

# **Annual Report & Financial Statements**

**BNY Mellon Investment Funds**

**All Sub-Funds Report**

**30 June 2014**

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## Report of the Authorised Corporate Director

**This is the annual report for BNY Mellon Investment Funds ('the Company') for the 12-month period to 30 June 2014.**

The 12 months to the end of June 2014 were positive for global equity markets. Yet while nearly all asset classes made solid gains, an air of uncertainty prevailed. Whether in the form of the US government shutdown and its 'debt ceiling' debate (over the amount of money it can legally borrow), the looming conclusion to the asset-purchasing (quantitative easing) programme in the US – scheduled for October this year – Russia's stand-off with Ukraine or conflict in the Middle East, the 12-month period was far from plain sailing.

But over half a decade on from the global financial crisis, market participants have become accustomed to shrugging off concerns and ploughing on regardless. Loose monetary policy and unequivocal central bank backing has done much to free markets of their post-crisis shackles. Merger and acquisition activity is back with a vengeance, in the US at least, while consumer confidence in many areas of the developed world is back to its mid-2000 highs. Negative surprises, the likes of which prompted double-digit market falls just a few years ago, now seem to leave markets largely unscathed. However, all is not wholly rosy.

In the US, starkly weak economic growth numbers for the first three months of 2014 were attributed to the harsh North American winter but the scale of the contraction shocked many. Then there was the government shutdown, the first in 17 years, which came about because the US reached its debt ceiling. The government followed its own well-trodden path of 'kicking the can down the road' and the debate will begin again in March 2015. Regardless, optimism remains high. The US housing market, viewed by many to have been central to the 2008 credit crisis, seems to be recovering well. Meanwhile, US employment has returned to pre-crisis levels – all 8.7 million jobs that were lost during the recession have now been recouped. Still, uncertainty over the timing of any interest-rate rises and the end of the asset-purchasing programme – announced in December – continues to weigh on the mind of investors.

In the eurozone, while talk of the end of the single currency has petered out, weak growth continues to influence the actions of the European Central Bank (ECB) and the threat of deflation – the opposite of inflation, when the price of goods and services in an economy falls – looms ominously. What's more, it is clear the ECB is still readily prepared to do "whatever it takes" to bolster the region's growth prospects; further policy support seems likely. Meanwhile, in the UK, where strong growth and positive employment numbers are celebrated by the incumbent coalition government, the days of austerity are far from over. The asset-purchasing programme of the Bank of England remains in full force while many government insiders warn the worst of the austerity cuts are still to come.

Meanwhile, in Asia, concerns centre on China's overcapacity problems and the sustainability of its current economic growth trajectory. Indeed, earlier in the year, China's premier, Li Keqiang, delivered a speech in which he acknowledged the challenges the country faces, saying that "deep-seated problems are surfacing". In Japan, all eyes are on the progress of the economic plans of Prime Minister Shinzo Abe, dubbed 'Abenomics': while slow, there have been some early signs of success in reinvigorating the country's ailing economy.

In fixed income (debt issued by governments and companies), positive returns came from riskier areas such as high yield corporate bonds (debt issued by companies which are rated below BBB- by the credit rating agency Standard & Poor's). These outperformed those global government bonds (debt issued by governments) which are perceived as being relative 'safe havens', such as bonds issued by the UK, US and Germany, which ended the period in negative territory.

Against this backdrop, the majority of the funds in the range enjoyed a positive 12-month period, with The Boston Company US Opportunities Fund a notable highlight. Looking ahead, while there are encouraging signs with regards to the global economic recovery, risks remain. Indeed, there are challenges facing both the developed and developing worlds, whether it is large-scale debt reduction or a change of economic focus. Life after the conclusion of asset-purchasing programmes remains an unknown. Such an environment can lead to financial market fluctuations and uncertainty. However, such conditions can also create investment opportunities. We believe our asset managers are well placed to take advantage of those opportunities as and when they arise.

### David Turnbull

Director  
For and on behalf of  
BNY Mellon Fund Managers Limited  
Authorised Corporate Director

**12 September 2014**

## Market Background

### Economic and Market Overview

#### Introduction

Over the 12-month period there were increasing signs of success with regards to the unprecedented actions of central banks and governments around the world – such as quantitative easing (QE), effectively printing more money – designed to set the global economy on a firmer footing. Indeed, towards the end of 2013 the US Federal Reserve (Fed) began the process of reducing its QE programme. Despite some fluctuations, most asset prices rose over the period as a whole, reflecting a degree of investor confidence that had been lacking since the onset of the financial crisis of 2008.

But while asset prices generally moved in the same direction, an air of uncertainty prevailed. From geopolitical risks, the unknowns of a post-QE world to emerging market elections, the 12 months to the end of June 2014 were far from straightforward.

Against this backdrop, global equity markets rose strongly over the period, with the FTSE All-World Index gaining 9.64% in sterling terms.

#### North America

After weeks of deliberations, bickering and in-fighting, the US resolved its first governmental shutdown in 17 years in November 2013, and avoided defaulting on its debt by temporarily raising the amount the country can legally borrow. A deal was reached after a 16-day shutdown, just hours before the debt ceiling deadline. The debate has now been postponed until March 2015. In other news, Janet Yellen was appointed as Ben Bernanke's replacement as chairman of the Fed in February 2014. She continued with her predecessor's decision to 'taper' its QE programme, which was decided in December, and is set to be completed later in 2014.

There remains a strong sense of optimism with regards to the economic recovery in the US. Its housing market, viewed by many to have been central to the 2008 credit crisis, seems to be recovering well. Meanwhile, unemployment fell to finish the period at 6.1%, while, in May, US employment returned to pre-crisis levels – all 8.7 million jobs that were lost during the recession have now been recouped, according to US government data. Consumer confidence is also up, according to The Conference Board, as in June it reached its highest level since January 2008.

However, a final and revised official estimate of US first-quarter economic growth showed the economy shrank by an annualised rate of 2.9% in the first three months of 2014, its largest contraction since the first quarter of 2009. Much blame has been attributed to the harsh US winter which depressed spending and investment but exports also suffered.

In this environment, the FTSE All-World North America Index (which includes Canada) returned 11.02% in sterling terms.

#### Europe

The eurozone crisis featured prominently in the run-up to the September German election, with Angela Merkel, who was campaigning for a third term as chancellor, arguing that Greece should never have been allowed to join the single currency, while emphasising the importance of the euro. Merkel won a significant share of the vote but just failed to gain an absolute majority. The Chancellor had to settle for a grand coalition with the opposition SPD (Social Democrat Party).

In June the European Central Bank (ECB) became the first major central bank to introduce negative interest rates so that banks are charged for parking their cash with it, providing an incentive to move their money into other assets, such as loans to households and businesses. The raft of actions announced in early June are intended to stimulate the eurozone economy also included cheap long-term loans to banks, with Mario Draghi, ECB president, signalling there may be more easing measures to come.

In other news, Ireland – rescued with a three-year €85bn bailout package when it faced the prospect of bankruptcy – became the first eurozone country to complete the lending deal put in place by the group of lenders known as the 'troika' – the ECB, European Union and International Monetary Fund – in December.

In the UK, the new governor of the Bank of England (BoE) Mark Carney unveiled a 'forward guidance' strategy to accompany his inflation report, although it was met with a mixed response. In June, the prospect of an imminent rise in interest rates receded after Carney said there appeared to be more capacity in the labour market than previously thought. Meanwhile, consumer sentiment hit its highest level in more than nine years in May, according to GfK's UK Consumer Confidence Index, adding to signs that the economy is strengthening.

The FTSE All-World Europe ex UK Index returned 15.56% over the 12 months, in sterling terms, while the UK equity market, as measured by the FTSE All-Share Index, returned 13.12%.

#### Asia

In a move targeting improved economic growth, May saw Chinese authorities cut the amount of cash smaller banks must hold at the central bank by 0.5%. In the first quarter of 2014, China's economy grew by 7.4%, down from 7.7% in the final quarter of 2013. China's premier, Li Keqiang, delivered a speech in which he promised to maintain growth and job growth while keeping inflation at bay. He acknowledged the challenges the country faces, saying that "deep-seated problems are surfacing".

Japan released data for January showing that wage growth rose for the first time in two years. The increase was only by 0.1% but suggests some progress is being made under the economic control of Prime Minister Shinzo Abe and his plans, dubbed 'Abenomics', targeting a return to sustained economic growth. The country's asset-purchasing programme, or QE, remains in full flow.

## Market Background (continued)

### Asia (continued)

Elsewhere, Thailand's military staged a coup at the end of May, overthrowing the democratically elected government. While protests were staged despite a curfew, markets were relatively untroubled by the news, perhaps given the regularity with which Thai governments have been overthrown in the past. In the same month, Narendra Modi was elected as India's new prime minister. He was quick to set out plans for reforms aimed at restoring growth figures. Among proposals included plans for healthcare, and also high speed rail development.

In other news, Typhoon Haiyan hit the Philippines early in November, killing at least 5,000 people. Overall, 11.5 million people were affected, with half a million displaced and over 130,000 homes completely destroyed by the storm. Elsewhere, Australia voted in a new prime minister in September; Tony Abbott won a landslide victory.

Against this backdrop, the FTSE All-World Asia ex Japan Index rose just 4.62% over the period, underperforming other global equity markets.

### Fixed Income

Government bond markets had a mixed bag over the year. At the start of the period, with investors moderating their expectations for interest rate rises and the Fed's change of heart over the 'tapering' of its asset-purchasing programme, developed government bond markets rallied. The Japanese government bond market was especially strong. This continued before fixed income markets succumbed to fears of the Fed reducing its bond buying programme amid stronger economic growth. Indeed, over the period as a whole, government bonds lost ground, with the JP Morgan Global Government Bond Index returning -5.53% in sterling terms.

It was a different story in high yield credit – debt issued by companies that is rated below BBB- by the credit rating agency Standard & Poor's – which performed strongly. Meanwhile, investment-grade credit – debt rated BBB and above – and emerging market government bonds also made positive returns, albeit comfortably lower than global equity markets.

### Currencies and commodities

In currencies, sterling was the strongest performing major currency over the period, as it appreciated by over 11% versus US dollar and almost 7% versus the euro. The dollar, in turn, lost ground to the euro. The Japanese yen was the weakest performer over the 12 months, falling by over 14% versus sterling.

In commodity markets, the price of a barrel of West Texas Intermediate crude oil rose by 7.53% but this fails to tell the whole story; the price rose as high as US\$110 before falling back to end the period at US\$105. In January it was as low as US\$91. The gold price followed a similar trend – having risen to a high of US\$1,418 per troy ounce, it fell back to US\$1,327 by 30 June, albeit still showing a rise of 5.97% over the 12 months as a whole. Elsewhere, cocoa was the strongest performing commodity over the 12 months, rising by over 50%, while the coffee and nickel prices both jumped by more than 30%. Corn was the weakest performer, falling by over 22%.

*All performance data is from 30 June 2013 to 30 June 2014, total return in sterling terms unless otherwise indicated, sourced from FTSE and Bloomberg.*

BNY Mellon Investment Management EMEA Limited  
July 2014

**BNY MELLON INVESTMENT FUNDS AGGREGATED FINANCIAL STATEMENTS**

## Financial Statements

### Aggregated Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
Income					
Net capital gains	3		769,154,726		2,563,655,508
Revenue	4	1,162,189,686		1,113,668,203	
Expenses	5	(320,237,103)		(301,772,970)	
Finance costs: Interest	7	<u>(27,634)</u>		<u>(35,352)</u>	
Net revenue before taxation		841,924,949		811,859,881	
Taxation	6	<u>(58,783,122)</u>		<u>(61,069,478)</u>	
Net revenue after taxation			<u>783,141,827</u>		<u>750,790,403</u>
<b>Total return before distributions</b>			<b>1,552,296,553</b>		<b>3,314,445,911</b>
Finance costs: Distributions	7		(998,409,373)		(948,893,425)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b><u>553,887,180</u></b>		<b><u>2,365,552,486</u></b>

### Aggregated Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	£	30/06/2013 £
<b>Opening net assets attributable to Shareholders*</b>		30,699,808,405		24,808,318,195
<b>Net assets taken on:</b>				
BNY Mellon Global Strategic Bond Fund		13,936,831		-
Newton Overseas Equity Fund		224,759,484		-
Amounts receivable on issue of shares	6,457,907,291		7,695,158,185	
Amounts payable on cancellation of shares	<u>(5,488,997,462)</u>		<u>(4,182,580,835)</u>	
		968,909,829		3,512,577,350
Amounts paid/received to/from Authorised Corporate Director (ACD)		-		6,304
Amount payable to Shareholders at termination		(1,239)		-
Dilution adjustment		3,744,823		5,764,716
Stamp Duty Reserve Tax		(4,204,126)		(4,205,455)
Change in net assets attributable to Shareholders from investment activities (see above)		553,887,180		2,365,552,486
Retained distributions on accumulation shares		461,790,895		391,463,312
Unclaimed distributions		157,862		296,351
<b>Closing net assets attributable to Shareholders*</b>		<b><u>32,922,789,944</u></b>		<b><u>31,079,773,259</u></b>

\*The opening balance at 30/06/2014 does not agree to the closing balance at 30/06/2013 due to Sub-Fund closures and mergers. See significant events for 2013 and 2014 on page 660 for further detail.



**Financial Statements (continued)****Aggregated Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			31,488,806,549		29,173,652,180
Debtors	9	538,922,917		581,585,732	
Cash and bank balances	10	<u>1,499,407,679</u>		<u>2,105,425,329</u>	
Total other assets			<u>2,038,330,596</u>		<u>2,687,011,061</u>
Total assets			33,527,137,145		31,860,663,241
<b>LIABILITIES</b>					
Investment liabilities			(94,042,220)		(139,976,646)
Overdrawn cash and bank balances	10	(278,919)		(1,671,722)	
Creditors	11	(283,630,264)		(403,764,024)	
Distribution payable on income shares		<u>(226,395,798)</u>		<u>(235,477,590)</u>	
Total other liabilities			<u>(510,304,981)</u>		<u>(640,913,336)</u>
Total liabilities			(604,347,201)		(780,889,982)
<b>Net assets attributable to Shareholders</b>			<u><b>32,922,789,944</b></u>		<u><b>31,079,773,259</b></u>

\*Gross of investment liabilities

## Notes to the Aggregated Financial Statements

### 1 Accounting policies

#### (a) Basis of preparation

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 Authorised Funds (SORP) issued by the Investment Management Association in October 2010. Given that the Newton European Higher Income has conducted an orderly realisation of its investment portfolio, the ACD does not consider the going concern basis to be appropriate. The financial statements for this Sub-Fund have therefore been prepared on a break-up basis. In applying this basis, assets and liabilities continue to be stated at their fair value which materially equate to their residual values. All costs to the point of final termination have been provided for.

#### (b) Valuation of investments

The listed investments of the Sub-Funds have been valued at bid market prices net of any accrued interest, at close of business on 30 June 2014 in line with the last dealing valuations in the period. Holdings in Collective Investment Schemes are valued at the last sale price available at the valuation point. The valuations of unlisted investments are based on the ACD's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.

#### (c) Foreign exchange

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at close of business on 30 June 2014.

