2033	ARS	2,900,000	961	0.47
Argentine Bonos del Tesoro 21.20% 19/09/2018	ARS	38,800,000	1,790	0.88
Provincia de Buenos Aires 9.13% 16/03/2024	USD	325,000	275	0.14
Provincia de Buenos Aires, FRN 24.10% 31/05/2022	ARS	10,000,000	437	0.22
			4,089	2.02
<b>Australia 12.57% (4.29%)</b>				
Australia Government Bond 2.75% 21/10/2019	AUD	41,050,000	25,448	12.57
			25,448	12.57
<b>Brazil 0.00% (0.55%)</b>				
<b>Canada 1.78% (2.06%)</b>				
Canada Government Bond 2.25% 01/06/2025	CAD	4,350,000	2,719	1.34
Canada Government Bond 3.50% 01/12/2045	CAD	1,200,000	883	0.44
			3,602	1.78
<b>Chile 0.46% (0.00%)</b>				
Bonos de la Tesoreria de la Republica en pesos 4.50% 01/03/2021	CLP	750,000,000	921	0.46
			921	0.46
<b>Egypt 0.11% (0.00%)</b>				
Egypt Government Bond 8.50% 31/01/2047	USD	275,000	228	0.11
			228	0.11
<b>France 1.15% (7.41%)</b>				
France Government Bond OAT 0.25% 25/11/2026	EUR	2,725,000	2,330	1.15
			2,330	1.15
<b>Germany 1.05% (4.91%)</b>				
Bundesrepublik Deutschland 2.50% 15/08/2046	EUR	1,860,000	2,133	1.05
			2,133	1.05
<b>Hungary 0.00% (1.24%)</b>				
<b>Indonesia 0.00% (0.74%)</b>				
<b>Ireland 0.79% (1.18%)</b>				
Ireland Government Bond 1.00% 15/05/2026	EUR	1,775,000	1,606	0.79
			1,606	0.79
<b>Italy 0.00% (4.76%)</b>				
<b>Ivory Coast 0.21% (0.00%)</b>				
Ivory Coast Government Bond 5.13% 15/06/2025	EUR	200,000	182	0.09
Ivory Coast Government Bond 6.13% 15/06/2033	USD	325,000	243	0.12
			425	0.21
<b>Japan 13.92% (7.09%)</b>				
Japan Government CPI Linked Bond 0.10% 10/03/2025	JPY	614,212,709	4,391	2.17
Japan Government CPI Linked Bond 0.10% 10/03/2026	JPY	531,500,000	3,802	1.88
Japan Government Ten Year Bond 0.50% 20/12/2024	JPY	2,261,550,000	16,173	7.98
Japan Government Twenty Year Bond 0.40% 20/03/2036	JPY	567,800,000	3,831	1.89
			28,197	13.92
<b>Kuwait 0.53% (0.00%)</b>				
Kuwait Government Bond 3.50% 20/03/2027	USD	1,375,000	1,069	0.53
			1,069	0.53

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Mexico 1.55% (2.65%)</b>				
Mexican Bonos 7.75% 13/11/2042	MXN	36,850,000	1,669	0.83
Mexican Bonos 8.00% 07/11/2047	MXN	31,300,000	1,461	0.72
			<u>3,130</u>	<u>1.55</u>
<b>Morocco 0.00% (2.11%)</b>				
<b>Netherlands 0.83% (1.07%)</b>				
Netherlands Government Bond 1.25% 15/01/2019	EUR	1,820,000	1,674	0.83
			<u>1,674</u>	<u>0.83</u>
<b>New Zealand 2.58% (1.28%)</b>				
New Zealand Government Bond 2.00% 20/09/2025	NZD	8,625,000	5,230	2.58
			<u>5,230</u>	<u>2.58</u>
<b>Peru 0.00% (0.55%)</b>				
<b>Poland 1.38% (1.09%)</b>				
Poland Government Bond 2.50% 25/07/2027	PLN	14,325,000	2,788	1.38
			<u>2,788</u>	<u>1.38</u>
<b>Portugal 1.18% (0.00%)</b>				
Portugal Obrigacoes do Tesouro OT 4.10% 15/02/2045	EUR	2,575,000	2,391	1.18
			<u>2,391</u>	<u>1.18</u>
<b>Qatar 0.00% (0.39%)</b>				
<b>Romania 0.00% (0.31%)</b>				
<b>Russia 0.74% (0.00%)</b>				
Russian Federal Bond – OFZ 7.00% 16/08/2023	RUB	64,250,000	782	0.39
Russian Federal Bond – OFZ 7.05% 19/01/2028	RUB	59,000,000	712	0.35
			<u>1,494</u>	<u>0.74</u>
<b>Serbia 0.00% (0.27%)</b>				
<b>Senegal 0.23% (0.00%)</b>				
Senegal Government Bond 6.25% 23/05/2033	USD	600,000	470	0.23
			<u>470</u>	<u>0.23</u>
<b>Singapore 0.00% (2.19%)</b>				
<b>South Africa 1.11% (0.00%)</b>				
South Africa Government Bond 10.50% 21/12/2026	ZAR	5,400,000	349	0.17
South Africa Government Bond 8.75% 28/02/2048	ZAR	36,900,000	1,901	0.94
			<u>2,250</u>	<u>1.11</u>
<b>Spain 2.47% (2.66%)</b>				
Spain Government Bond 1.50% 30/04/2027	EUR	5,600,000	4,998	2.47
			<u>4,998</u>	<u>2.47</u>
<b>Sri Lanka 0.26% (0.44%)</b>				
Sri Lanka Government Bond 5.75% 18/01/2022	USD	350,000	279	0.14
Sri Lanka Government Bond 6.20% 11/05/2027	USD	325,000	255	0.12
			<u>534</u>	<u>0.26</u>
<b>Sweden 0.85% (1.15%)</b>				
Sweden Government Bond 5.00% 01/12/2020	SEK	15,685,000	1,730	0.85
			<u>1,730</u>	<u>0.85</u>
<b>Thailand 1.39% (0.00%)</b>				
Thailand Government Bond 2.13% 17/12/2026	THB	126,700,000	2,817	1.39
			<u>2,817</u>	<u>1.39</u>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Turkey 0.43% (0.00%)</b>				
Turkey Government Bond 2.00% 18/09/2024	TRY	3,300,000	862	0.43
			862	0.43
<b>United Kingdom 2.17% (4.10%)</b>				
UK Treasury 1.50% 22/01/2021	GBP	525,000	545	0.27
UK Treasury 3.25% 22/01/2044	GBP	3,005,000	3,845	1.90
			4,390	2.17
<b>United States of America 18.14% (8.82%)</b>				
US Treasury 1.88% 31/03/2022	USD	9,150,000	6,996	3.46
US Treasury 2.25% 15/02/2027	USD	23,875,000	18,130	8.95
US Treasury Bill 0.00% 28/09/2017	USD	7,185,000	5,469	2.70
US Treasury Inflation Indexed 0.38% 15/07/2025	USD	1,320,000	1,038	0.51
US Treasury Inflation Indexed 0.63% 15/01/2026	USD	6,425,000	5,108	2.52
			36,741	18.14
<b>Uruguay 0.23% (0.00%)</b>				
Uruguay Government Bond 9.88% 20/06/2022	UYU	16,705,000	475	0.23
			475	0.23
<b>Government Bonds total</b>			<b>142,022</b>	<b>70.13</b>
<b>Corporate Bonds 25.21% (30.65%)</b>				
<b>Canada 0.36% (0.00%)</b>				
MBarc Credit Canada, Series 2016-AA 'A1' 1.26% 17/09/2018	CAD	283,788	174	0.09
MBarc Credit Canada, Series 2016-AA 'A2' 1.53% 17/06/2019	CAD	550,000	335	0.16
MBarc Credit Canada, Series 2016-AA 'A3' 1.72% 15/07/2021	CAD	125,000	76	0.04
Teck Resources 6.25% 15/07/2041	USD	175,000	144	0.07
			729	0.36
<b>Chile 0.00% (0.39%)</b>				
<b>France 0.78% (0.39%)</b>				
AXA, FRN 5.25% 16/04/2040	EUR	200,000	202	0.10
BNP Paribas 1.13% 10/10/2023	EUR	600,000	545	0.27
Societe Generale 2.75% 12/10/2017	USD	500,000	382	0.19
Societe Generale 1.00% 01/04/2022	EUR	500,000	455	0.22
			1,584	0.78
<b>Germany 0.60% (2.57%)</b>				
Allianz, FRN 5.62% 17/10/2042	EUR	400,000	436	0.22
Allianz, FRN 3.37% Perpetual	EUR	300,000	292	0.14
Kreditanstalt fuer Wiederaufbau 4.00% 16/01/2019	AUD	775,000	485	0.24
			1,213	0.60
<b>Hungary 0.00% (0.24%)</b>				
<b>Ireland 0.55% (0.00%)</b>				
AerCap Ireland Capital 4.50% 15/05/2021	USD	575,000	465	0.23
MMC Norilsk Nickel 4.10% 11/04/2023	USD	850,000	644	0.32
			1,109	0.55
<b>Italy 0.54% (1.16%)</b>				
Enel 4.88% 20/02/2018	EUR	350,000	322	0.16
Intesa Sanpaolo 3.88% 15/01/2019	USD	980,000	764	0.38
			1,086	0.54
<b>Luxembourg 0.30% (0.00%)</b>				
Altice Financing 7.50% 15/05/2026	USD	200,000	169	0.08
ARD Finance 7.12% 15/09/2023	USD	200,000	164	0.08
E-Carat, FRN, Series 2016-1 'A' 0.08% 18/10/2024	EUR	303,755	273	0.14
			606	0.30

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>Mexico 0.31% (0.78%)</b>				
Banco Nacional de Comercio Exterior 4.38% 14/10/2025	USD	800,000	631	0.31
			631	0.31
<b>Netherlands 4.14% (3.66%)</b>				
ABN AMRO Bank 4.75% 28/07/2025	USD	840,000	681	0.34
ABN AMRO Bank, FRN 2.87% 18/01/2028	EUR	200,000	194	0.10
Cooperatieve Rabobank, FRN 2.50% 26/05/2026	EUR	590,000	557	0.27
Equate Petrochemical 3.00% 03/03/2022	USD	300,000	228	0.11
Globaldrive Auto Receivables, FRN, Series 2016-B 'A' 0.13% 20/08/2024	EUR	264,730	238	0.12
Iberdrola International, FRN 5.75% Perpetual	EUR	700,000	645	0.32
ING Groep, FRN 3.00% 11/04/2028	EUR	200,000	194	0.09
Lukoil International Finance 4.75% 02/11/2026	USD	825,000	647	0.32
Mylan 2.50% 07/06/2019	USD	550,000	423	0.21
Petrobras Global Finance 6.13% 17/01/2022	USD	250,000	200	0.10
Petrobras Global Finance 7.38% 17/01/2027	USD	490,000	404	0.20
Petrobras Global Finance 7.25% 17/03/2044	USD	710,000	543	0.27
Shell International Finance 3.75% 12/09/2046	USD	1,200,000	876	0.43
Teva Pharmaceutical Finance Netherlands II 1.13% 15/10/2024	EUR	125,000	107	0.05
Teva Pharmaceutical Finance Netherlands III 2.80% 21/07/2023	USD	125,000	93	0.05
Teva Pharmaceutical Finance Netherlands III 3.15% 01/10/2026	USD	250,000	182	0.09
Volkswagen International Finance 1.88% 30/03/2027	EUR	1,100,000	979	0.48
Vonovia Finance 3.20% 02/10/2017	USD	420,000	321	0.16
Vonovia Finance 1.63% 15/12/2020	EUR	300,000	282	0.14
WPC Eurobond 2.25% 19/07/2024	EUR	625,000	581	0.29
			8,375	4.14
<b>Spain 0.55% (1.15%)</b>				
BBVA Subordinated Capital, FRN 3.50% 11/04/2024	EUR	800,000	753	0.37
Telefonica Emisiones 1.53% 17/01/2025	EUR	400,000	369	0.18
			1,122	0.55
<b>Switzerland 0.28% (0.00%)</b>				
Credit Suisse Group 4.28% 09/01/2028	USD	725,000	576	0.28
			576	0.28
<b>United Kingdom 2.23% (1.00%)</b>				
Barclays 5.20% 12/05/2026	USD	500,000	405	0.20
Barclays, FRN 7.88% Perpetual	USD	500,000	417	0.21
HSBC Holdings 4.38% 23/11/2026	USD	525,000	419	0.21
Lloyds Banking Group 3.10% 06/07/2021	USD	400,000	310	0.15
Lloyds Banking Group 3.75% 11/01/2027	USD	700,000	540	0.27
Royal Bank of Scotland Group 3.88% 12/09/2023	USD	1,875,000	1,464	0.72
Santander UK Group Holdings 3.57% 10/01/2023	USD	600,000	469	0.23
Vodafone Group 1.25% 25/08/2021	EUR	530,000	492	0.24
			4,516	2.23
<b>United States of America 14.57% (19.31%)</b>				
21st Century Fox America 3.70% 15/10/2025	USD	200,000	158	0.08
Abbott Laboratories 3.75% 30/11/2026	USD	150,000	118	0.06
Abbott Laboratories 4.90% 30/11/2046	USD	1,100,000	924	0.46
AbbVie 1.38% 17/05/2024	EUR	400,000	366	0.18
AMC Networks 4.75% 01/08/2025	USD	110,000	84	0.04
American Homes 4 Rent Trust, Series 2014-SFR3 'A' 3.68% 17/12/2036	USD	166,901	134	0.07
Amgen 4.40% 01/05/2045	USD	125,000	99	0.05
Apple 3.25% 23/02/2026	USD	890,000	693	0.34
Aventura Mall Trust, FRN, Series 2013-AVM 'A' 3.87% 05/12/2032	USD	330,000	265	0.13
BAE Systems Holdings 3.80% 07/10/2024	USD	305,000	243	0.12
Banc of America Commercial Mortgage Trust, FRN, Series 2007-2 'A' 5.76% 10/04/2049	USD	143,490	107	0.05