#### (d) Revenue

Dividends on equities, non-equity investments excluding debt securities, and revenue from shares/units held in underlying Funds are recognised when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

Interest on debt securities is recognised on the effective interest rate basis. Accrued interest purchased or sold is excluded from the cost of the security and is dealt with as revenue.

Premiums received in respect of written call options, where the express purpose is to generate extra revenue, are accrued to the revenue account on a straight line basis over the life of the contract.

#### (e) Special dividends

Special dividends are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature.

#### (f) Underwriting commission

Underwriting and sub-underwriting contracts and placings may also be entered into. Commissions earned on these transactions are accounted for when the issue underwritten takes place and, to the extent that the shares are taken up, a proportion of the commission is accounted for as capital, otherwise the commission is treated as revenue.

#### (g) Stock lending

Some Sub-Funds have entered into stock lending transactions during the period. The Sub-Funds, or the Depositary on behalf of the Sub-Funds, receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the property of the Sub-Fund which may be the subject of stock lending transactions. Commissions received as a consequence of stock lending for the benefit of the Sub-Fund and its shareholders are accounted for within revenue net of associated costs.

#### (h) Expenses

All expenses are charged to the revenue property of the Sub-Funds, with the exception of the costs associated with the purchase and sale of investments, which have been charged to capital property.

Share class affected shareholders receive rebates from BNY Mellon Fund Managers Limited for expenses incurred. These rebates are recognised on an accruals basis and are treated in accordance with the principal expense.

#### (i) Rebates

Rebates on underlying funds' management fees are accounted for on an accruals basis and are subsequently attributed to the Sub-Funds' revenue or capital depending on the fee structure of the underlying funds.

#### (j) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the ACD considers that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted. The charge for taxation is based on the results for the year. In general, the tax accounting treatment follows that of the principle amount. The charge for taxation is provided at 20% on taxable income for the year less expenses.

#### (k) SDRT

Stamp Duty Reserve Tax (SDRT), where payable, is charged to the capital property of each Sub-Fund. SDRT was abolished on 5 April 2014.

## Notes to the Aggregated Financial Statements (continued)

### 1 Accounting policies (continued)

#### (l) Dilution adjustment

The ACD may make a discretionary dilution adjustment if in its opinion the existing Shareholders (for net purchases) or remaining shareholders (for net redemptions) might otherwise be adversely affected. The ACD therefore reserves the right to impose a dilution adjustment in the following circumstances.

- : where a Sub-Fund is in continual decline (is suffering a net outflow of investment);
- : where a Sub-Fund is experiencing large levels of net sales relative to its size;
- : where a Sub-Fund is experiencing net sales or net redemptions on any day equivalent to 1% or more of the size of the Sub-Fund;
- : in any other circumstances where the ACD believes it will be in the interests of shareholders to make a dilution adjustment.

#### (m) Over the counter derivatives

##### Valuation:

The Sub-Funds may invest in over the counter (OTC) derivatives and the market value of these are based on calculation models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. Amounts due to and from an individual counterparty which fall under a legally enforceable International Swaps and Derivatives Association (ISDA) Master Agreement are netted.

All realised and unrealised gains and losses on derivatives are taken to the Statement of Total Return and are included in the net capital gains/(losses) on investments.

##### Premiums paid by the Sub-Funds:

Credit default swaps are used to manage credit risk and are used to protect capital, premiums paid by the Sub-Fund are taken to capital.

Interest rate swaps are used to manage interest rate risk. The interest received or paid is taken to capital.

Interest rate swap options or currency options are written or purchased to protect capital. All returns including the premium are taken to capital.

Exchange traded index options are written to enhance the revenue and yield of the Sub-Fund. As such the premiums received by the Sub-Funds are taken to income - Insight Equity Income Booster Fund only.

Any related expense will be charged to capital.

Refer to the individual Sub-Fund for further information.

### 2 Distribution policies

#### (a) Basis of distribution

All Sub-Funds, with the exception of Insight Inflation Linked Corporate Bond, Insight Strategic Bond, Newton Global High Yield Bond, Newton Corporate Bond, Newton Global Dynamic Bond, Newton Index Linked Gilt, Newton International Bond, Newton Long Corporate Bond and Newton Long Gilt Fund, are not more than 60% invested in qualifying investments (as defined by s468L ICTA 1998) and where applicable will pay a dividend distribution. Insight Inflation Linked Corporate Bond, Insight Strategic Bond, Newton Global High Yield Bond, Newton Corporate Bond, Newton Global Dynamic Bond, Newton Index Linked Gilt, Newton International Bond, Newton Long Corporate Bond and Newton Long Gilt Fund Funds invest in more than 60% of qualifying investments and will pay an interest distribution. For the purpose of calculating the distribution, interest on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements. The distribution is determined based on the individual Sub-Fund's net revenue after taxation.

#### (b) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue and forms part of the distribution. Any excess in value of shares received over the amount of cash forgone is taken to capital.

#### (c) Special dividends

Amounts recognised as revenue will form part of the Sub-Fund's distribution.

#### (d) Collective Investment Schemes

All distributions received from holdings in collective investment schemes, including those from accumulation holdings, are treated as revenue and form part of the distribution of the Sub-Fund with the exception of the equalisation element, which is treated as capital.

#### (e) Expenses

The annual ACD fees are reimbursed by capital property for revenue distribution calculation purposes in the case of Newton Asian Income, Newton Balanced, Newton Global High Yield Bond, Newton European Higher Income, Newton Global Dynamic Bond, Newton Global Higher Income, Newton Corporate Bond, Newton Higher Income, Newton UK Equity and Newton Real Return Funds. The annual ACD fees and other fees and expenses are reimbursed by capital property for revenue distribution calculation purposes in the case of Newton Emerging Income, Insight Equity Income and Insight Equity Income Booster.

#### (f) Unclaimed distributions

Any unclaimed distributions are repaid to the Sub-Funds after six years. Such amounts are treated as capital, and will not form part of the distribution.

## Notes to the Aggregated Financial Statements (continued)

### 2 Distribution policies (continued)

(g) Allocation of revenue and expenses

Revenue and non share class specific expenses are allocated each day pro rata to the Net Asset Value of assets attributable to each share class.

### 3 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	651,722,028	2,771,291,090
Losses on derivative contracts	(291,368,246)	(59,878,737)
Gains/(losses) on forward currency contracts	410,681,981	(146,628,424)
Currency exchange gains/(losses)	254,307	(426,097)
Activity charges	(679,759)	(634,588)
Overseas transaction tax	(59,613)	(67,736)
Corporation tax on Offshore Funds	(1,395,972)	-
<b>Net capital gains</b>	<b>769,154,726</b>	<b>2,563,655,508</b>

### 4 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	296,802,597	307,549,188
Overseas dividends	653,389,767	585,898,170
Bank interest	3,419,888	2,726,590
Collective investment scheme distributions	3,083,498	1,624,346
Interest on debt securities	197,743,840	204,274,361
Management fee rebate	60,938	44,323
Interest on money market deposits	8,651	-
Premium on written call options	4,179,332	7,341,552
Property income distribution	576,363	1,539,850
Stock dividends	108,810	-
Stock lending	2,816,002	2,628,990
Underwriting commission	-	40,833
<b>Total revenue</b>	<b>1,162,189,686</b>	<b>1,113,668,203</b>

### 5 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	295,814,104	278,037,828
Administration fees	18,303,041	17,595,813
Collection charges	25,153	83,101
Expense cap*	(15,651)	-
Registrar's disbursement fees	79,174	322,233
Safe custody charges	4,365,552	4,229,937
	<b>318,571,373</b>	<b>300,268,912</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	1,131,874	1,122,056
Distribution reconciliation service	67,998	29,881
	<b>1,199,872</b>	<b>1,151,937</b>

\* Relates to expense cap put in place during the period on Newton European Higher Income Fund

## Notes to the Aggregated Financial Statements (continued)

### 5 Expenses (continued)

	30/06/2014	30/06/2013
	£	£
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	229,518	267,468
- Non-audit services (tax compliance fee)†	63,355	74,985
Financial Conduct Authority fee	8,733	9,379
Legal fees	4,548	289
Expenses associated with making tax reclaims	159,704	-
	<b>465,858</b>	<b>352,121</b>
<b>Total expenses</b>	<b>320,237,103</b>	<b>301,772,970</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £196,050 (2013: £213,500) and £52,795 (2013: £61,309) respectively.

### 6 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	8,470,793	7,704,751
Double tax relief	(188,566)	(785,203)
Income tax expense	284,943	174,583
	<b>8,567,170</b>	<b>7,094,131</b>
Overseas tax withheld	50,358,987	53,988,033
Prior year adjustment	83,269	(12,686)
Repayment of French withholding Tax	(226,304)	-
<b>Total tax charge (see note 6b)</b>	<b>58,783,122</b>	<b>61,069,478</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	841,924,949	811,859,881
<b>Corporation tax @ 20%</b>	168,384,990	162,371,975
Effects of:		
Dividends not subject to corporation tax	(178,827,073)	(171,867,693)
Double tax relief	(188,566)	(785,203)
Excess management expenses	31,920,920	25,665,226
Income tax expense	284,943	174,583
Movement in revenue accruals taxable on receipt	(1,187,257)	-
Repayment of French withholding tax	(226,304)	-
Overseas tax withheld	50,358,987	53,988,033
Overseas tax at 20%	72	-
Prior year adjustment	83,270	(12,686)
Prior year income tax adjustment	(370)	-
Tax deductible interest distribution	(11,260,873)	(8,249,718)
Tax relief due to capital indexation loss	(697,413)	(996,719)
Unutilised loan relationship debits	137,796	781,680
<b>Total tax charge (see note 6a)</b>	<b>58,783,122</b>	<b>61,069,478</b>

ICVCs are exempt from capital gains tax. Therefore, any capital return is not included in the above reconciliation.

## Notes to the Aggregated Financial Statements (continued)

### 7 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013 £
Accumulation distributions	461,790,895	391,464,221
Dividend distributions	503,109,898	534,195,939
Interest distributions	29,969,871	33,279,900
Income tax withheld	9,823,036	10,227,516
	<b>1,004,693,700</b>	<b>969,167,576</b>
Amounts added on issue of shares	(35,382,345)	(43,922,742)
Amounts deducted on cancellation of shares	29,098,018	23,648,591
<b>Net distributions for the year</b>	<b>998,409,373</b>	<b>948,893,425</b>
Interest	27,053	27,685
Interest paid on derivative contracts	581	7,667
<b>Total finance costs</b>	<b>998,437,007</b>	<b>948,928,777</b>

### 8 Net movement between revenue after taxation and distributions

	30/06/2014 £	30/06/2013 £
Net revenue after taxation	783,141,827	750,790,403
ACD's periodic charge less tax relief paid from capital	208,796,239	194,298,375
Capitalised fees less tax relief paid from capital	7,218,141	3,362,584
Corporation tax on offshore funds paid from capital	(1,369,049)	-
Equalisation on conversions	349,542	(56,071)
Transfers from capital distribution for deficits on:-		
The Boston Company US Opportunities Fund Sterling Income share class	199,193	164,097
The Boston Company US Opportunities Fund Euro Accumulation share class	7,931	9,556
The Boston Company US Opportunities Fund Retail Advised B Net Income share class	7	-
The Boston Company US Opportunities Fund Retail Advised B Net Accumulation share class	744	-
Newton Asian Income Fund P Shares Income share class	-	4
Newton Global Equity Euro Acc share class	36,926	-
Newton Pan European Fund	-	24,119
Insight Global Multi-Strategy Fund	40,889	297,185
Undistributed revenue brought forward*	7,707	10,922
Undistributed revenue carried forward*	(20,724)	(7,749)
	<b>998,409,373</b>	<b>948,893,425</b>

\*The Undistributed revenue brought forward at 30/06/2014 does not agree to the Undistributed revenue carried forward at 30/06/2013 due to Sub-Fund closures and mergers. See significant events for 2013 and 2014 on page 660 for further detail.

**Notes to the Aggregated Financial Statements (continued)****9 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	167,841,382	141,406,927
Amount receivable for issue of shares	77,170,545	144,904,871
Amount due from Newton Overseas Equity to Newton Global Equity	3,436	-
Capital dividend accrued	2,194,606	-
Corporation Tax due from HMRC	198,129	227,020
Amounts receivable on open currency contracts	974,054	-
Depository's fees	-	131
Income tax recoverable	103,674	348,614
Management fee rebate	746	5,268
Overseas tax recoverable	21,592,111	17,379,814
Sales awaiting settlement	268,844,234	277,313,087
	<b>538,922,917</b>	<b>581,585,732</b>

**10 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	346,788,673	444,407,444
Cash held in BNY Mellon Sterling Liquidity Fund	561,894,849	1,176,581,169
Cash held in BlackRock ICS Institutional Sterling Liquidity Fund	10,131,199	17,954,955
Cash held in Insight Investment Liquidity Fund	38,760,370	39,546,651
Cash held in LGIM Sterling Liquidity Fund	14,209,020	27,086,454
Cash held in SSGA Cash Management Fund	2,494,486	14,592,635
Cash held on margin account	523,910,963	384,809,632
Cash held at brokers	1,218,119	446,389
	<b>1,499,407,679</b>	<b>2,105,425,329</b>

**Overdrawn cash and bank balances**

Overdraft position at brokers	(275,444)	(1,242,976)
Bank overdraft	(3,475)	(428,746)
	<b>(278,919)</b>	<b>(1,671,722)</b>

**11 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	27,547,187	27,489,769
Amount due to Shareholders at termination	1,239	-
Amount payable for cancellation of shares	74,484,866	69,658,122
Amount re-payable to Newton Pan European Fund's ACD	-	31,695
Amount re-payable to Newton European Higher Income Fund's ACD	86,141	-
Amounts payable on open currency contracts	974,408	-
Corporation tax payable	5,742,817	3,443,913
Income tax payable	4,298,264	4,655,038
Purchases awaiting settlement	170,495,342	298,485,487
	<b>283,630,264</b>	<b>403,764,024</b>

## Notes to the Aggregated Financial Statements (continued)

### 12 Related party transactions

ACD's periodic charge, administration fees, collection charges, registrar's disbursement fees, safe custody charges, activity charges, expenses cap, overdraft interest paid to, management fee rebate and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 3, 4, 5 and 7, and details of shares issued and cancelled by the ACD and amounts received from ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 7. The balance due to the ACD at 30 June 2014 in respect of these transactions was £25,762,623 (30/06/13: £49,581,637 due from the ACD).

### 13 Financial instruments

In pursuing their respective objectives each Sub-Fund within the Company holds a number of financial instruments. The Sub-Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for cancellations and debtors for accrued revenue.

The main risks arising from financial instruments and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

#### Market price risk

Market price risk is the risk that the value of the Sub-Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Sub-Fund might hold. It represents the potential loss the Sub-Fund might suffer through holding market positions in the face of price movements. The Sub-Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority mitigates the risk of excessive exposure to any individual security or issuer.

For certain Sub-Funds, the Investment Manager uses the commitment approach to evaluate the global exposure of the sub-funds. This approach converts the sub-fund's financial derivative instruments position into an equivalent position of the underlying assets based on the market value of the underlying asset. For certain Sub-Funds with significant use of over the counter (OTC) derivatives, market risk may be managed using a Value at Risk (VaR) model. This calculates the volatility in the value of the Sub-Fund based on its portfolio of investments. Refer to the derivatives risk disclosure in the individual sub-funds for further information.