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United States of America 14.57% (19.31%) (continued)</b>				
BBCMS Trust, Series 2013-TYSN 'A2' 3.76% 05/09/2032	USD	100,000	80	0.04
Bear Stearns Commercial Mortgage Securities Trust, FRN, Series 2007-PW17 'AJ' 6.12% 11/06/2050	USD	280,000	214	0.11
Branch Banking & Trust 3.63% 16/09/2025	USD	675,000	535	0.26
Branch Banking & Trust 3.80% 30/10/2026	USD	675,000	540	0.27
BWAY Holding 5.50% 15/04/2024	USD	453,000	360	0.18
Capital One Financial 3.75% 28/07/2026	USD	1,400,000	1,046	0.52
CarMax Auto Owner Trust, Series 2014-4 'D' 3.04% 17/05/2021	USD	450,000	346	0.17
Chase Issuance Trust, FRN, Series 2013-A6 'A6' 1.65% 15/07/2020	USD	585,000	447	0.22
Cheniere Corpus Christi Holdings 5.13% 30/06/2027	USD	300,000	238	0.12
Citigroup 4.40% 10/06/2025	USD	1,185,000	946	0.47
Citigroup 4.65% 30/07/2045	USD	525,000	434	0.21
Citizens Bank 2.25% 02/03/2020	USD	775,000	593	0.29
Colony American Homes, FRN, Series 2014-1A 'C' 3.06% 17/05/2031	USD	140,000	108	0.05
Colony Starwood Homes Trust, FRN, Series 2016-2X 'A' 2.46% 17/12/2033	USD	498,856	384	0.19
Cox Communications 3.35% 15/09/2026	USD	150,000	112	0.06
Crown Castle International, REIT 2.25% 01/09/2021	USD	400,000	301	0.15
Daimler Finance North America 1.50% 05/07/2019	USD	450,000	340	0.17
DaVita 5.00% 01/05/2025	USD	175,000	135	0.07
Dell Equipment Finance Trust, Series 2016-1 'A2' 1.43% 24/09/2018	USD	276,600	211	0.10
Digital Euro Finco, REIT 2.63% 15/04/2024	EUR	375,000	358	0.18
DISH DBS 5.88% 15/11/2024	USD	175,000	144	0.07
Drive Auto Receivables Trust, Series 2016-AA 'C' 3.91% 17/05/2021	USD	1,000,000	773	0.38
Drive Auto Receivables Trust, Series 2016-CX 'C' 3.02% 15/11/2021	USD	400,000	307	0.15
Drive Auto Receivables Trust, Series 2016-CX 'D' 4.18% 15/03/2024	USD	400,000	311	0.15
DT Auto Owner Trust, Series 2016-1A 'C' 3.54% 15/10/2021	USD	500,000	384	0.19
Duke Energy 2.65% 01/09/2026	USD	125,000	92	0.05
Duke Energy 3.75% 01/09/2046	USD	525,000	384	0.19
Energy Transfer 4.75% 15/01/2026	USD	195,000	155	0.08
Energy Transfer 4.20% 15/04/2027	USD	125,000	96	0.05
Exeter Automobile Receivables Trust, Series 2015-3A 'A' 2.00% 16/03/2020	USD	46,610	35	0.02
Freepport-McMoRan 5.45% 15/03/2043	USD	200,000	140	0.07
General Electric, FRN 5.00% Perpetual	USD	623,000	503	0.25
General Motors Financial 2.35% 04/10/2019	USD	1,125,000	860	0.42
Genesis Energy 6.75% 01/08/2022	USD	70,000	54	0.03
GM Financial Automobile Leasing Trust, Series 2015-3 'C' 2.98% 20/11/2019	USD	220,000	169	0.08
GM Financial Automobile Leasing Trust, Series 2015-3 'D' 3.48% 20/08/2020	USD	300,000	231	0.11
Goldman Sachs Group 4.25% 21/10/2025	USD	850,000	673	0.33
Goldman Sachs Group 3.50% 16/11/2026	USD	705,000	535	0.26
HCA 5.50% 15/06/2047	USD	345,000	275	0.14
Icahn Enterprises 5.88% 01/02/2022	USD	150,000	118	0.06
JPMorgan Chase 3.30% 01/04/2026	USD	875,000	667	0.33
Kinder Morgan 4.30% 01/06/2025	USD	125,000	99	0.05
Kinder Morgan 5.55% 01/06/2045	USD	200,000	162	0.08
Kraft Heinz Foods 2.00% 30/06/2023	EUR	625,000	588	0.29
Kraft Heinz Foods 2.25% 25/05/2028	EUR	1,125,000	1,018	0.50
Kubota Credit Owner Trust, Series 2016-1X 'A3' 1.50% 15/07/2020	USD	225,000	171	0.08
Morgan Stanley 4.00% 23/07/2025	USD	330,000	264	0.13
Newell Brands 2.60% 29/03/2019	USD	42,000	32	0.02
NGPL PipeCo 4.38% 15/08/2022	USD	85,000	66	0.03
Occidental Petroleum 3.00% 15/02/2027	USD	575,000	432	0.21
OneMain Financial Issuance Trust, Series 2014-2A 'A' 2.47% 18/09/2024	USD	162,096	124	0.06
OneMain Financial Issuance Trust, Series 2015-1A 'B' 3.85% 18/03/2026	USD	580,000	448	0.22
OneMain Financial Issuance Trust, Series 2015-2A 'A' 2.57% 18/07/2025	USD	573,342	438	0.22
Oracle 4.00% 15/07/2046	USD	1,175,000	905	0.45
Oscar US Funding Trust 'A2A' 2.30% 11/05/2020	USD	190,000	145	0.07
Oscar US Funding Trust 'A4' 3.30% 10/05/2024	USD	230,000	177	0.09
Prime Security Services Borrower 9.25% 15/05/2023	USD	150,000	128	0.06
Progress Residential Trust, Series 2017-SF1X 'A' 2.77% 17/08/2034	USD	950,000	729	0.36
Prudential Financial 5.38% 21/06/2020	USD	280,000	233	0.11

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value £000	% of Net Assets
<b>United States of America 14.57% (19.31%) (continued)</b>				
Reynolds Group Issuer 7.00% 15/07/2024	USD	175,000	144	0.07
Southern 3.25% 01/07/2026	USD	925,000	698	0.34
Springleaf Funding Trust, Series 2015-AA 'A' 3.16% 15/11/2024	USD	1,005,000	773	0.38
Springleaf Funding Trust, Series 2016-AX 'A' 2.90% 15/11/2029	USD	650,000	501	0.25
Sprint Spectrum 3.36% 20/03/2023	USD	925,000	714	0.35
Towd Point Mortgage Trust, FRN, Series 2017-2 'A1' 2.75% 25/04/2057	USD	288,541	222	0.11
Tricon American Homes Trust, Series 2016-SFR1 'A' 2.59% 17/11/2033	USD	575,000	436	0.22
Verizon Communications 4.13% 16/03/2027	USD	250,000	196	0.10
Verizon Owner Trust, Series 2016-1A 'A' 1.42% 20/01/2021	USD	325,000	247	0.12
Visa 2.20% 14/12/2020	USD	1,250,000	962	0.47
Wells Fargo 3.00% 22/04/2026	USD	390,000	292	0.14
Wells Fargo 4.30% 22/07/2027	USD	420,000	339	0.17
			29,508	14.57
<b>Corporate Bonds total</b>			<b>51,055</b>	<b>25.21</b>
<b>Supranationals 2.10% (2.64%)</b>				
Asian Development Bank 3.50% 30/05/2024	NZD	1,175,000	669	0.33
European Investment Bank 1.25% 05/11/2020	CAD	1,702,000	1,020	0.50
European Investment Bank 1.13% 16/09/2021	CAD	425,000	251	0.12
International Bank for Reconstruction & Development 3.50% 22/01/2021	NZD	3,550,000	2,067	1.02
International Finance 6.30% 25/11/2024	INR	20,970,000	252	0.13
			4,259	2.10
<b>Supranationals total</b>			<b>4,259</b>	<b>2.10</b>
<b>Forward Currency Contracts 0.16% ((0.30)%)</b>				
Buy CLP 805,000,000 sell USD 1,207,780 dated 25/08/2017			17	0.01
Buy COP 3,055,490,000 sell USD 1,036,726 dated 25/08/2017			(17)	(0.01)
Buy GBP 26,002,111 sell AUD 42,865,000 dated 31/08/2017			3	-
Buy GBP 7,531,635 sell CAD 12,295,000 dated 31/08/2017			27	0.01
Buy GBP 29,630,240 sell EUR 33,190,000 dated 31/08/2017			(79)	(0.04)
Buy GBP 24,039,915 sell JPY 3,495,095,000 dated 31/08/2017			(75)	(0.04)
Buy GBP 1,326,975 sell MXN 30,805,000 dated 25/08/2017			15	0.01
Buy GBP 4,214,508 sell MXN 100,595,000 dated 25/08/2017			(70)	(0.03)
Buy GBP 9,028,515 sell NZD 15,855,000 dated 31/08/2017			6	-
Buy GBP 2,738,747 sell PLN 13,270,000 dated 25/08/2017			(51)	(0.02)
Buy GBP 154,459 sell TRY 710,000 dated 25/08/2017			2	-
Buy GBP 95,725,973 sell USD 124,990,000 dated 31/08/2017			540	0.27
Buy GBP 2,413,084 sell ZAR 40,350,000 dated 25/08/2017			89	0.04
Buy IDR 35,103,435,000 sell USD 2,619,417 dated 25/08/2017			7	-
Buy INR 89,680,000 sell USD 1,382,884 dated 24/08/2017			8	0.01
Buy MXN 57,670,000 sell GBP 2,434,680 dated 25/08/2017			22	0.01
Buy MYR 4,895,000 sell USD 1,148,926 dated 25/08/2017			(5)	-
Buy NOK 21,765,000 sell GBP 2,083,263 dated 31/08/2017			4	-
Buy NZD 2,120,000 sell GBP 1,206,676 dated 31/08/2017			-	-
Buy RUB 157,520,000 sell USD 2,631,786 dated 25/08/2017			(18)	(0.01)
Buy SEK 22,000,000 sell GBP 2,053,161 dated 31/08/2017			9	0.01
Buy TRY 635,000 sell USD 176,251 dated 25/08/2017			2	-
Buy USD 1,208,092 sell CLP 805,000,000 dated 25/08/2017			(16)	(0.01)
Buy USD 1,160,392 sell COP 3,550,000,000 dated 25/08/2017			(14)	(0.01)
Buy USD 2,402,683 sell KRW 2,780,270,000 dated 25/08/2017			(58)	(0.03)
Buy USD 1,133,602 sell MYR 4,895,000 dated 25/08/2017			(6)	-
Buy USD 1,189,266 sell RUB 68,805,000 dated 25/08/2017			38	0.02
Buy USD 3,638,004 sell THB 123,570,000 dated 25/08/2017			(57)	(0.03)
Buy USD 1,173,824 sell TRY 4,200,000 dated 25/08/2017			(6)	-
Buy USD 2,140,934 sell TWD 64,410,000 dated 25/08/2017			5	-
Buy USD 492,582 sell TWD 15,040,000 dated 25/08/2017			(4)	-
<b>Forward Currency Contracts total</b>			<b>318</b>	<b>0.16</b>