#### Foreign currency risk

Foreign currency risk is the risk that the value of the Sub-Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

Some of the Sub-Funds' investment portfolios are invested in overseas securities and movements in foreign exchange rates can affect the balance sheet. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

A table showing the foreign currency risk is detailed in the relevant Sub-Funds' accounts.

#### Interest rate risk

Interest rate risk is the risk that the value of the Sub-Funds' investment holdings will fluctuate as a result of changes in interest rates.

Some of the Sub-Funds invest in fixed and floating rate securities. The revenue of these Sub-Funds may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. Interest rate movements or the expectation of such movements in the future may affect the value of fixed interest securities. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

A table showing the interest rate risk is detailed in the relevant Sub-Funds' accounts. The benchmark rate used is LIBOR. Sterling and foreign denominated credit bank balances currently bear interest at 0.00%, sterling overdraft bank balances at 1.94%, BNY Mellon Sterling Liquidity Fund balances at 0.32%, Insight Investment Liquidity Fund at 0.50%, Blackrock ICS Institutional Sterling Liquidity Fund at 0.38%, LGIM Sterling Liquidity Fund at 0.42% and SSGA Cash Management Fund at 0.36%.

The Sub-Funds may also use interest rate swaps to manage interest rate risk. Refer to the derivatives risk disclosure on the individual Sub-Funds for further information.



## Notes to the Aggregated Financial Statements (continued)

### 13 Financial instruments (continued)

#### Liquidity risk

The risk of low market liquidity, through reduced trading volumes, affects the ability of the Sub-Funds to trade financial instruments at values previously indicated by financial brokers.

The Sub-Funds invest primarily in companies incorporated in the major markets of the world, which are typically considered to be operations with high levels of liquidity. From time to time, however, market liquidity may be affected by economic events.

Exposure to hedge funds is gained by using closed ended investment trust structures which can be traded on various exchanges on a daily basis. However, as with all tradeable financial instruments, the level of liquidity available within the wider financial markets has an impact upon the ability to execute a trade on a given day.

To manage these risks, the Investment Manager undertakes research of investment opportunities to select opportunities congruent with the Sub-Fund's investment objective.

All stocks are valued daily. Stocks identified as being illiquid are reviewed for pricing accuracy as the need arises and on a formal monthly basis by the BNY Mellon Pricing Committee.

#### Credit / Counterparty risk

Certain transactions in securities that the Sub-Funds enter into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-Fund has fulfilled its responsibilities. The Sub-Funds only buy and sell investments through brokers that have been approved by the ACD as an acceptable counterparty. In addition, limits are set on the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Credit risk also occurs with regard to any amounts owed to the Sub-Funds by counterparties. Within the structure of the Sub-Funds this counterparty credit risk is most likely to occur in over the counter (OTC) positions that are creating positive returns.

To ensure that credit risk is controlled, any OTC position which is guaranteed by a counterparty will only be effected with a counterparty that receives a minimum short term rating of A2 and above from Standard & Poor's. If the issuer is not rated by Standard & Poor's the equivalent credit rating from another major credit rating agency (such as Moody's, Fitch or DBRS) will be used.

At the balance sheet date some of the Sub-Funds were invested in bonds. Bonds involve the risk that the bond issuer will be unable to meet its liability to pay interest or redeem the bond. The Sub-Funds select bonds taking into account the credit rating of bonds.

#### Derivative risk

The Sub-Funds may also enter into derivative transactions in the form of forward foreign currency contracts, futures contracts and options contracts. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities or to increase or reduce exposure to a currency pair. Futures are used to manage market price risk. The Sub-Funds use traded options to hedge up the stock that is physically owned. The purpose of undertaking these contracts is to protect the portfolio as far as possible from a downturn in the markets. Certain Sub-Funds may also make use of expanded regulations and use derivatives in pursuit of their investment objectives.

Exchange traded index options are written to enhance the yield for investors. As such returns are taken to income.

The Sub-Funds may also invest in over the counter (OTC) derivatives in the form of interest rate swaps, credit default swaps and options. Refer to the individual Sub-Fund for further information.

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

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

### 14 Contingent assets

Following the ruling on the Denkavit's case with the European Court of Justice regarding taxation withheld on overseas dividends, the ACD has taken steps to make claims with certain European Tax Authorities for repayment of taxation suffered by the Sub-Funds on dividend revenue. During the year, the Sub-Funds received repayments from the French Tax Authority which have been recognised as Repayment of French withholding tax in Note 6 (Taxation) and the associated interest within Note 4 (Revenue) to the financial statements for the year ended 30 June 2014. These amounts have been included within the net revenue available for distribution. Due to uncertainty regarding the likely success of the claims, it is not possible to estimate the potential amounts of overseas tax that may be received by the Sub-Fund, if any. Therefore, the financial statements presented for the year ended 30 June 2014 do not reflect any further amounts that may be received.

## Notes to the Aggregated Financial Statements (continued)

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### 15 Stock Lending

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The Income arising from the Securities Lending Programme is currently split between the Company and The Bank of New York Mellon SA/NV in the proportion 80%:20%. (2013: 80%:20%).

As at 30 June 2014 £1,099,528,899 of investments were subject to stock lending agreements and the Sub-Funds held £1,154,028,797 in collateral. The collateral is held 57.83% in debt securities and 42.17% in equity securities.

As at 30 June 2013 £397,351,638 of investments were subject to stock lending agreements and the Sub-Funds held £415,341,459 in collateral. The collateral is held 97.38% in debt securities and 2.62% in equity securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £3,520,003 (30/06/13: £3,393,419) and £704,001 (30/06/13: £764,429).

### 16 Post Balance Sheet Event

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Details of the share class price movement between 30 June 2014 and 8 September 2014 can be found on pages 662 to 667.

**BNY MELLON INVESTMENT FUNDS – BNY MELLON LONG-TERM GLOBAL EQUITY FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Walter Scott &amp; Partners Limited

Fund Size: £284.05m

Comparative Index: FTSE All World TR GBP

Sector: IMA Global

Yield as at 30 June 2014:

Sterling Income Shares	0.36%
Institutional Shares (Net Accumulation)	0.83%
Exempt Shares 2 (Net Accumulation)	1.05%
X Shares (Net Accumulation)	1.70%
Institutional Shares W (Net Income)	0.97%
Institutional Shares W (Net Accumulation)	0.90%
Retail Advised Shares B (Net Income)	0.68%
Retail Advised Shares B (Net Accumulation)	0.68%

Key Dates: Fund Launch 24 August 2007

**Investment Objective**

To achieve long-term capital appreciation through investments in predominantly equity securities of companies located throughout the world. The Fund may also invest in collective investment schemes and warrants.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	4.03%	19.76%	0.63%	15.30%	19.93%
Institutional Shares (Net Accumulation)	4.62%	20.44%	1.19%	15.95%	20.62%
Exempt Shares 2 (Net Accumulation)	4.88%	20.74%	1.45%	16.24%	20.90%
X Shares (Net Accumulation)*	5.68%	21.63%	2.22%	n/a	n/a
Institutional Shares W (Net Income)*	4.82%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	4.90%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	4.56%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	4.56%	n/a	n/a	n/a	n/a
FTSE All World TR GBP	9.64%	21.41%	-4.05%	21.74%	23.78%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +4.03% against +9.64% for the FTSE All World Index.

Over the 12-month period, the Fund delivered a positive return but underperformed the comparative index. Currency moves had a significant impact over the period, removing almost 10 percentage points from both Fund and index return as sterling strengthened against all major currencies. Regional returns were led by US holdings; EOG Resources and Schlumberger were strongest. Emerging market stocks fell on average and were weakest with China Mobile and Petroleo Brasileiro notable fallers. Japanese companies, in particular Shin-Etsu Chemical and Honda Motor, were also notable detractors. Relative to the index, returns were generally negative with the exception of US companies and the sole Canadian holding, Suncor Energy. European companies were the key detractors in relative terms followed by emerging markets holdings. From a sector perspective, energy companies were the standout performers in absolute terms driven by the aforementioned North American holdings. Technology holdings such as Adobe Systems also contributed notably while financials were the greatest detractors; the two UK banks HSBC and Standard Chartered Bank were amongst the poorest performers. With the exception of the energy sector, relative returns were negative. Financial, industrial and materials companies were the greatest detractors.

In terms of activity of the period, new positions were added in Intuitive Surgical, LVMH Moët Hennessy, Stryker Corporation and WW Grainger while the holdings in Chugai Pharmaceutical, Intel, Mitsubishi Estate, Petroleo Brasileiro and Tesco were sold. In addition, a number of holdings changed as a result of cash-flows.

The table below shows the top ten purchases and sales for the year.

#### Purchases

Grainger (WW)  
Stryker  
AIA  
LVMH Moët Hennessy  
Intuitive Surgical  
Swatch  
Hong Kong & China Gas  
CNOOC  
Komatsu  
Shin-Etsu Chemical

#### Sales

Tesco  
Intel  
Petroleo Brasileiro  
Denso  
Adobe Systems  
Mitsubishi Estate  
Fanuc  
Novo Nordisk  
Schlumberger  
Chugai Pharmaceutical

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	129.61	109.15	0.2998
2011	132.07	110.82	0.2534
2012	139.58	123.42	0.4695
2013	165.14	138.90	0.5664
2014	161.86	149.55	0.3502
<b>Institutional Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	141.68	119.00	0.9304
2011	145.09	121.82	0.9950
2012	155.17	135.96	1.3238
2013	184.01	154.43	1.4910
2014	182.11	167.93	1.4044
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	142.69	119.70	1.2403
2011	146.31	122.88	1.3365
2012	157.05	137.27	1.6883
2013	186.42	156.31	1.9144
2014	184.99	170.43	1.8723
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010 (from 17 December)	102.21	99.99	N/A
2011	105.20	88.43	1.1189
2012	114.17	99.06	1.9737
2013	135.92	113.64	2.2722
2014	135.95	124.93	2.3629
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	104.72	98.67	N/A
2013	124.30	104.22	1.1644
2014	122.02	112.42	1.2421
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	104.72	98.67	N/A
2013	124.30	104.22	1.0960
2014	123.36	113.65	1.2502
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 September)	103.92	98.25	N/A
2013	123.19	103.24	0.8045
2014	120.98	111.58	0.8491
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 September)	103.92	98.25	N/A
2013	123.19	103.42	0.8104
2014	121.84	112.38	0.8575

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>			
30/06/2012	5,242,690	128.40	4,083,178
30/06/2013	27,369,529	153.15	17,870,832
30/06/2014	13,241,682	158.67	8,345,339
<b>Institutional Shares (Net Accumulation)</b>			
30/06/2012	68,803,323	142.34	48,335,714
30/06/2013	77,455,339	171.39	45,192,960
30/06/2014	68,838,926	178.97	38,463,942
<b>Exempt Shares 2 (Net Accumulation)</b>			
30/06/2012	60,432,413	143.89	41,997,908
30/06/2013	84,608,349	173.69	48,711,934
30/06/2014	94,539,666	181.82	51,995,862
<b>X Shares (Net Accumulation)</b>			
30/06/2012	53,954,057	104.22	51,766,962
30/06/2013	72,029,444	126.73	56,838,529
30/06/2014	78,206,112	133.68	58,503,357
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	315,368	114.68	274,991
30/06/2014	10,073,392	118.68	8,487,618
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	6,247,277	115.85	5,392,600
30/06/2014	19,062,014	121.24	15,721,919
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	5,625	111.52	5,044
30/06/2014	5,970	118.05	5,057
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	50,005	109.52	45,659
30/06/2014	79,188	119.73	66,137

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.63	1.64
Institutional Shares (Net Accumulation)	1.07	1.06
Exempt Shares 2 (Net Accumulation)	0.82	0.81
X Shares (Net Accumulation)	0.07	0.06
Institutional Shares W (Net Income)	0.83	0.82
Institutional Shares W (Net Accumulation)	0.83	0.83
Retail Advised Shares B (Net Income)	1.14	1.13
Retail Advised Shares B (Net Accumulation)	1.14	1.13

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the Key Investor Information Document (KIID) is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 7.44% (9.69%)</b>			
BG	485,000	5,989,750	2.11
HSBC	796,100	4,720,077	1.66
Reckitt Benckiser	110,000	5,610,000	1.97
Standard Chartered	403,600	4,818,984	1.70
<b>Australia 3.54% (3.91%)</b>			
CSL	131,500	4,829,397	1.70
Woodside Petroleum	230,100	5,216,642	1.84
<b>Canada 1.89% (1.55%)</b>			
Suncor Energy	214,800	5,360,417	1.89
<b>Denmark 1.96% (2.00%)</b>			
Novo-Nordisk	206,900	5,566,637	1.96
<b>France 4.06% (3.26%)</b>			
Essilor International	45753	2,837,100	1.00
L'Oreal	57,600	5,799,896	2.04
LVMH Moet Hennessy	25,700	2,896,485	1.02
<b>Hong Kong 9.42% (8.86%)</b>			
AIA	1819400	5,354,427	1.89
China Mobile	663,500	3,762,618	1.33
China Shenhua Energy	1,653,000	2,794,094	0.98
CLP	661,000	3,162,357	1.11
CNOOC	5,748,000	6,029,090	2.12
Hong Kong & China Gas	4,445,569	5,662,654	1.99
<b>Japan 9.71% (12.43%)</b>			
Denso	127400	3,554,654	1.25
Fanuc	51,700	5,212,790	1.83
Honda Motor	203,000	4,143,997	1.46
Keyence	12,498	3,184,813	1.12
Komatsu	420,700	5,710,002	2.01
Shin-Etsu Chemicals	162,800	5,782,990	2.04
<b>Singapore 1.98% (2.01%)</b>			
Oversea-Chinese Banking	1,256,812	5,624,876	1.98
<b>Spain 1.86% (1.77%)</b>			
Inditex	58,600	5,274,164	1.86
<b>Sweden 1.94% (2.03%)</b>			
Hennes & Mauritz	216,000	5,517,652	1.94
<b>Switzerland 8.17% (7.54%)</b>			
Nestle	121,500	5,504,880	1.94
Roche	33,000	5,756,447	2.02
SGS	2700	3,782,101	1.33
Swatch	7,300	2,578,085	0.91
Syngenta	25,700	5,596,610	1.97
<b>Taiwan 1.92% (1.96%)</b>			
Taiwan Semiconductor Manufacturing	436,000	5,451,753	1.92