## PORTFOLIO STATEMENT (CONTINUED)

As at 31 July 2017

Investment	Currency	Holding	Market Value	
			£000	% of Net Assets
<b>Futures 0.08% ((0.23)%)</b>				
Canada 10 Year Bond 20/09/2017	CAD	62	(66)	(0.03)
Euro-Bobl 07/09/2017	EUR	(16)	11	0.01
Euro-Bund 07/09/2017	EUR	(110)	150	0.07
Euro-Schatz 07/09/2017	EUR	(217)	20	0.01
Japan 10 Year Bond 12/09/2017	JPY	3	(5)	–
Long Gilt 27/09/2017	GBP	(23)	30	0.01
US 2 Year Note 29/09/2017	USD	(8)	–	–
US 5 Year Note 29/09/2017	USD	300	(4)	–
US 10 Year Note 20/09/2017	USD	36	12	0.01
US Long Bond 20/09/2017	USD	(8)	4	–
US Ultra Bond 20/09/2017	USD	(16)	8	–
<b>Futures total</b>			<b>160</b>	<b>0.08</b>
Investment assets			197,814	97.68
Net other assets			4,700	2.32
<b>Net assets</b>			<b>202,514</b>	<b>100.00</b>

All holdings are debt securities and admitted to an official stock exchange unless otherwise stated.  
The comparative percentage figures in brackets are as at 31 July 2016.



## STATEMENT OF TOTAL RETURN

For the year ended 31 July 2017

	Notes	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
Income					
Net capital (losses)/gains	2		(2,032)		2,038
Revenue	3	3,190		1,805	
Expenses					
Net revenue before taxation	4	(1,096)		(723)	
Taxation	5	–		–	
Net revenue after taxation			2,094		1,082
<b>Total return before distributions</b>			62		3,120
Distributions	6		(3,138)		(1,742)
<b>Change in net assets attributable to shareholders from investment activities</b>			(3,076)		1,378

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 July 2017

	£000	Year ended 31.07.17 £000	£000	Year ended 31.07.16 £000
<b>Opening net assets attributable to shareholders</b>		98,397		90,224
Movement due to issue and cancellation of shares:				
Amounts receivable on issue of shares	107,097		14,905	
Amounts payable on cancellation of shares	(20)		(8,135)	
		107,077		6,770
Dilution adjustment		116		25
Change in net assets attributable to shareholders from investment activities (see above)		(3,076)		1,378
<b>Closing net assets attributable to shareholders</b>		202,514		98,397

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31.07.17 £000	As at 31.07.16 £000
<b>Assets:</b>			
Investments		198,365	96,444
<b>Current assets:</b>			
Debtors	8	1,196	623
Cash and bank balances	9	5,845	3,168
<b>Total assets</b>		<b>205,406</b>	<b>100,235</b>
<b>Liabilities:</b>			
Investment liabilities		(551)	(1,147)
<b>Creditors:</b>			
Bank overdrafts		(144)	-
Distribution payable		(1,260)	(442)
Other creditors	10	(937)	(249)
<b>Total liabilities</b>		<b>(2,892)</b>	<b>(1,838)</b>
<b>Net assets attributable to shareholders</b>		<b>202,514</b>	<b>98,397</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting basis and policies

Please see pages 5 to 6 for accounting basis and policies.

### 2 Net capital (losses)/gains

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net capital (losses)/gains on investments during the year comprise:</b>		
Currency gains/(losses)	1,572	(248)
Derivative contracts losses	(321)	(562)
Expenses relating to the purchase and sale of investments	(24)	(25)
Forward currency contracts losses	(2,202)	(16,229)
Non-derivative securities (losses)/gains	(1,057)	19,102
<b>Net capital (losses)/gains</b>	<b>(2,032)</b>	<b>2,038</b>

### 3 Revenue

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Bank and deposit interest	10	20
Interest on debt securities	2,886	1,752
Interest on derivatives	294	33
<b>Total revenue</b>	<b>3,190</b>	<b>1,805</b>

### 4 Expenses

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Payable to the Authorised Corporate Director ("ACD"), associates of the ACD or agents of either of them:</b>		
ACD's periodic charge	1,044	660
	1,044	660
<b>Payable to the Depositary, associates of the Depositary or agents of either of them:</b>		
Depositary's fee	19	13
Interest payable	5	29
Safe custody fee	13	7
	37	49
<b>Other expenses:</b>		
Audit fee*	11	9
Printing & postage expenses	2	1
Statement fees	2	4
	15	14
<b>Total expenses</b>	<b>1,096</b>	<b>723</b>

\* The audit fee was £8,333 (2016: £8,226) net of VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 Taxation****a Analysis of tax charge**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
Overseas tax suffered	–	–
<b>Total current tax for the year (see note 5b)</b>	<b>–</b>	<b>–</b>

**b Factors affecting current tax charge**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for an Authorised Investment Fund (20%) (2016: 20%).

The differences are explained below:

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>Net revenue before taxation</b>	<b>2,094</b>	<b>1,082</b>
Corporation tax at 20%	419	216
<b>Effects of:</b>		
Movement in excess expenses	(5)	6
Tax deductible on interest distributions	(414)	(222)
	(419)	(216)
<b>Current tax charge (see note 5a)</b>	<b>–</b>	<b>–</b>

Authorised Investment Funds are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

**c Deferred tax**

There was no provision for deferred tax at the year end (2016: £nil).