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United States of America 42.77% (38.83%)</b>			
Adobe	133,700	5,657,335	1.99
Amphenol	59,479	3,350,249	1.18
Automatic Data Processing	126,500	5,865,380	2.06
Cisco Systems	403,100	5,858,429	2.06
Colgate-Palmolive	137,900	5,496,321	1.93
EOG	98,000	6,695,535	2.36
Fastenal	95,700	2,769,946	0.98
Google	8,800	3,009,041	1.06
Google 'C'	8,800	2,960,713	1.04
Grainger (WW)	37,400	5,560,184	1.96
Intuitive Surgical	11,600	2,792,860	0.98
Johnson & Johnson	92,100	5,633,136	1.98
MasterCard	122,660	5,269,821	1.86
Microsoft	230,700	5,626,336	1.98
MSC Industrial Direct	30,200	1,688,699	0.59
Nike	121,300	5,500,125	1.94
Oracle	229,000	5,426,839	1.91
Praxair	71,200	5,530,352	1.95
Precision Castparts	34,200	5,048,043	1.78
Qualcomm	113,900	5,275,165	1.86
Schlumberger	95,000	6,553,353	2.31
Sigma-Aldrich	67,100	3,982,008	1.40
Stryker	119,000	5,867,006	2.07
TJX	148,192	4,606,489	1.62
Wal-Mart	124,021	5,442,171	1.92
<b>Portfolio of investments</b>		<b>274,551,975</b>	<b>96.66</b>
<b>Net current assets</b>		<b>9,494,975</b>	<b>3.34</b>
<b>Total Net Assets</b>		<b>284,046,950</b>	<b>100.00</b>

Total unapproved and unquoted securities 0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Brazil portfolio category, which, at 30 June 2013, represented 1.14% of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		9,481,982	38,058,515
Revenue	2	5,675,133	5,019,962	
Expenses	3	(2,008,683)	(1,653,062)	
Finance costs: Interest	5	(4,508)	-	
Net revenue before taxation		3,661,942	3,366,900	
Taxation	4	(542,914)	(449,230)	
Net revenue after taxation			3,119,028	2,917,670
Total return before distributions			12,601,010	40,976,185
Finance costs: Distributions	5		(3,125,100)	(2,915,888)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>9,475,910</b>	<b>38,060,297</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		268,080,936	188,432,483
Amounts receivable on issue of shares	74,075,559		57,567,542
Amounts payable on cancellation of shares	(70,677,628)		(18,954,861)
		3,397,931	38,612,681
Dilution adjustment		9,602	29,316
Stamp Duty Reserve Tax		(10,711)	(11,167)
Change in net assets attributable to Shareholders from investment activities (see above)		9,475,910	38,060,297
Retained distributions on accumulation shares		3,093,282	2,957,326
<b>Closing net assets attributable to Shareholders</b>		<b>284,046,950</b>	<b>268,080,936</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			274,551,975	259,992,211
Debtors	7	1,404,254		12,046,917
Cash and bank balances	8	<u>8,865,664</u>	<u>8,225,586</u>	
Total other assets			<u>10,269,918</u>	<u>20,272,503</u>
Total assets			284,821,893	280,264,714
<b>LIABILITIES</b>				
Creditors	9	(640,240)		(12,079,315)
Distribution payable on income shares		<u>(134,703)</u>	<u>(104,463)</u>	
Total other liabilities			<u>(774,943)</u>	<u>(12,183,778)</u>
Total liabilities			(774,943)	(12,183,778)
<b>Net assets attributable to Shareholders</b>			<u><b>284,046,950</b></u>	<u><b>268,080,936</b></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.3891	0.0389	0.3502	0.0000	0.3502	0.5664
Group 2	0.3891	0.0389	0.3502	0.0000	0.3502	0.5664
Institutional Shares (Net Accumulation)						
Group 1	1.5604	0.1560	1.4044	0.0000	1.4044	1.4910
Group 2	1.1396	0.1140	1.0256	0.3788	1.4044	1.4910
Exempt Shares 2 (Net Accumulation)						
Group 1	2.0803	0.2080	1.8723	0.0000	1.8723	1.9144
Group 2	1.1609	0.1161	1.0448	0.8275	1.8723	1.9144
X Shares (Net Accumulation)						
Group 1	2.6254	0.2625	2.3629	0.0000	2.3629	2.2722
Group 2	1.8072	0.1807	1.6265	0.7364	2.3629	2.2722
Institutional Shares W (Net Income)						
Group 1	1.3801	0.1380	1.2421	0.0000	1.2421	1.1644
Group 2	0.5428	0.0543	0.4885	0.7536	1.2421	1.1644
Institutional Shares W (Net Accumulation)						
Group 1	1.3891	0.1389	1.2502	0.0000	1.2502	1.0960
Group 2	0.5593	0.0559	0.5034	0.7468	1.2502	1.0960
Retail Advised Shares B (Net Income)						
Group 1	0.9434	0.0943	0.8491	0.0000	0.8491	0.8045
Group 2	0.7693	0.0769	0.6924	0.1567	0.8491	0.8045
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9528	0.0953	0.8575	0.0000	0.8575	0.8104
Group 2	0.7326	0.0733	0.6593	0.1982	0.8575	0.8104

The distributions of all Share Classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	9,498,913	38,070,615
Gains on forward currency contracts	1,049	-
Currency exchange gains/(losses)	24,583	(9,797)
Activity charges	(42,563)	(2,303)
<b>Net capital gains</b>	<b>9,481,982</b>	<b>38,058,515</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	748,140	796,049
Overseas dividends	4,813,962	4,207,290
Bank interest	3,775	10,432
Stock dividends	108,810	-
Stock lending	446	6,191
<b>Total revenue</b>	<b>5,675,133</b>	<b>5,019,962</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	1,839,369	1,504,267
Administration fees	98,188	77,889
Collection charges	-	5,418
Registrar's disbursement fees	-	381
Safe custody charges	33,101	27,314
	<b>1,970,658</b>	<b>1,615,269</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	30,920	27,737
	<b>30,920</b>	<b>27,737</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	4,370	7,320
- Non-audit services (tax compliance fee)†	2,448	2,450
Financial Conduct Authority fee	287	286
	<b>7,105</b>	<b>10,056</b>
<b>Total expenses</b>	<b>2,008,683</b>	<b>1,653,062</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,250 (2013: £6,100) and £2,040 (2013: £2,050) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	542,914	449,230
<b>Total tax charge (see note 4b)</b>	<b><u>542,914</u></b>	<b><u>449,230</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>3,661,942</u>	<u>3,366,900</u>
<b>Corporation tax @ 20%</b>	732,388	673,380
Effects of:		
Dividends not subject to corporation tax	(1,134,035)	(988,982)
Excess management expenses	401,647	315,602
Overseas tax withheld	542,914	449,230
<b>Total tax charge (see note 4a)</b>	<b><u>542,914</u></b>	<b><u>449,230</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £5,240,287 (30/06/13: £3,232,052), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £1,048,057 (30/06/13: £646,410). The prior year figures for management expenses and deferred tax asset not recognised have been updated, this is only a disclosure figure and has no impact on the NAV/Distribution.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Final dividend 30 June - Sterling Income Shares	29,230	101,220
Final dividend 30 June - Institutional Shares (Net Accumulation)	540,213	673,827
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	973,561	932,541
Final dividend 30 June - X Shares (Net Accumulation)	1,382,382	1,291,485
Final dividend 30 June - Institutional Shares W (Net Income)	105,430	3,202
Final dividend 30 June - Institutional Shares W (Net Accumulation)	196,559	59,103
Final dividend 30 June - Retail Advised Shares B (Net Income)	43	41
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	567	370
	<b><u>3,227,985</u></b>	<b><u>3,061,789</u></b>
Amounts added on issue of shares	(266,971)	(187,160)
Amounts deducted on cancellation of shares	164,086	41,259
<b>Net distributions for the year</b>	<b><u>3,125,100</u></b>	<b><u>2,915,888</u></b>
Interest	4,508	-
<b>Total finance costs</b>	<b><u>3,129,608</u></b>	<b><u>2,915,888</u></b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	3,119,028	2,917,670
Equalisation on conversions	6,072	(1,790)
Undistributed revenue brought forward	90	98
Undistributed revenue carried forward	(90)	(90)
	<b><u>3,125,100</u></b>	<b><u>2,915,888</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	299,401	582,809
Amount receivable for issue of shares	924,805	5,231,547
Amounts receivable on open currency contracts	30,149	-
Overseas tax recoverable	149,899	157,808
Sales awaiting settlement	-	6,074,753
	<b><u>1,404,254</u></b>	<b><u>12,046,917</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	8,865,664	8,225,478
Cash held in BNY Mellon Sterling Liquidity Fund	-	108
	<b><u>8,865,664</u></b>	<b><u>8,225,586</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	188,175	169,936
Amount payable for cancellation of shares	421,880	246,638
Amounts payable on open currency contracts	30,185	-
Purchases awaiting settlement	-	11,662,741
	<b><u>640,240</u></b>	<b><u>12,079,315</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD as at 30 June 2014 in respect of these transactions was £322,137 (30/06/13: £4,825,533 due from the ACD).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	21,138,811	8,930,706	30,069,517	37,685,794
Australia	10,046,039	-	10,046,039	10,469,098
Canada	5,360,417	2,359	5,362,776	4,186,810
Denmark	5,566,637	-	5,566,637	5,366,098
Europe	16,807,645	17,295	16,824,940	13,530,869
Hong Kong	26,765,241	138,799	26,904,040	22,497,737
Japan	27,589,246	86,595	27,675,841	31,599,432
Singapore	5,624,876	-	5,624,876	4,468,448
Sweden	5,517,652	-	5,517,652	4,771,760
Switzerland	23,218,123	204,186	23,422,309	20,176,419
United States of America	126,917,288	115,035	127,032,323	113,328,471
<b>Total</b>	<b>274,551,975</b>	<b>9,494,975</b>	<b>284,046,950</b>	<b>268,080,936</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	39,367,091	50,987,263
Commissions	32,641	44,617
Taxes	23,948	23,512
<b>Total purchase costs</b>	<b>56,589</b>	<b>68,129</b>
<b>Gross purchases total</b>	<b>39,423,680</b>	<b>51,055,392</b>
Analysis of total sales proceeds:		
Sales before transaction costs	34,387,260	13,842,101
Commissions	(26,010)	(11,295)
Taxes	(2,766)	(88)
<b>Total sales costs</b>	<b>(28,776)</b>	<b>(11,383)</b>
<b>Total sales net of transaction costs</b>	<b>34,358,484</b>	<b>13,830,718</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)



## Notes to the Financial Statements (continued)

### 14 Stock lending

As at 30 June 2014, £5,891,281 of investments were subject to stock lending agreements and the Fund held £6,484,069 in collateral. The collateral is held 98.25% in debt securities and 1.75% in equity securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £558 (30/06/13 £8,092) and £112 (30/06/13: £1,901).

### 15 Shareholders' funds

The Fund currently has eight share classes; Sterling Income Shares, Institutional Shares (Net Accumulation), Exempt Shares 2 (Net Accumulation), X Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Net Accumulation)	1.00%	0.03%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 20. The distribution is given in the distribution statement on page 25. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT EQUITY INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £223.61m

Comparative Index: FTSE All-Share TR

Sector: IMA UK Equity Income

Yield as at 30 June 2014:

Sterling Income Shares	3.66%
Sterling Accumulation Shares	3.57%
Institutional Shares W (Net Income)	3.64%
Institutional Shares W (Net Accumulation)	3.55%
Retail Advised Shares B (Net Income)	3.66%
Retail Advised Shares B (Net Accumulation)	3.57%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To provide an above average and increasing income, together with long term capital growth.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	13.53%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	13.52%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	14.49%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	14.46%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	14.12%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	14.09%	n/a	n/a	n/a	n/a
FTSE All-Share TR	13.12%	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Accumulation Share Class of the Fund returned +13.52% against +13.12% for the FTSE All-Share TR.

Over the 12-month period, the Fund generated an attractive level of income and made a positive return, outperforming its benchmark. Strong stock selection was instrumental in delivering the portfolio's robust performance over the year. Overweight positions in life insurers such as Aviva and Legal & General supported strong returns, overcoming a temporary setback in March 2014 following the Chancellor's Budget announcement on UK annuities. The market also appeared to welcome efforts made by Aviva CEO Mark Wilson to cut debt, prompting hopes the company would restore its dividend to previous levels. Expectations that the Bank of England may soon raise interest rates amid continued strength in the UK economy also helped to buoy names like Aviva and Legal & General in the insurance sector. Overweight positions in AstraZeneca, International Consolidated Airlines, InterContinental Hotels and ITV also added value over the 12 months to June. The Fund's zero weighting in Shire detracted from returns as did an overweight weighting in Morrison (WM) Supermarkets. However, a zero weighting in Tesco helped to counter the effect of the latter somewhat.

Activity over the period was relatively low. This is in keeping with our investment process, where we prefer to focus on high-quality companies with attractive dividends. We continue to see a number of attractive company-specific investment opportunities in equity markets. During the fourth quarter of 2013, the manager reduced a holding in ITV following strong performance. In October, the Fund bought a small position in Royal Mail on its flotation and continues to retain this position. More broadly, an underweight position in 'defensive' – less economically sensitive – staples also supported returns over the period.

The table below shows the top ten purchases and sales for the year

Purchases†	Sales
Morrison (WM) Supermarkets	Invesco
Rexam	Vodafone
Barclays	Glaxo Smith Kline
British Sky Broadcasting	Legal & General
Ladbrokes	Sainsbury (J)
Royal Bank of Scotland	Vodafone B Shares
Royal Mail	Verizon Communications
InterContinental Hotels	BT
Dixons	International Consolidated Airlines
	Astrazeneca

† The table above shows all the purchases during the year.

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	163.95	142.03	5.7376
2014	165.71	155.49	3.4529
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	474.84	399.11	16.3538
2014	488.12	454.44	10.1144
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	141.94	122.07	4.9444
2014	144.00	134.94	3.0139
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	533.64	445.25	18.3015
2014	550.53	511.11	11.3792
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	115.66	100.00	4.0297
2014	117.15	109.84	2.4563
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	119.19	100.00	4.0844
2014	122.79	114.13	2.5609

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2013	37,614,015	145.52	25,848,465
30/06/2014	38,444,538	160.00	24,028,134
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2013	156,281,257	418.11	37,378,120
30/06/2014	161,784,852	477.01	33,916,156
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	49,618	125.46	39,550
30/06/2014	1,038,219	139.09	746,443
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	20,448,106	467.94	4,369,806
30/06/2014	22,209,761	538.25	4,126,253
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,120	102.40	5,000
30/06/2014	93,069	113.15	82,252
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	5,235	104.70	5,000
30/06/2014	35,556	120.04	29,621

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.63	1.62
Sterling Accumulation Shares	1.63	1.62
Institutional Shares W (Net Income)	0.81	0.80
Institutional Shares W (Net Accumulation)	0.81	0.80
Retail Advised Shares B (Net Income)	1.13	1.10
Retail Advised Shares B (Net Accumulation)	1.14	1.10

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Aerospace &amp; Defence 2.07% (2.26%)</b>			
Rolls Royce	427,500	4,569,975	2.04
Rolls Royce C Shares Entitlement (July 2014)	57,285,000	57,285	0.03
<b>Banks 11.38% (12.09%)</b>			
Arbuthnot Banking	114,031	1,311,357	0.59
Barclays	2,346,875	4,991,803	2.23
HSBC	1,600,000	9,486,400	4.24
Lloyds Banking	6,300,000	4,677,750	2.09
Royal Bank of Scotland	650,000	2,134,600	0.95
Standard Chartered	240,000	2,865,600	1.28
<b>Basic Materials 0.61% (0.59%)</b>			
Elementis	525,000	1,366,575	0.61
<b>Construction &amp; Materials 0.38% (0.30%)</b>			
Marshalls	490,000	842,800	0.38
<b>Electricity 0.81% (0.82%)</b>			
SSE	115,288	1,806,563	0.81
<b>Financial Services 3.97% (5.41%)</b>			
3i	716,387	2,879,159	1.29
ICAP	428,500	1,628,300	0.73
Intermediate Capital	550,000	2,146,650	0.96
Invesco	100,000	2,208,381	0.99
<b>Fixed Line Telecommunications 2.75% (2.88%)</b>			
BT	1,600,000	6,158,400	2.75
<b>Food &amp; Drug Retailers 1.37% (2.26%)</b>			
Morrison (WM) Supermarkets	1,675,000	3,071,950	1.37
<b>Gas, Water &amp; Multiutilities 5.20% (5.21%)</b>			
Centrica	1,290,000	4,031,250	1.80
National Grid	576,436	4,842,062	2.17
Severn Trent	65,000	1,255,800	0.56
United Utilities	170,000	1,499,400	0.67
<b>General Industrials 1.19% (0.58%)</b>			
Rexam	444,444	2,375,553	1.06
Royal Mail	60,000	299,280	0.13
<b>General Retailers 1.37% (1.29%)</b>			
Carpetright	164,697	823,485	0.37
Dixons	4,500,000	2,240,550	1.00
<b>Life Insurance 9.25% (8.20%)</b>			
Aviva	1,367,500	6,974,250	3.12
Legal & General	3,000,000	6,759,000	3.02
Old Mutual	450,000	889,650	0.40
Prudential	400,000	5,364,000	2.40
Resolution	220,000	693,660	0.31

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Media 7.72% (6.89%)</b>			
British Sky Broadcasting	400,000	3,616,000	1.62
ITV	2,900,000	5,167,800	2.31
Pearson	213,500	2,461,655	1.10
Reed Elsevier	640,000	6,016,000	2.69
<b>Mining 5.03% (4.53%)</b>			
Rio Tinto	361,800	11,246,553	5.03
<b>Mobile Telecommunications 4.04% (6.18%)</b>			
Verizon Communications	100,000	2,865,748	1.28
Vodafone	3,163,636	6,167,508	2.76
<b>Non-Life Insurance 0.16% (0.14%)</b>			
RSA Insurance 7.375% Perpetual Preferred Shares	301,943	351,764	0.16
<b>Oil &amp; Gas Producers 16.62% (15.09%)</b>			
BG	156,757	1,935,949	0.87
BP	3,230,000	16,631,270	7.44
Royal Dutch Shell 'B'	730,500	18,572,963	8.31
<b>Personal Goods 0.04% (0.03%)</b>			
Airea	698,265	83,792	0.04
<b>Pharmaceuticals &amp; Biotechnology 8.86% (9.62%)</b>			
AstraZeneca	240,000	10,416,000	4.66
GlaxoSmithKline	600,000	9,381,000	4.20
<b>Real Estate 0.93% (0.80%)</b>			
Great Portland Estates	323,510	2,081,787	0.93
<b>Support Services 2.09% (2.09%)</b>			
Smiths News	349,364	636,716	0.28
Wolseley	126,483	4,051,250	1.81
<b>Tobacco 4.97% (4.79%)</b>			
British American Tobacco	175,000	6,086,500	2.72
Imperial Tobacco	191,500	5,034,535	2.25
<b>Travel &amp; Leisure 7.85% (6.99%)</b>			
Compass	660,000	6,705,600	3.00
Intercontinental Hotels	180,000	4,356,000	1.95
International Consolidated Airlines	1,300,000	4,816,500	2.15
Ladbroke's	1,200,000	1,683,600	0.75
<b>Portfolio of investments</b>		<b>220,617,978</b>	<b>98.66</b>
<b>Net current assets</b>		<b>2,988,017</b>	<b>1.34</b>
<b>Total Net Assets</b>		<b>223,605,995</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.



## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains	1		24,813,296	6,723,562
Revenue	2	8,397,197	4,877,935	
Expenses	3	(3,480,196)	(1,317,697)	
Finance costs: Interest	5	(1,210)	(435)	
Net revenue before taxation		4,915,791	3,559,803	
Taxation	4	(7,181)	(568)	
Net revenue after taxation			4,908,610	3,559,235
<b>Total return before distributions</b>			<b>29,721,906</b>	<b>10,282,797</b>
Finance costs: Distributions	5		(8,377,509)	(4,871,144)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>21,344,397</b>	<b>5,411,653</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		214,403,351	-
Amounts receivable on issue of shares	3,940,802	214,674,390	
Amounts payable on cancellation of shares	(22,824,686)	(9,641,151)	
		(18,883,884)	205,033,239
Stamp Duty Reserve Tax		(70,463)	(4,428)
Change in net assets attributable to Shareholders from investment activities (see above)		21,344,397	5,411,653
Retained distributions on accumulation shares		6,808,914	3,962,887
Unclaimed distributions		3,680	-
<b>Closing net assets attributable to Shareholders</b>		<b>223,605,995</b>	<b>214,403,351</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			220,617,978	212,350,473
Debtors	7	1,091,939		1,328,240
Cash and bank balances	8	<u>3,120,408</u>	<u>1,761,449</u>	
Total other assets			<u>4,212,347</u>	<u>3,089,689</u>
Total assets			224,830,325	215,440,162
<b>LIABILITIES</b>				
Creditors	9	(744,673)		(529,955)
Distribution payable on income shares		<u>(479,657)</u>	<u>(506,856)</u>	
Total other liabilities			<u>(1,224,330)</u>	<u>(1,036,811)</u>
Total liabilities			(1,224,330)	(1,036,811)
<b>Net assets attributable to Shareholders</b>			<u><u>223,605,995</u></u>	<u><u>214,403,351</u></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	2.1543	0.2154	1.9389	0.0000	1.9389	1.9580
Group 2	1.3797	0.1380	1.2417	0.6972	1.9389	1.9580
Sterling Accumulation Shares						
Group 1	6.3297	0.6330	5.6967	0.0000	5.6967	5.5512
Group 2	3.6041	0.3604	3.2437	2.4530	5.6967	5.5512
Institutional Shares W (Net Income)						
Group 1	1.8824	0.1882	1.6942	0.0000	1.6942	1.6853
Group 2	0.6266	0.0627	0.5639	1.1303	1.6942	1.6853
Institutional Shares W (Net Accumulation)						
Group 1	7.1207	0.7121	6.4086	0.0000	6.4086	6.2068
Group 2	3.2801	0.3280	2.9521	3.4565	6.4086	6.2068
Retail Advised Shares B (Net Income)						
Group 1	1.5197	0.1520	1.3677	0.0000	1.3677	1.3786
Group 2	1.5197	0.1520	1.3677	0.0000	1.3677	1.3786
Retail Advised Shares B (Net Accumulation)						
Group 1	1.5926	0.1593	1.4333	0.0000	1.4333	1.3880
Group 2	1.5926	0.1593	1.4333	0.0000	1.4333	1.3880

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	1.6822	0.1682	1.5140	0.0000	1.5140	1.3261
Group 2	0.3729	0.0373	0.3356	1.1784	1.5140	1.3261
Sterling Accumulation Shares						
Group 1	4.9086	0.4909	4.4177	0.0000	4.4177	3.7263
Group 2	1.4547	0.1455	1.3092	3.1085	4.4177	3.7263
Institutional Shares W (Net Income)						
Group 1	1.4663	0.1466	1.3197	0.0000	1.3197	1.1395
Group 2	0.9781	0.0978	0.8803	0.4394	1.3197	1.1395
Institutional Shares W (Net Accumulation)						
Group 1	5.5229	0.5523	4.9706	0.0000	4.9706	4.1590
Group 2	2.0811	0.2081	1.8730	3.0976	4.9706	4.1590

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Retail Advised Shares B (Net Income)						
Group 1	1.2096	0.1210	1.0886	0.0000	1.0886	0.9238
Group 2	1.1796	0.1180	1.0616	0.0270	1.0886	0.9238
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2529	0.1253	1.1276	0.0000	1.1276	0.9238
Group 2	0.5304	0.0530	0.4774	0.6502	1.1276	0.9238

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.3529	0.1353	1.2176	0.0000	1.2176	n/a
Group 2	0.6548	0.0655	0.5893	0.6283	1.2176	n/a
Sterling Accumulation Shares						
Group 1	3.9184	0.3918	3.5266	0.0000	3.5266	n/a
Group 2	2.2564	0.2256	2.0308	1.4958	3.5266	n/a
Institutional Shares W (Net Income)						
Group 1	1.1701	0.1170	1.0531	0.0000	1.0531	n/a
Group 2	0.2282	0.0228	0.2054	0.8477	1.0531	n/a
Institutional Shares W (Net Accumulation)						
Group 1	4.3989	0.4399	3.9590	0.0000	3.9590	n/a
Group 2	2.7803	0.2780	2.5023	1.4567	3.9590	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.9529	0.0953	0.8576	0.0000	0.8576	n/a
Group 2	0.2730	0.0273	0.2457	0.6119	0.8576	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9822	0.0982	0.8840	0.0000	0.8840	n/a
Group 2	0.9822	0.0982	0.8840	0.0000	0.8840	n/a

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	1.3732	0.1373	1.2359	0.0000	1.2359	n/a
Group 2	0.8316	0.0832	0.7484	0.4875	1.2359	n/a

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	Period					
	Group 1: Shares purchased prior to 1 July 2013			Group 2: Shares purchased 1 July 2013 to 30 September 2013		
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Accumulation Shares						
Group 1	3.9441	0.3944	3.5497	0.0000	3.5497	n/a
Group 2	1.3376	0.1338	1.2038	2.3459	3.5497	n/a
Institutional Shares W (Net Income)						
Group 1	1.1850	0.1185	1.0665	0.0000	1.0665	n/a
Group 2	0.3031	0.0303	0.2728	0.7937	1.0665	n/a
Institutional Shares W (Net Accumulation)						
Group 1	4.4186	0.4419	3.9767	0.0000	3.9767	n/a
Group 2	1.9002	0.1900	1.7102	2.2665	3.9767	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.9663	0.0966	0.8697	0.0000	0.8697	n/a
Group 2	0.0682	0.0068	0.0614	0.8083	0.8697	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9873	0.0987	0.8886	0.0000	0.8886	n/a
Group 2	0.9873	0.0987	0.8886	0.0000	0.8886	n/a

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the period comprise:	30/06/2014 £	30/06/2013* £
Gains on non-derivative securities	24,875,941	6,723,672
Currency exchange losses	(26,495)	(110)
Activity charges	(36,150)	-
<b>Net capital gains</b>	<b>24,813,296</b>	<b>6,723,562</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
UK dividends	8,181,820	4,715,612
Overseas dividends	182,552	139,103
Bank interest	1,115	55
Collective investment scheme distributions	-	20,116
Property income distribution	7,764	-
Stock lending	23,946	3,049
<b>Total revenue</b>	<b>8,397,197</b>	<b>4,877,935</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	3,224,694	1,221,296
Administration fees	210,562	79,772
	<b>3,435,256</b>	<b>1,301,068</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	28,021	10,523
Distribution reconciliation service	6,205	-
	<b>34,226</b>	<b>10,523</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	5,938	5,940
Financial Conduct Authority fee	228	48
Legal fees	4,548	118
	<b>10,714</b>	<b>6,106</b>
<b>Total expenses</b>	<b>3,480,196</b>	<b>1,317,697</b>

† The Audit services (audit fee) net of VAT for 2014 is £5,050 (2013: £4,950).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013*
	£	£
<b>a) Analysis of tax charge in period:</b>		
Income tax expense	7,181	568
	<u>7,181</u>	<u>568</u>
<b>Total tax charge (see note 4b)</b>	<b><u>7,181</u></b>	<b><u>568</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>4,915,791</u>	<u>3,559,803</u>
<b>Corporation tax @ 20%</b>	983,158	711,961
Effects of:		
Dividends not subject to corporation tax	(1,671,357)	(970,321)
Excess management expenses	688,199	258,360
Income tax expense	7,181	568
<b>Total tax charge (see note 4a)</b>	<b><u>7,181</u></b>	<b><u>568</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £4,732,793 (30/06/13: £1,291,799), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £946,559 (30/06/13: £258,360). The prior year figures for management expenses and deferred tax asset not recognised have been updated, this is only a disclosure figure and has no impact on the NAV/Distribution.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013*
	£	£
Interim dividend 30 September - Sterling Income Shares	313,594	-
Interim dividend 30 September - Sterling Accumulation Shares	1,287,957	-
Interim dividend 30 September - Institutional Shares W (Net Income)	990	-
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	165,796	-
Interim dividend 30 September - Retail Advised Shares B (Net Income)	44	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	44	-
Interim dividend 31 December - Sterling Income Shares	304,742	-
Interim dividend 31 December - Sterling Accumulation Shares	1,253,953	-
Interim dividend 31 December - Institutional Shares W (Net Income)	3,238	-
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	166,008	-
Interim dividend 31 December - Retail Advised Shares B (Net Income)	44	-
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	44	-
Interim dividend 31 March - Sterling Income Shares	372,720	350,129
Interim dividend 31 March - Sterling Accumulation Shares	1,530,817	1,427,433
Interim dividend 31 March - Institutional Shares W (Net Income)	5,920	99
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	206,979	189,168
Interim dividend 31 March - Retail Advised Shares B (Net Income)	895	46
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	334	46

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014 £	30/06/2013* £
Final dividend 30 June - Sterling Income Shares	465,885	506,120
Final dividend 30 June - Sterling Accumulation Shares	1,932,120	2,074,945
Final dividend 30 June - Institutional Shares W (Net Income)	12,647	667
Final dividend 30 June - Institutional Shares W (Net Accumulation)	264,438	271,226
Final dividend 30 June - Retail Advised Shares B (Net Income)	1,125	69
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	424	69
	<b>8,290,758</b>	<b>4,820,017</b>
Amounts added on issue of shares	(20,359)	(2,984)
Amounts deducted on cancellation of shares	107,110	54,111
<b>Net distributions for the year</b>	<b>8,377,509</b>	<b>4,871,144</b>
Interest	1,210	435
<b>Total finance costs</b>	<b>8,378,719</b>	<b>4,871,579</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014 £	30/06/2013* £
Net revenue after taxation	4,908,610	3,559,235
Capitalised fees less tax relief paid from capital	3,468,899	1,311,909
	<b>8,377,509</b>	<b>4,871,144</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

### 7 Debtors

	30/06/2014 £	30/06/2013 £
Accrued revenue	890,688	1,301,912
Amount receivable for issue of shares	198,923	24,000
Overseas tax recoverable	2,328	2,328
	<b>1,091,939</b>	<b>1,328,240</b>

### 8 Cash & bank balances

	30/06/2014 £	30/06/2013 £
Cash held at bank	3,120,408	118,574
Cash held in Insight Investment Liquidity Fund	-	1,642,875
	<b>3,120,408</b>	<b>1,761,449</b>



## Notes to the Financial Statements (continued)

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	307,133	243,740
Amount payable for cancellation of shares	437,540	286,215
	<b>744,673</b>	<b>529,955</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £539,341 (30/06/13: £534,897).