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £5,000 (2016: £29,000) creating a potential deferred tax asset of £1,000 (2016: £6,000). It is unlikely that the Fund will generate taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**6 Distributions**

	Year ended 31.07.17 £000	Year ended 31.07.16 £000
<b>The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:</b>		
Gross interest distribution for the three months ended 31 October	540	451
Gross interest distribution for the three months ended 31 January	693	489
Gross interest distribution for the three months ended 30 April	1,047	385
Gross interest distribution for the three months ended 31 July	1,260	442
	3,540	1,767
Add: Revenue deducted on cancellation of shares	–	24
Deduct: Revenue received on issue of shares	(402)	(49)
<b>Total distributions</b>	<b>3,138</b>	<b>1,742</b>
<b>Reconciliation of distributions for the year to net revenue after taxation</b>		
Distributions for the year	3,138	1,742
ACD's periodic charge borne by the capital account	(1,044)	(660)
<b>Net revenue after taxation</b>	<b>2,094</b>	<b>1,082</b>

Details of the distributions per share are set out in the distribution tables on page 225.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 Fair value hierarchy**

Basis of valuation	As at 31.07.17		As at 31.07.16	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1: Quoted prices	205	(75)	8	(260)
Level 2: Observable market data	191,227	(476)	93,337	(887)
Level 3: Unobservable data	6,933	–	3,099	–
<b>Total value</b>	<b>198,365</b>	<b>(551)</b>	<b>96,444</b>	<b>(1,147)</b>

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

**8 Debtors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued revenue	1,196	623
<b>Total debtors</b>	<b>1,196</b>	<b>623</b>

**9 Cash and bank balances**

	As at 31.07.17 £000	As at 31.07.16 £000
Amounts held at futures clearing house and brokers	–	242
Cash and bank balances	5,845	2,926
<b>Total cash and bank balances</b>	<b>5,845</b>	<b>3,168</b>

**10 Other creditors**

	As at 31.07.17 £000	As at 31.07.16 £000
Accrued expenses	159	79
Purchases awaiting settlement	778	170
<b>Total creditors</b>	<b>937</b>	<b>249</b>

**11 Contingent liabilities and commitments**

There were no contingent liabilities or commitments at the year end (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 Related party transactions

Aviva Investors UK Fund Services Limited, Aviva Investors Global Services Limited and the Aviva group are deemed to be related parties per section 33.10 of FRS 102 as they are entities with control, joint control or significant influence over the entity.

ACD periodic charges paid to Aviva Investors UK Fund Services Limited ("the ACD") are shown in note 4 and details of shares issued and cancelled by the ACD are shown in the statement of change in net assets attributable to shareholders. The balance due to the ACD at the year end in respect of ACD periodic charges was £129,000 (2016: £56,000). Any balance due from the ACD in respect of issues is shown in note 8. Any balance due to the ACD in respect of cancellations is shown in note 10.

Distributions payable to the ACD and related parties of the ACD during the year amounted to £3,321,000 (2016: £1,418,000). The amount outstanding at the year end was £1,260,000 (2016: £363,000). Related parties of the ACD are deemed to be all companies under the control of Aviva Plc. This will include companies which hold shares in the Fund on behalf of other external investors.

Any investments managed and advised by Aviva Investors Global Services Limited or associated with the Aviva Group are marked on the portfolio statement.

Holdings at the year end and movements during the year are as follows:

	Holdings at 31.07.17 (shares)	Movement (shares)	Holdings at 31.07.16 (shares)
ACD and related parties	191,708,815	101,191,187	90,517,628

The ACD and related parties of the ACD are ineligible to vote at any general meeting.

### 13 Shareholder funds

The Fund currently has one share class: Class 2 (Institutional). The annual management charge is as follows:

Class 2: 0.75%

The net asset value of the share class, the net asset value per share and the number of shares in the class are shown on page 207. The distributions per share class are given in the distribution tables on page 225.

### 14 Shares in issue reconciliation

	Number of shares in issue at 31.07.16	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue at 31.07.17
Share Class 2 Income	90,517,628	101,209,489	(18,302)	–	191,708,815

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Counterparty Exposure****Financial derivative exposure**

The types of derivatives held at the year end date were forward currency contracts and futures contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the year end date was as follows:

	Forward currency contracts £000	Futures contracts £000	Total £000
<b>31.07.17</b>			
Barclays	190	–	190
Citigroup	(31)	–	(31)
Goldman Sachs	18	–	18
HSBC	(62)	–	(62)
JPMorgan	96	235	331
Merrill Lynch	(57)	–	(57)
UBS	164	–	164
<b>Total</b>	<b>318</b>	<b>235</b>	<b>553</b>

	Forward currency contracts £000	Futures contracts £000	Total £000
<b>31.07.16</b>			
Barclays	(6)	–	(6)
Citigroup	55	–	55
Goldman Sachs	121	–	121
HSBC	78	–	78
JPMorgan	(299)	33	(266)
Standard Chartered Bank	(2)	–	(2)
UBS	(238)	–	(238)
<b>Total</b>	<b>(291)</b>	<b>33</b>	<b>(258)</b>

The counterparty exposure on forward currency contracts is reported at their mark to market values but for futures contracts it is only the positive mark to market value that are reported.

**Collateral**

There is £839,000 (2016: £nil) of collateral held on the above derivatives in the form of Investment.

**16 Derivatives and other financial instruments**

The policies applied in the management of financial instruments are set out on pages 6 and 7.

**Fair value of financial assets and financial liabilities**

There is no significant difference between the carrying values of the financial assets and liabilities and their fair values (2016: £nil).

**Currency risk**

At the year end date, (0.21)% (2016: 0.69%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments (continued)****Interest rate risk**

At the year end date 100.26% (2016: 100.60%) of the net assets of the Fund were interest bearing. If interest rates were to change by 10%, the value of the Fund would change by 10.03% (2016: 10.06%).

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2017 was:

Currency 31.07.17	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	4,970	4,390	202,839	212,199
Argentine Peso	–	3,188	–	3,188
Australian Dollar	–	25,933	190	26,123
Canadian Dollar	83	5,458	19	5,560
Chilean Peso	–	921	937	1,858
Colombian Peso	–	–	773	773
Euro	723	24,915	396	26,034
Indian Rupee	–	252	1,062	1,314
Indonesian Rupiah	–	–	2,003	2,003
Japanese Yen	–	28,197	18	28,215
Malaysian Ringgit	–	–	870	870
Mexican Peso	–	3,130	2,486	5,616
New Zealand Dollar	–	7,966	1,214	9,180
Norwegian Krone	–	–	2,087	2,087
Polish Zloty	–	2,788	1	2,789
Russian Rouble	–	1,494	2,012	3,506
South African Rand	–	2,250	82	2,332
Swedish Krona	–	1,730	2,112	3,842
Thailand Baht	–	2,817	7	2,824
Turkish Lira	–	862	142	1,004
Uruguayan Peso	–	475	–	475
US Dollar	7,874	72,767	11,704	92,345
<b>Financial Liabilities</b>				
Sterling	(9)	–	(9,259)	(9,268)
Australian Dollar	(4)	–	(25,999)	(26,003)
Canadian Dollar	–	–	(7,570)	(7,570)
Chilean Peso	–	–	(937)	(937)
Colombian Peso	–	–	(898)	(898)
Euro	(670)	–	(29,709)	(30,379)
Japanese Yen	(98)	–	(24,120)	(24,218)
Korean Won	–	–	(1,888)	(1,888)
Malaysian Ringgit	–	–	(870)	(870)
Mexican Peso	–	–	(5,597)	(5,597)
New Zealand Dollar	–	–	(9,022)	(9,022)
Polish Zloty	–	–	(2,789)	(2,789)
Russian Rouble	–	–	(1,582)	(1,582)
South African Rand	–	–	(2,324)	(2,324)
Taiwan Dollar	–	–	(2,005)	(2,005)
Thailand Baht	–	–	(2,828)	(2,828)
Turkish Lira	–	–	(1,053)	(1,053)
US Dollar	635	–	(103,027)	(102,392)
<b>Total</b>	<b>13,504</b>	<b>189,533</b>	<b>(523)</b>	<b>202,514</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Derivatives and other financial instruments (continued)**

The interest rate profile of the Fund's financial assets and liabilities at 31 July 2016 was:

Currency 31.07.16	Floating Rate £000	Fixed Rate £000	None £000	Total £000
<b>Financial Assets</b>				
Sterling	2,574	4,263	100,100	106,937
Australian Dollar	–	4,690	1,487	6,177
Brazilian Real	–	–	1,872	1,872
Canadian Dollar	13	2,763	2,033	4,809
Colombian Peso	–	–	829	829
Euro	116	29,900	574	30,590
Hungarian Forint	–	1,216	1,740	2,956
Indian Rupee	–	–	479	479
Indonesian Rupiah	–	–	489	489
Japanese Yen	(28)	6,980	529	7,481
Mexican Peso	–	2,606	565	3,171
New Zealand Dollar	–	3,125	1	3,126
Polish Zloty	–	–	887	887
Russian Rouble	–	–	889	889
Singapore Dollar	–	2,151	7	2,158
Swedish Krona	–	1,136	943	2,079
US Dollar	5,902	31,576	2,831	40,309
<b>Financial Liabilities</b>				
Sterling	–	–	(9,222)	(9,222)
Australian Dollar	–	–	(7,151)	(7,151)
Brazilian Real	–	–	(1,011)	(1,011)
Canadian Dollar	–	–	(5,754)	(5,754)
Euro	–	–	(31,780)	(31,780)
Hungarian Forint	–	–	(2,990)	(2,990)
Indian Rupee	–	–	(46)	(46)
Indonesian Rupiah	–	–	(57)	(57)
Japanese Yen	–	–	(7,577)	(7,577)
Mexican Peso	–	–	(2,204)	(2,204)
New Zealand Dollar	–	–	(3,070)	(3,070)
Russian Rouble	–	–	(63)	(63)
Singapore Dollar	–	–	(3,118)	(3,118)
Taiwan Dollar	–	–	(945)	(945)
US Dollar	–	–	(41,853)	(41,853)
<b>Total</b>	<b>8,577</b>	<b>90,406</b>	<b>(586)</b>	<b>98,397</b>

The floating rate on bank balances is linked to the Depositary's base rate.

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest on LIBOR or its equivalent.

The interest rate risk is not considered significant.

**Market price risk**

At the year end date, 97.68% (2016: 96.85%) of the net assets of the Fund were invested in ordinary shares or stock units or debt securities admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 9.77%. (2016: 9.69%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**17 Debt security credit analysis**

	Market value £000		Total net assets %	
	31.07.17	31.07.16	31.07.17	31.07.16
Investment grade	169,090	83,703	83.46%	85.06%
Below investment grade	28,246	9,685	13.98%	9.85%
Unrated	–	2,427	–	2.47%
<b>Total debt securities</b>	<b>197,336</b>	<b>95,815</b>	<b>97.44%</b>	<b>97.38%</b>

Credit rating designations BBB or above are considered investment grade whereas credit rating designations BB or lower are considered below investment grade.

**18 Direct transaction costs**

In the case of shares, broker commissions and transfer taxes, stamp duty is paid by the Fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

**Purchases**

Bonds	(288,710)	–	–	(288,710)	0.00%	0.00%
	(288,710)	–	–	(288,710)		

**Sales**

Bonds	185,638	–	–	185,638	0.00%	0.00%
	185,638	–	–	185,638		

**Total**

## Percentage of Fund average net assets

	–	–
	0.00%	0.00%

**Purchases**

Bonds	(244,062)	(41)	–	(244,103)	0.02%	0.00%
	(244,062)	(41)	–	(244,103)		

**Sales**

Bonds	247,483	(30)	(2)	247,451	0.01%	0.00%
	247,483	(30)	(2)	247,451		

**Total**

## Percentage of Fund average net assets

	(71)	(2)
	0.08%	0.00%

**Dealing spread**

As at 31 July 2017, the average portfolio dealing spread was 0.23% (2016: 0.23%). This spread represents the difference between the values determined retrospectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

**19 Post balance sheet events**

There are no post balance sheet events which require adjustment or disclosure at the year end (2016: £nil).