### 11 Financial instruments

#### 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.

#### Derivatives

The Fund may enter into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	215,543,849	2,610,749	218,154,598	209,133,284
United States of America	5,074,129	377,268	5,451,397	5,270,067
<b>Total</b>	<b>220,617,978</b>	<b>2,988,017</b>	<b>223,605,995</b>	<b>214,403,351</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	25,764,919	228,670,305
Commissions	9,549	9,281
Taxes	23,930	23,254
Total purchase costs	33,479	32,535
<b>Gross purchases total</b>	<b>25,798,398</b>	<b>228,702,840</b>
Analysis of total sales proceeds:		
Sales before transaction costs	44,005,576	21,489,438
Commissions	(40,509)	(8,529)
Taxes	(120)	(2)
Total sales costs	(40,629)	(8,531)
<b>Total sales net of transaction costs</b>	<b>43,964,947</b>	<b>21,480,907</b>

## Notes to the Financial Statements (continued)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date.

### 14 Stock lending

As at 30 June 2014, £2,328,729 of investments were subject to stock lending agreements and the Fund held £2,454,966 in collateral. The collateral is held equity securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £29,933 (30/06/13: £3,811) and £5,987 (30/06/13: £762) respectively.

### 15 Shareholders' Funds

The Fund currently has six share classes; Sterling Income Shares, Sterling Accumulation Shares, Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Sterling Accumulation Shares	1.50%	0.10%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 34. The distributions are given in the distribution statements on pages 40 to 42. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT EQUITY INCOME BOOSTER FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £81.86m

Sector: IMA UK Equity Income

Yield as at 30 June 2014:

Sterling Income Shares	8.15%
Sterling Accumulation Shares	7.89%
X Shares (Net Accumulation)	7.84%
Institutional Shares W (Net Income)	8.13%
Institutional Shares W (Net Accumulation)	7.87%
Retail Advised Shares B (Net Income)	8.13%
Retail Advised Shares B (Net Accumulation)	7.87%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To provide an enhanced level of income with potential for capital growth.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	11.60%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	11.60%	n/a	n/a	n/a	n/a
X Shares (Net Accumulation)*	13.02%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	12.37%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	12.28%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	n/a	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	n/a	n/a	n/a	n/a	n/a
FTSE All-Share TR	13.12%	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +11.60% against +13.12% for the FTSE All-Share TR.

Over the 12 months to June 2014, the Fund generated an attractive level of income, slightly in excess of its target, and made a positive return. Although the overall Fund return slightly lagged that of the benchmark as the call-option strategy, a derivatives strategy designed to boost the fund's income and reduce volatility in returns, had a slightly negative impact on performance, the underlying stock portfolio performed well. Overweight positions in life insurers such as Aviva and Legal & General supported strong returns, overcoming a temporary setback in March 2014 following the Chancellor's Budget announcement on UK annuities. The market also appeared to welcome efforts made by Aviva CEO Mark Wilson to cut debt, prompting hopes the company would restore its dividend to previous levels. Expectations that the Bank of England may soon raise interest rates amid continued strength in the UK economy also helped to buoy names like Aviva and Legal & General in the insurance sector. Overweight positions in AstraZeneca, International Consolidated Airlines, InterContinental Hotels and ITV also added value over the 12 months to June. The Fund's zero weighting in Shire detracted from returns as did an overweight weighting in Morrison (WM) Supermarkets. However, a zero weighting in Tesco helped to counter the effect of the latter somewhat.

Activity over the period was relatively low. This is in keeping with our investment process, where we prefer to focus on high-quality companies with attractive dividends. Profits were taken in a number of good performers and used to top up favoured holdings. The Fund reduced the overweight position in BT after strong outperformance and reinvested the proceeds in British Sky Broadcasting, which looks to be offering good relative value. The Fund also sold its position in Sainsbury's following fears about the growth prospects for its own-label business. The Fund also reduced its holding in ITV after strong performance while small positions were bought in Glencore Xstrata and Royal Mail.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

#### Purchases

Vodafone  
British Sky Broadcasting  
Glencore Xstrata  
Barclays  
BP  
Rolls Royce  
Royal Bank of Scotland  
Morrison (WM) Supermarkets  
Ladbroke's  
Centrica

#### Sales

GlaxoSmithKline  
BT  
Sainsbury (J)  
Legal & General  
Vodafone B Shares  
BAE Systems  
ITV  
DS Smith  
British American Tobacco  
Vodafone

## Statistics

### Price and Revenue Record by Share Class

Calendar Year	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	143.95	129.83	9.8320
2014	143.36	134.87	6.3198
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	208.96	181.77	13.8598
2014	214.09	199.86	9.3913
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	164.46	141.86	10.8404
2014	169.43	157.49	7.4148
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	147.91	133.10	10.0779
2014	147.51	139.01	6.5290
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	216.50	187.71	14.3160
2014	222.36	207.11	9.7539
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	107.99	97.26	7.3652
2014	107.63	101.35	4.7460
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	114.83	99.69	7.6009
2014	117.84	109.87	5.1614

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2013	41,015,603	132.14	31,040,662
30/06/2014	44,147,504	136.50	32,343,144
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2013	20,197,734	187.07	10,796,972
30/06/2014	18,634,395	209.57	8,891,732
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	6,429,544	146.30	4,394,711
30/06/2014	3,758,749	165.97	2,264,711
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	1,439,029	135.48	1,062,179
30/06/2014	12,405,070	140.89	8,804,739

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	201,168	193.20	104,126
30/06/2014	2,866,088	217.74	1,316,261
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,981	98.99	5,032
30/06/2014	36,797	102.66	35,844
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	5,130	102.60	5,000
30/06/2014	15,641	115.37	13,557

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.67	1.66
Sterling Accumulation Shares	1.67	1.66
X Shares (Net Accumulation)	0.09	0.09
Institutional Shares W (Net Income)	0.85	0.84
Institutional Shares W (Net Accumulation)	0.85	0.84
Retail Advised Shares B (Net Income)	1.18	1.15
Retail Advised Shares B (Net Accumulation)	1.18	1.15

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Aerospace &amp; Defence 3.83% (4.20%)</b>			
BAE Systems	300,000	1,298,100	1.58
Rolls Royce	170,000	1,817,300	2.22
Rolls Royce C Shares Entitlement (July 2014)	22,780,000	22,780	0.03
<b>Banks 9.40% (10.80%)</b>			
Barclays	900,000	1,914,300	2.34
HSBC	450,000	2,668,050	3.26
Lloyds Banking	1,800,000	1,336,500	1.63
Royal Bank of Scotland	250,000	821,000	1.00
Standard Chartered	80,000	955,200	1.17
<b>Financial Services 4.05% (4.02%)</b>			
3i	280,000	1,125,320	1.37
ICAP	140,000	532,000	0.65
Intermediate Capital	75,000	292,725	0.36
Schroders	54,662	1,369,283	1.67
<b>Fixed Line Telecommunications 3.58% (4.02%)</b>			
BT	400,000	1,539,600	1.88
Verizon Communications	48,655	1,394,330	1.70
<b>Food &amp; Drug Retailers 1.01% (1.91%)</b>			
Morrison (WM) Supermarkets	450,000	825,300	1.01
<b>Gas, Water &amp; Multiutilities 5.17% (5.56%)</b>			
Centrica	450,000	1,406,250	1.72
National Grid	120,000	1,008,000	1.23
Pennon	101,824	798,809	0.98
Severn Trent	34,108	658,967	0.80
United Utilities	41,141	362,864	0.44
<b>General Industrials 3.25% (3.65%)</b>			
DS Smith	400,000	1,107,200	1.35
Rexam	244,444	1,306,553	1.60
Royal Mail	50,000	249,400	0.30
<b>General Retailers 1.78% (1.76%)</b>			
Carpetright	12,500	62,500	0.08
Dixons	2,800,000	1,394,120	1.70
<b>Industrial Engineering 0.73% (0.63%)</b>			
IMI	40,000	594,400	0.73
<b>Life Insurance 8.01% (7.73%)</b>			
Aviva	450,000	2,295,000	2.80
Legal & General	1,000,000	2,253,000	2.75
Prudential	150,000	2,011,500	2.46



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Media 7.65% (6.13%)</b>			
British Sky Broadcasting	150,000	1,356,000	1.66
ITV	900,000	1,603,800	1.96
Pearson	120,000	1,383,600	1.69
Reed Elsevier	204,000	1,917,600	2.34
<b>Mining 5.75% (4.65%)</b>			
Glencore Xstrata	300,000	976,500	1.19
Rio Tinto	120,000	3,730,200	4.56
<b>Mobile Telecommunications 3.87% (5.42%)</b>			
Vodafone	1,622,720	3,163,493	3.87
<b>Non-Life Insurance 0.68% (0.73%)</b>			
RSA Insurance	117,506	557,918	0.68
<b>Oil &amp; Gas Producers 15.11% (14.63%)</b>			
BP	1,000,000	5,149,000	6.29
BG	120,000	1,482,000	1.81
Royal Dutch Shell 'A'	152,000	3,674,600	4.49
Royal Dutch Shell 'B'	81,000	2,059,425	2.52
<b>Pharmaceuticals &amp; Biotechnology 7.30% (10.02%)</b>			
AstraZeneca	80,000	3,472,000	4.24
GlaxoSmithKline	160,000	2,501,600	3.06
<b>Real Estate 1.29% (0.87%)</b>			
British Land	52,000	365,300	0.45
Segro	200,000	690,400	0.84
<b>Support Services 2.37% (2.64%)</b>			
Electrocomponents	175,000	459,725	0.56
Wolseley	46,282	1,482,412	1.81
<b>Tobacco 4.22% (4.57%)</b>			
British American Tobacco	35,000	1,217,300	1.49
Imperial Tobacco	85,000	2,234,650	2.73
<b>Travel &amp; Leisure 6.92% (6.67%)</b>			
Compass	180,000	1,828,800	2.24
Ladbroke's	600,000	841,800	1.03
International Consolidated Airlines	350,000	1,296,750	1.58
Intercontinental Hotels	70,000	1,694,000	2.07
<b>Derivatives -0.56% (-1.69%)</b>			
<b>Options -0.56% (-1.69%)</b>			
AstraZeneca	£(39,328)	(77,860)	(0.10)
BG	£(81,293)	(20,467)	(0.03)
Compass	£(136,598)	(42,637)	(0.05)
Imperial Tobacco	£(45,914)	(16,456)	(0.02)

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>Options (continued)</b>			
Intercontinental Hotels	£(46,273)	(183,658)	(0.22)
Pearson	£(89,990)	(30,431)	(0.04)
Rexam	£(219,047)	(14,238)	(0.02)
Royal Dutch Shell class 'A' shares	£(112,127)	(52,639)	(0.06)
Royal Dutch Shell class 'B' shares	£(59,169)	(11,223)	(0.01)
United Utilities	£(31,777)	(6,885)	(0.01)
<b>Portfolio of investments*</b>		<b>78,102,730</b>	<b>95.41</b>
<b>Net current assets</b>		<b>3,761,514</b>	<b>4.59</b>
<b>Total Net Assets</b>		<b>81,864,244</b>	<b>100.00</b>

Total unapproved and unquoted securities 0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Electricity category, which, at 30 June 2013, represented 0.26% of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

The options included above do not create additional underlying exposure as the securities underlying the options are included in the portfolio of the fund.

The counterparties for the options at the period end were: Barclays, BNP Paribas, Citibank, Morgan Stanley and UBS.

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains/(losses)	1		3,313,154	(281,574)
Revenue	2	6,993,891	2,877,265	
Expenses	3	(1,136,429)	(423,487)	
Finance costs: Interest	5	(2,519)	(703)	
Net revenue before taxation		5,854,943	2,453,075	
Taxation	4	(640,699)	(191,184)	
Net revenue after taxation			5,214,244	2,261,891
<b>Total return before distributions</b>			<b>8,527,398</b>	<b>1,980,317</b>
Finance costs: Distributions	5		(6,124,157)	(2,600,618)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>2,403,241</b>	<b>(620,301)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		69,293,189	-
Amounts receivable on issue of shares	24,165,299	81,954,704	
Amounts payable on cancellation of shares	(15,880,319)	(13,001,475)	
		8,284,980	68,953,229
Dilution adjustment		5,971	-
Stamp Duty Reserve Tax		(144,699)	(17,386)
Change in net assets attributable to Shareholders from investment activities (see above)		2,403,241	(620,301)
Retained distributions on accumulation shares		2,020,323	977,526
Unclaimed distributions		1,239	121
<b>Closing net assets attributable to Shareholders</b>		<b>81,864,244</b>	<b>69,293,189</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			78,559,224	69,883,276
Debtors	7	3,240,396	1,248,778	
Cash and bank balances	8	<u>4,267,040</u>	<u>469,221</u>	
Total other assets			<u>7,507,436</u>	<u>1,717,999</u>
Total assets			86,066,660	71,601,275
<b>LIABILITIES</b>				
Investment liabilities			(456,494)	(1,161,393)
Bank overdraft	8	-	(310,857)	
Creditors	9	(2,852,997)	(359,842)	
Distribution payable on income shares		<u>(892,925)</u>	<u>(475,994)</u>	
Total other liabilities			<u>(3,745,922)</u>	<u>(1,146,693)</u>
Total liabilities			(4,202,416)	(2,308,086)
<b>Net assets attributable to Shareholders</b>			<u><b>81,864,244</b></u>	<u><b>69,293,189</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 June 2014
						Group 2: Shares purchased 1 June 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	2.3894	0.2389	2.1505	0.0000	2.1505	1.4814
Group 2	0.3281	0.0328	0.2953	1.8552	2.1505	1.4814
Sterling Accumulation Shares						
Group 1	3.5563	0.3556	3.2007	0.0000	3.2007	2.0641
Group 2	0.7478	0.0748	0.6730	2.5277	3.2007	2.0641
X Shares (Net Accumulation)						
Group 1	2.8136	0.2814	2.5322	0.0000	2.5322	1.6137
Group 2	2.8136	0.2814	2.5322	0.0000	2.5322	1.6137
Institutional Shares W (Net Income)						
Group 1	2.4836	0.2484	2.2352	0.0000	2.2352	1.5156
Group 2	0.2289	0.0229	0.2060	2.0292	2.2352	1.5156
Institutional Shares W (Net Accumulation)						
Group 1	3.7058	0.3706	3.3352	0.0000	3.3352	2.1323
Group 2	0.4449	0.0445	0.4004	2.9348	3.3352	2.1323
Retail Advised Shares B (Net Income)						
Group 1	1.7937	0.1794	1.6143	0.0000	1.6143	1.1077
Group 2	0.3502	0.0350	0.3152	1.2991	1.6143	1.1077
Retail Advised Shares B (Net Accumulation)						
Group 1	1.9528	0.1953	1.7575	0.0000	1.7575	1.1298
Group 2	0.5674	0.0567	0.5107	1.2468	1.7575	1.1298

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 May 2014
						Group 2: Shares purchased 1 May 2014 to 31 May 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/05/2013</b>
Sterling Income Shares						
Group 1	0.9288	0.0929	0.8359	0.0000	0.8359	0.8508
Group 2	0.0000	0.0000	0.0000	0.8359	0.8359	0.8508
Sterling Accumulation Shares						
Group 1	1.3956	0.1396	1.2560	0.0000	1.2560	1.1838
Group 2	0.0000	0.0000	0.0000	1.2560	1.2560	1.1838
X Shares (Net Accumulation)						
Group 1	1.1029	0.1103	0.9926	0.0000	0.9926	0.9239
Group 2	1.1029	0.1103	0.9926	0.0000	0.9926	0.9239
Institutional Shares W (Net Income)						
Group 1	0.9577	0.0958	0.8619	0.0000	0.8619	0.8713
Group 2	0.0000	0.0000	0.0000	0.8619	0.8619	0.8713

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 May 2014
						Group 2: Shares purchased 1 May 2014 to 31 May 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/05/2013</b>
Institutional Shares W (Net Accumulation)						
Group 1	1.4484	0.1448	1.3036	0.0000	1.3036	1.2215
Group 2	0.0000	0.0000	0.0000	1.3036	1.3036	1.2215
Retail Advised Shares B (Net Income)						
Group 1	0.6980	0.0698	0.6282	0.0000	0.6282	0.6370
Group 2	0.0000	0.0000	0.0000	0.6282	0.6282	0.6370
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7678	0.0768	0.6910	0.0000	0.6910	0.6488
Group 2	0.7678	0.0768	0.6910	0.0000	0.6910	0.6488

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 April 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/04/2013</b>
Sterling Income Shares						
Group 1	0.9183	0.0918	0.8265	0.0000	0.8265	0.8482
Group 2	0.0000	0.0000	0.0000	0.8265	0.8265	0.8482
Sterling Accumulation Shares						
Group 1	1.3719	0.1372	1.2347	0.0000	1.2347	1.1729
Group 2	0.0000	0.0000	0.0000	1.2347	1.2347	1.1729
X Shares (Net Accumulation)						
Group 1	1.0831	0.1083	0.9748	0.0000	0.9748	0.9145
Group 2	1.0831	0.1083	0.9748	0.0000	0.9748	0.9145
Institutional Shares W (Net Income)						
Group 1	0.9463	0.0946	0.8517	0.0000	0.8517	0.8682
Group 2	0.0000	0.0000	0.0000	0.8517	0.8517	0.8682
Institutional Shares W (Net Accumulation)						
Group 1	1.4230	0.1423	1.2807	0.0000	1.2807	1.2096
Group 2	0.0000	0.0000	0.0000	1.2807	1.2807	1.2096
Retail Advised Shares B (Net Income)						
Group 1	0.6900	0.0690	0.6210	0.0000	0.6210	0.6348
Group 2	0.0000	0.0000	0.0000	0.6210	0.6210	0.6348
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7546	0.0755	0.6791	0.0000	0.6791	0.6426
Group 2	0.7546	0.0755	0.6791	0.0000	0.6791	0.6426

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 March 2014
						Group 2: Shares purchased 1 March 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.9257	0.0926	0.8331	0.0000	0.8331	0.8377
Group 2	0.0000	0.0000	0.0000	0.8331	0.8331	0.8377
Sterling Accumulation Shares						
Group 1	1.3744	0.1374	1.2370	0.0000	1.2370	1.1513
Group 2	0.0000	0.0000	0.0000	1.2370	1.2370	1.1513
X Shares (Net Accumulation)						
Group 1	1.0840	0.1084	0.9756	0.0000	0.9756	0.8966
Group 2	1.0840	0.1084	0.9756	0.0000	0.9756	0.8966
Institutional Shares W (Net Income)						
Group 1	0.9532	0.0953	0.8579	0.0000	0.8579	0.8571
Group 2	0.0000	0.0000	0.0000	0.8579	0.8579	0.8571
Institutional Shares W (Net Accumulation)						
Group 1	1.4249	0.1425	1.2824	0.0000	1.2824	1.1865
Group 2	0.0000	0.0000	0.0000	1.2824	1.2824	1.1865
Retail Advised Shares B (Net Income)						
Group 1	0.6953	0.0695	0.6258	0.0000	0.6258	0.6266
Group 2	0.0000	0.0000	0.0000	0.6258	0.6258	0.6266
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7558	0.0756	0.6802	0.0000	0.6802	0.6306
Group 2	0.7558	0.0756	0.6802	0.0000	0.6802	0.6306

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 February 2014
						Group 2: Shares purchased 1 February 2014 to 28 February 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 28/02/2013</b>
Sterling Income Shares						
Group 1	0.9118	0.0912	0.8206	0.0000	0.8206	0.8356
Group 2	0.0148	0.0015	0.0133	0.8073	0.8206	0.8356
Sterling Accumulation Shares						
Group 1	1.3458	0.1346	1.2112	0.0000	1.2112	1.1412
Group 2	0.0000	0.0000	0.0000	1.2112	1.2112	1.1412
X Shares (Net Accumulation)						
Group 1	1.0604	0.1060	0.9544	0.0000	0.9544	0.8883
Group 2	1.0604	0.1060	0.9544	0.0000	0.9544	0.8883
Institutional Shares W (Net Income)						
Group 1	0.9384	0.0938	0.8446	0.0000	0.8446	0.8547
Group 2	0.0000	0.0000	0.0000	0.8446	0.8446	0.8547

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 February 2014
						Group 2: Shares purchased 1 February 2014 to 28 February 2014
						<b>Prior Period 28/02/2013</b>
Institutional Shares W (Net Accumulation)						
Group 1	1.3946	0.1395	1.2551	0.0000	1.2551	1.1759
Group 2	0.0000	0.0000	0.0000	1.2551	1.2551	1.1759
Retail Advised Shares B (Net Income)						
Group 1	0.6847	0.0685	0.6162	0.0000	0.6162	0.6263
Group 2	0.0000	0.0000	0.0000	0.6162	0.6162	0.6263
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7398	0.0740	0.6658	0.0000	0.6658	0.6263
Group 2	0.7398	0.0740	0.6658	0.0000	0.6658	0.6263

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 January 2014
						<b>Prior Period 31/01/2013</b>
Sterling Income Shares						
Group 1	0.9480	0.0948	0.8532	0.0000	0.8532	n/a
Group 2	0.0744	0.0074	0.0670	0.7862	0.8532	n/a
Sterling Accumulation Shares						
Group 1	1.3908	0.1391	1.2517	0.0000	1.2517	n/a
Group 2	0.0000	0.0000	0.0000	1.2517	1.2517	n/a
X Shares (Net Accumulation)						
Group 1	1.0947	0.1095	0.9852	0.0000	0.9852	n/a
Group 2	1.0947	0.1095	0.9852	0.0000	0.9852	n/a
Institutional Shares W (Net Income)						
Group 1	0.9752	0.0975	0.8777	0.0000	0.8777	n/a
Group 2	0.2670	0.0267	0.2403	0.6374	0.8777	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.4410	0.1441	1.2969	0.0000	1.2969	n/a
Group 2	0.0000	0.0000	0.0000	1.2969	1.2969	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.7117	0.0712	0.6405	0.0000	0.6405	n/a
Group 2	0.0000	0.0000	0.0000	0.6405	0.6405	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7642	0.0764	0.6878	0.0000	0.6878	n/a
Group 2	0.7642	0.0764	0.6878	0.0000	0.6878	n/a



**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 December 2013					
	Group 2: Shares purchased 1 December 2013 to 31 December 2013					
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.9453	0.0945	0.8508	0.0000	0.8508	n/a
Group 2	0.0789	0.0079	0.0710	0.7798	0.8508	n/a
Sterling Accumulation Shares						
Group 1	1.3701	0.1370	1.2331	0.0000	1.2331	n/a
Group 2	0.0956	0.0096	0.0860	1.1471	1.2331	n/a
X Shares (Net Accumulation)						
Group 1	1.0761	0.1076	0.9685	0.0000	0.9685	n/a
Group 2	1.0761	0.1076	0.9685	0.0000	0.9685	n/a
Institutional Shares W (Net Income)						
Group 1	0.9713	0.0971	0.8742	0.0000	0.8742	n/a
Group 2	0.0986	0.0099	0.0887	0.7855	0.8742	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.4180	0.1418	1.2762	0.0000	1.2762	n/a
Group 2	0.2250	0.0225	0.2025	1.0737	1.2762	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.7092	0.0709	0.6383	0.0000	0.6383	n/a
Group 2	0.0000	0.0000	0.0000	0.6383	0.6383	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7524	0.0752	0.6772	0.0000	0.6772	n/a
Group 2	0.7524	0.0752	0.6772	0.0000	0.6772	n/a

**Interim dividend distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 November 2013					
	Group 2: Shares purchased 1 November 2013 to 30 November 2013					
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/11/2012</b>
Sterling Income Shares						
Group 1	0.9453	0.0945	0.8508	0.0000	0.8508	n/a
Group 2	0.2304	0.0230	0.2074	0.6434	0.8508	n/a
Sterling Accumulation Shares						
Group 1	1.3701	0.1370	1.2331	0.0000	1.2331	n/a
Group 2	0.4031	0.0403	0.3628	0.8703	1.2331	n/a
X Shares (Net Accumulation)						
Group 1	1.0761	0.1076	0.9685	0.0000	0.9685	n/a
Group 2	1.0761	0.1076	0.9685	0.0000	0.9685	n/a
Institutional Shares W (Net Income)						
Group 1	0.9713	0.0971	0.8742	0.0000	0.8742	n/a
Group 2	0.1753	0.0175	0.1578	0.7164	0.8742	n/a

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 November 2013
						Group 2: Shares purchased 1 November 2013 to 30 November 2013
						<b>Prior Period 30/11/2012</b>
Institutional Shares W (Net Accumulation)						
Group 1	1.4180	0.1418	1.2762	0.0000	1.2762	n/a
Group 2	0.0000	0.0000	0.0000	1.2762	1.2762	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.7092	0.0709	0.6383	0.0000	0.6383	n/a
Group 2	0.0000	0.0000	0.0000	0.6383	0.6383	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7524	0.0752	0.6772	0.0000	0.6772	n/a
Group 2	0.7524	0.0752	0.6772	0.0000	0.6772	n/a

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 October 2013
						<b>Prior Period 31/10/2012</b>
Sterling Income Shares						
Group 1	0.9133	0.0913	0.8220	0.0000	0.8220	n/a
Group 2	0.2878	0.0288	0.2590	0.5630	0.8220	n/a
Sterling Accumulation Shares						
Group 1	1.3162	0.1316	1.1846	0.0000	1.1846	n/a
Group 2	0.4567	0.0457	0.4110	0.7736	1.1846	n/a
X Shares (Net Accumulation)						
Group 1	1.0327	0.1033	0.9294	0.0000	0.9294	n/a
Group 2	1.0327	0.1033	0.9294	0.0000	0.9294	n/a
Institutional Shares W (Net Income)						
Group 1	0.9380	0.0938	0.8442	0.0000	0.8442	n/a
Group 2	0.2101	0.0210	0.1891	0.6551	0.8442	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.3616	0.1362	1.2254	0.0000	1.2254	n/a
Group 2	0.1308	0.0131	0.1177	1.1077	1.2254	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.6850	0.0685	0.6165	0.0000	0.6165	n/a
Group 2	0.0126	0.0013	0.0113	0.6052	0.6165	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7227	0.0723	0.6504	0.0000	0.6504	n/a
Group 2	0.7227	0.0723	0.6504	0.0000	0.6504	n/a

## Distribution Statements (continued)

### Interim dividend distribution in pence per Share

						Period
						Group 1: Shares purchased prior to 1 September 2013
						Group 2: Shares purchased 1 September 2013 to 30 September 2013
	Gross Revenue	Tax Credit @10%	Net Revenue	Equalisation	Amount Paid	Prior Period 30/09/2012
Sterling Income Shares						
Group 1	0.9140	0.0914	0.8226	0.0000	0.8226	n/a
Group 2	0.3178	0.0318	0.2860	0.5366	0.8226	n/a
Sterling Accumulation Shares						
Group 1	1.3093	0.1309	1.1784	0.0000	1.1784	n/a
Group 2	0.4750	0.0475	0.4275	0.7509	1.1784	n/a
X Shares (Net Accumulation)						
Group 1	1.0262	0.1026	0.9236	0.0000	0.9236	n/a
Group 2	1.0262	0.1026	0.9236	0.0000	0.9236	n/a
Institutional Shares W (Net Income)						
Group 1	0.9382	0.0938	0.8444	0.0000	0.8444	n/a
Group 2	0.2457	0.0246	0.2211	0.6233	0.8444	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.3538	0.1354	1.2184	0.0000	1.2184	n/a
Group 2	0.2630	0.0263	0.2367	0.9817	1.2184	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.6852	0.0685	0.6167	0.0000	0.6167	n/a
Group 2	0.2284	0.0228	0.2056	0.4111	0.6167	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7187	0.0719	0.6468	0.0000	0.6468	n/a
Group 2	0.7187	0.0719	0.6468	0.0000	0.6468	n/a

### Interim dividend distribution in pence per Share

						Period
						Group 1: Shares purchased prior to 1 August 2013
						Group 2: Shares purchased 1 August 2013 to 31 August 2013
	Gross Revenue	Tax Credit @10%	Net Revenue	Equalisation	Amount Paid	Prior Period 31/08/2012
Sterling Income Shares						
Group 1	0.9258	0.0926	0.8332	0.0000	0.8332	n/a
Group 2	0.2973	0.0297	0.2676	0.5656	0.8332	n/a
Sterling Accumulation Shares						
Group 1	1.3181	0.1318	1.1863	0.0000	1.1863	n/a
Group 2	0.9376	0.0938	0.8438	0.3425	1.1863	n/a
X Shares (Net Accumulation)						
Group 1	1.0320	0.1032	0.9288	0.0000	0.9288	n/a
Group 2	1.0320	0.1032	0.9288	0.0000	0.9288	n/a
Institutional Shares W (Net Income)						
Group 1	0.9498	0.0950	0.8548	0.0000	0.8548	n/a
Group 2	0.8420	0.0842	0.7578	0.0970	0.8548	n/a

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 August 2013
						Group 2: Shares purchased 1 August 2013 to 31 August 2013
						<b>Prior Period 31/08/2012</b>
Institutional Shares W (Net Accumulation)						
Group 1	1.3621	0.1362	1.2259	0.0000	1.2259	n/a
Group 2	0.0000	0.0000	0.0000	1.2259	1.2259	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.6939	0.0694	0.6245	0.0000	0.6245	n/a
Group 2	0.0001	0.0000	0.0000	0.6245	0.6245	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7232	0.0723	0.6509	0.0000	0.6509	n/a
Group 2	0.7232	0.0723	0.6509	0.0000	0.6509	n/a

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 July 2013
						<b>Prior Period 31/07/2012</b>
Sterling Income Shares						
Group 1	0.8877	0.0888	0.7989	0.0000	0.7989	n/a
Group 2	0.6138	0.0614	0.5524	0.2465	0.7989	n/a
Sterling Accumulation Shares						
Group 1	1.2567	0.1257	1.1310	0.0000	1.1310	n/a
Group 2	1.0621	0.1062	0.9559	0.1751	1.1310	n/a
X Shares (Net Accumulation)						
Group 1	0.9829	0.0983	0.8846	0.0000	0.8846	n/a
Group 2	0.9829	0.0983	0.8846	0.0000	0.8846	n/a
Institutional Shares W (Net Income)						
Group 1	0.9102	0.0910	0.8192	0.0000	0.8192	n/a
Group 2	0.5431	0.0543	0.4888	0.3304	0.8192	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.2979	0.1298	1.1681	0.0000	1.1681	n/a
Group 2	1.0339	0.1034	0.9305	0.2376	1.1681	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.6650	0.0665	0.5985	0.0000	0.5985	n/a
Group 2	0.2287	0.0229	0.2058	0.3927	0.5985	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.6892	0.0689	0.6203	0.0000	0.6203	n/a
Group 2	0.6892	0.0689	0.6203	0.0000	0.6203	n/a