## DISTRIBUTION TABLES

## Final distribution payable in pence per share for the three months ended 31 July 2017

Income shares		Gross revenue	Equalisation	Final distribution payable 30 September 2017	Final distribution paid 30 September 2016
Share Class 2	Group 1	0.6570	–	0.6570	0.4013
	Group 2	0.2113	0.4457	0.6570	0.4013

Group 1 shares are those shares purchased at or before 2pm on 30 April 2017.

Group 2 shares are those shares purchased after 2pm on 30 April 2017.

## Interim distribution paid in pence per share for the three months ended 30 April 2017

Income shares		Gross revenue	Equalisation	Interim distribution paid 30 June 2017	Interim distribution paid 30 June 2016
Share Class 2	Group 1	0.6280	–	0.6280	0.3906
	Group 2	0.1857	0.4423	0.6280	0.3906

Group 1 shares are those shares purchased at or before 2pm on 31 January 2017.

Group 2 shares are those shares purchased after 2pm on 31 January 2017.

## Interim distribution paid in pence per share for the three months ended 31 January 2017

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 March 2017	Interim distribution paid 31 March 2016
Share Class 2	Group 1	0.5416	0.1083	0.4333	–	0.4333	0.4646
	Group 2	0.1580	0.0316	0.1264	0.3069	0.4333	0.4646

Group 1 shares are those shares purchased at or before 2pm on 31 October 2016.

Group 2 shares are those shares purchased after 2pm on 31 October 2016.

## Interim distribution paid in pence per share for the three months ended 31 October 2016

Income shares		Gross revenue	Income tax at 20%	Net revenue	Equalisation	Interim distribution paid 31 December 2016	Interim distribution paid 31 December 2015
Share Class 2	Group 1	0.5361	0.1072	0.4289	–	0.4289	0.4254
	Group 2	0.0536	0.0107	0.0429	0.3860	0.4289	0.4254

Group 1 shares are those shares purchased at or before 2pm on 31 July 2016.

Group 2 shares are those shares purchased after 2pm on 31 July 2016.

Up to 5 April 2017, the distributions payable were calculated after the deduction of basic rate income tax. From 6 April 2017, distributions payable are calculated without deducting this tax. The tax treatment of distributions will depend on an investor's individual circumstances.

## Equalisation

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

## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook of the Financial Conduct Authority requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting period which give a true and fair view of the financial positions of the Company at the period end and of the net revenue and net gains or losses on the scheme property of the Company for the period then ended.

In preparing the financial statements the ACD is required to:

- follow applicable accounting standards;
- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future; and
- comply with the Instrument of Incorporation and the Statement of Recommended Practice for Authorised Funds.

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

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

## AUTHORISED CORPORATE DIRECTOR'S STATEMENT

We hereby approve the Report and Financial Statements of Aviva Investors Manager of Manager ICVC (ICVC 2) for the year ended 31 July 2017 on behalf of Aviva Investors UK Fund Services Limited in accordance with the requirements of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority.

I Buckle  
Director

S Ebenston  
Director  
29 November 2017

## STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed by the Authorised Corporate Director in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook ("the COLL Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

## DEPOSITARY'S REPORT TO THE SHAREHOLDERS

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 Authorised Corporate Director:

- (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 revenue in accordance with the COLL Sourcebook and, where applicable, the OEIC Regulations and the Company's Instrument of Incorporation and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company. In respect of the Aviva Investors UK Equity MoM 1 and EUR Equity MoM 1 funds there were open inadvertent breaches, at the year end, due to market movement; further details of the Aviva Investors UK Equity MoM 1 breaches are contained within the Investment Manager's report.

J.P. Morgan Europe Limited  
Bournemouth  
29 November 2017

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

In our opinion, Aviva Investors Manager of Manager ICVC (ICVC2)'s financial statements:

- give a true and fair view of the financial position of the Company and each of the Funds as at 31 July 2017 and of the net revenue and the net capital gains/(losses) on the scheme property of the Company and each of the Funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Aviva Investors Manager of Manager ICVC (ICVC2) (the "Company") is an Open Ended Investment Company ("OEIC") with 14 Funds. The financial statements of the Company comprise the financial statements of each of the Funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 July 2017; the statements of total return, and the statements of change in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies; and the notes to the financial statements.

#### BASIS FOR OPINION

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

#### Independence

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

#### CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

#### REPORTING ON OTHER INFORMATION

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

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

#### Report of the Authorised Corporate Director

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

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVIVA INVESTORS MANAGER OF MANAGER ICVC (ICVC2) (CONTINUED)

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities set out on page 226, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditors' responsibilities for the audit of the financial statements

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

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

#### Use of this report

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

### OTHER REQUIRED REPORTING

#### OPINION ON MATTER REQUIRED BY THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK

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

#### COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
29 November 2017

## SECURITIES FINANCING TRANSACTIONS REGULATION DISCLOSURE

None of the Funds in the Company currently undertakes securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365) or uses total return swaps.

## GENERAL INFORMATION

Investments in Aviva Investors Manager of Manager ICVC (ICVC 2) are intended to be medium to long term investments and should not be considered as a short term investment.

Past performance is not a guide to the future.

The value of an investment in the Funds and the revenue from it may go down as well as up, and you may not get back the original amount invested.

Where Funds are invested abroad, the value of your investment may rise and fall purely on account of movement in exchange rates.

Please refer to the Prospectus (which is available from the ACD on request) for a full description of the risks involved when investing in the Funds.

Any future returns and opinions expressed should not be relied upon as indicating any guarantee of return from investment in the Funds.

The performance figure given for each fund is based on midday values for the Aviva Investors UK Opportunities Fund and at 2pm for all other Funds.

The information contained within this document should not be construed as a recommendation to purchase or sell stocks.

### **Publication of Prices**

Information on the prices of Shares will be available by calling 0800 051 2003 or on the internet at [www.avivainvestors.com](http://www.avivainvestors.com). Calls may be recorded for training or monitoring purposes. Calls are free from UK landlines and mobiles.