**Distribution Statements (continued)**

			Utilised foreign tax	Utilised foreign tax
	Franked (%)	Unfranked (%)	foreign tax (£)	(pence per share)
<b>Final distributions for 30 June 2014</b>				
Sterling Income Shares	54.47	45.53	n/a	n/a
Sterling Accumulation Shares	54.47	45.53	n/a	n/a
X Shares (Net Accumulation)	54.47	45.53	n/a	n/a
Institutional Shares W (Net Income)	54.47	45.53	n/a	n/a
Institutional Shares W (Net Accumulation)	54.47	45.53	n/a	n/a
Retail Advised Shares B (Net Income)	54.47	45.53	n/a	n/a
Retail Advised Shares B (Net Accumulation)	54.47	45.53	n/a	n/a
<b>Interim distributions for 31 May 2014</b>				
Sterling Income Shares	58.75	41.25	n/a	n/a
Sterling Accumulation Shares	58.75	41.25	n/a	n/a
X Shares (Net Accumulation)	58.75	41.25	n/a	n/a
Institutional Shares W (Net Income)	58.75	41.25	n/a	n/a
Institutional Shares W (Net Accumulation)	58.75	41.25	n/a	n/a
Retail Advised Shares B (Net Income)	58.75	41.25	n/a	n/a
Retail Advised Shares B (Net Accumulation)	58.75	41.25	n/a	n/a
<b>Interim distributions for 30 April 2014</b>				
Sterling Income Shares	62.64	37.36	n/a	n/a
Sterling Accumulation Shares	62.64	37.36	n/a	n/a
X Shares (Net Accumulation)	62.64	37.36	n/a	n/a
Institutional Shares W (Net Income)	62.64	37.36	n/a	n/a
Institutional Shares W (Net Accumulation)	62.64	37.36	n/a	n/a
Retail Advised Shares B (Net Income)	62.64	37.36	n/a	n/a
Retail Advised Shares B (Net Accumulation)	62.64	37.36	n/a	n/a
<b>Interim distributions for 31 March 2014</b>				
Sterling Income Shares	47.31	52.69	n/a	n/a
Sterling Accumulation Shares	47.31	52.69	n/a	n/a
X Shares (Net Accumulation)	47.31	52.69	n/a	n/a
Institutional Shares W (Net Income)	47.31	52.69	n/a	n/a
Institutional Shares W (Net Accumulation)	47.31	52.69	n/a	n/a
Retail Advised Shares B (Net Income)	47.31	52.69	n/a	n/a
Retail Advised Shares B (Net Accumulation)	47.31	52.69	n/a	n/a
<b>Interim distributions for 28 February 2014</b>				
Sterling Income Shares	47.43	52.57	n/a	n/a
Sterling Accumulation Shares	47.43	52.57	n/a	n/a
X Shares (Net Accumulation)	47.43	52.57	n/a	n/a
Institutional Shares W (Net Income)	47.43	52.57	n/a	n/a
Institutional Shares W (Net Accumulation)	47.43	52.57	n/a	n/a
Retail Advised Shares B (Net Income)	47.43	52.57	n/a	n/a
Retail Advised Shares B (Net Accumulation)	47.43	52.57	n/a	n/a
<b>Interim distributions for 31 January 2014</b>				
Sterling Income Shares	35.29	64.71	n/a	n/a
Sterling Accumulation Shares	35.29	64.71	n/a	n/a
X Shares (Net Accumulation)	35.29	64.71	n/a	n/a
Institutional Shares W (Net Income)	35.29	64.71	n/a	n/a
Institutional Shares W (Net Accumulation)	35.29	64.71	n/a	n/a
Retail Advised Shares B (Net Income)	35.29	64.71	n/a	n/a
Retail Advised Shares B (Net Accumulation)	35.29	64.71	n/a	n/a

**Distribution Statements (continued)****Interim distributions for 31 December 2013**

Sterling Income Shares	36.29	63.71	n/a	n/a
Sterling Accumulation Shares	36.29	63.71	n/a	n/a
X Shares (Net Accumulation)	36.29	63.71	n/a	n/a
Institutional Shares W (Net Income)	36.29	63.71	n/a	n/a
Institutional Shares W (Net Accumulation)	36.29	63.71	n/a	n/a
Retail Advised Shares B (Net Income)	36.29	63.71	n/a	n/a
Retail Advised Shares B (Net Accumulation)	36.29	63.71	n/a	n/a

**Interim distributions for 30 November 2013**

Sterling Income Shares	49.20	50.80	n/a	n/a
Sterling Accumulation Shares	49.20	50.80	n/a	n/a
X Shares (Net Accumulation)	49.20	50.80	n/a	n/a
Institutional Shares W (Net Income)	49.20	50.80	n/a	n/a
Institutional Shares W (Net Accumulation)	49.20	50.80	n/a	n/a
Retail Advised Shares B (Net Income)	49.20	50.80	n/a	n/a
Retail Advised Shares B (Net Accumulation)	49.20	50.80	n/a	n/a

**Interim distributions for 31 October 2013**

Sterling Income Shares	50.13	49.87	n/a	n/a
Sterling Accumulation Shares	50.13	49.87	n/a	n/a
X Shares (Net Accumulation)	50.13	49.87	n/a	n/a
Institutional Shares W (Net Income)	50.13	49.87	n/a	n/a
Institutional Shares W (Net Accumulation)	50.13	49.87	n/a	n/a
Retail Advised Shares B (Net Income)	50.13	49.87	n/a	n/a
Retail Advised Shares B (Net Accumulation)	50.13	49.87	n/a	n/a

**Interim distributions for 30 September 2013**

Sterling Income Shares	37.48	62.52	n/a	n/a
Sterling Accumulation Shares	37.48	62.52	n/a	n/a
X Shares (Net Accumulation)	37.48	62.52	n/a	n/a
Institutional Shares W (Net Income)	37.48	62.52	n/a	n/a
Institutional Shares W (Net Accumulation)	37.48	62.52	n/a	n/a
Retail Advised Shares B (Net Income)	37.48	62.52	n/a	n/a
Retail Advised Shares B (Net Accumulation)	37.48	62.52	n/a	n/a

**Interim distributions for 31 August 2013**

Sterling Income Shares	86.97	13.03	n/a	n/a
Sterling Accumulation Shares	86.97	13.03	n/a	n/a
X Shares (Net Accumulation)	86.97	13.03	n/a	n/a
Institutional Shares W (Net Income)	86.97	13.03	n/a	n/a
Institutional Shares W (Net Accumulation)	86.97	13.03	n/a	n/a
Retail Advised Shares B (Net Income)	86.97	13.03	n/a	n/a
Retail Advised Shares B (Net Accumulation)	86.97	13.03	n/a	n/a

**Interim distributions for 31 July 2013**

Sterling Income Shares	15.79	84.21	n/a	n/a
Sterling Accumulation Shares	15.79	84.21	n/a	n/a
X Shares (Net Accumulation)	15.79	84.21	n/a	n/a
Institutional Shares W (Net Income)	15.79	84.21	n/a	n/a
Institutional Shares W (Net Accumulation)	15.79	84.21	n/a	n/a
Retail Advised Shares B (Net Income)	15.79	84.21	n/a	n/a
Retail Advised Shares B (Net Accumulation)	15.79	84.21	n/a	n/a

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014 £	30/06/2013* £
Gains on non-derivative securities	3,708,918	1,207,240
Losses on derivative contracts	(359,403)	(1,479,290)
Currency exchange losses	(3,388)	(9,524)
Activity charges	(32,973)	-
<b>Net capital gains/(losses)</b>	<b>3,313,154</b>	<b>(281,574)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
UK dividends	2,548,514	1,438,026
Overseas dividends	223,268	105,388
Bank interest	3,712	-
Premium on written call options	4,179,332	1,318,955
Property income distribution	33,762	14,322
Stock lending	5,303	574
<b>Total revenue</b>	<b>6,993,891</b>	<b>2,877,265</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	1,033,988	381,268
Administration fees	68,980	26,058
Safe custody charges	2,100	-
	<b>1,105,068</b>	<b>407,326</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	18,291	6,738
Distribution reconciliation service	3,348	-
	<b>21,639</b>	<b>6,738</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	9,492	9,226
Financial Conduct Authority fee	230	116
Legal fees	-	81
	<b>9,722</b>	<b>9,423</b>
<b>Total expenses</b>	<b>1,136,429</b>	<b>423,487</b>

† The Audit services (audit fee) net of VAT for 2014 is £8,000 (2013: £7,800).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013* £
<b>a) Analysis of tax charge in period:</b>		
Corporation tax	621,586	182,502
	<u>621,586</u>	<u>182,502</u>
Overseas tax withheld	19,113	8,682
<b>Total tax charge (see note 4b)</b>	<b><u>640,699</u></b>	<b><u>191,184</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>5,854,943</u>	<u>2,453,075</u>
<b>Corporation tax @ 20%</b>	1,170,989	490,615
Effects of:		
Dividends not subject to corporation tax	(549,403)	(308,113)
Overseas tax withheld	19,113	8,682
<b>Total tax charge (see note 4a)</b>	<b><u>640,699</u></b>	<b><u>191,184</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses (30/06/13: Nil).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013* £
Interim dividend 31 July - Sterling Income Shares	253,286	-
Interim dividend 31 July - Sterling Accumulation Shares	118,053	-
Interim dividend 31 July - X Shares (Net Accumulation)	20,032	-
Interim dividend 31 July - Institutional Shares W (Net Income)	10,395	-
Interim dividend 31 July - Institutional Shares W (Net Accumulation)	1,419	-
Interim dividend 31 July - Retail Advised Shares B (Net Income)	30	-
Interim dividend 31 July - Retail Advised Shares B (Net Accumulation)	31	-
Interim dividend 31 August - Sterling Income Shares	266,297	-
Interim dividend 31 August - Sterling Accumulation Shares	121,770	-
Interim dividend 31 August - X Shares (Net Accumulation)	21,035	-
Interim dividend 31 August - Institutional Shares W (Net Income)	11,295	-
Interim dividend 31 August - Institutional Shares W (Net Accumulation)	2,236	-
Interim dividend 31 August - Retail Advised Shares B (Net Income)	32	-
Interim dividend 31 August - Retail Advised Shares B (Net Accumulation)	32	-
Interim dividend 30 September - Sterling Income Shares	266,508	-
Interim dividend 30 September - Sterling Accumulation Shares	119,504	-
Interim dividend 30 September - X Shares (Net Accumulation)	20,917	-
Interim dividend 30 September - Institutional Shares W (Net Income)	12,105	-
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	5,016	-
Interim dividend 30 September - Retail Advised Shares B (Net Income)	32	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	32	-
Interim dividend 31 October - Sterling Income Shares	271,166	-

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013



## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013*
	£	£
Interim dividend 31 October - Sterling Accumulation Shares	120,025	-
Interim dividend 31 October - X Shares (Net Accumulation)	21,048	-
Interim dividend 31 October - Institutional Shares W (Net Income)	14,313	-
Interim dividend 31 October - Institutional Shares W (Net Accumulation)	5,472	-
Interim dividend 31 October - Retail Advised Shares B (Net Income)	32	-
Interim dividend 31 October - Retail Advised Shares B (Net Accumulation)	32	-
Interim dividend 30 November - Sterling Income Shares	279,095	-
Interim dividend 30 November - Sterling Accumulation Shares	122,341	-
Interim dividend 30 November - X Shares (Net Accumulation)	21,934	-
Interim dividend 30 November - Institutional Shares W (Net Income)	20,745	-
Interim dividend 30 November - Institutional Shares W (Net Accumulation)	7,813	-
Interim dividend 30 November - Retail Advised Shares B (Net Income)	33	-
Interim dividend 30 November - Retail Advised Shares B (Net Accumulation)	34	-
Interim dividend 31 December - Sterling Income Shares	281,814	-
Interim dividend 31 December - Sterling Accumulation Shares	121,488	-
Interim dividend 31 December - X Shares (Net Accumulation)	21,934	-
Interim dividend 31 December - Institutional Shares W (Net Income)	21,993	-
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	7,848	-
Interim dividend 31 December - Retail Advised Shares B (Net Income)	34	-
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	34	-
Interim dividend 31 January - Sterling Income Shares	288,051	-
Interim dividend 31 January - Sterling Accumulation Shares	123,122	-
Interim dividend 31 January - X Shares (Net Accumulation)	22,311	-
Interim dividend 31 January - Institutional Shares W (Net Income)	22,946	-
Interim dividend 31 January - Institutional Shares W (Net Accumulation)	8,300	-
Interim dividend 31 January - Retail Advised Shares B (Net Income)	34	-
Interim dividend 31 January - Retail Advised Shares B (Net Accumulation)	35	-
Interim dividend 28 February - Sterling Income Shares	282,151	264,911
Interim dividend 28 February - Sterling Accumulation Shares	118,180	130,966
Interim dividend 28 February - X Shares (Net Accumulation)	21,614	39,039
Interim dividend 28 February - Institutional Shares W (Net Income)	24,733	4,197
Interim dividend 28 February - Institutional Shares W (Net Accumulation)	8,743	391
Interim dividend 28 February - Retail Advised Shares B (Net Income)	33	31
Interim dividend 28 February - Retail Advised Shares B (Net Accumulation)	33	31
Interim dividend 31 March - Sterling Income Shares	287,092	266,960
Interim dividend 31 March - Sterling Accumulation Shares	115,925	128,919
Interim dividend 31 March - X Shares (Net Accumulation)	22,095	39,404
Interim dividend 31 March - Institutional Shares W (Net Income)	31,467	4,196
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	12,421	490
Interim dividend 31 March - Retail Advised Shares B (Net Income)	34	32
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	34	32
Interim dividend 30 April - Sterling Income Shares	283,700	275,405
Interim dividend 30 April - Sterling Accumulation Shares	113,887	129,904
Interim dividend 30 April - X Shares (Net Accumulation)	22,076	40,190
Interim dividend 30 April - Institutional Shares W (Net Income)	42,411	5,648
Interim dividend 30 April - Institutional Shares W (Net Accumulation)	13,774	682
Interim dividend 30 April - Retail Advised Shares B (Net Income)	34	32
Interim dividend 30 April - Retail Advised Shares B (Net Accumulation)	34	32
Interim dividend 31 May - Sterling Income Shares	281,687	278,248
Interim dividend 31 May - Sterling Accumulation Shares	113,733	129,765
Interim dividend 31 May - X Shares (Net Accumulation)	22,480	40,604
Interim dividend 31 May - Institutional Shares W (Net Income)	53,934	7,832
Interim dividend 31 May - Institutional Shares W (Net Accumulation)	15,332	986
Interim dividend 31 May - Retail Advised Shares B (Net Income)	34	32
Interim dividend 31 May - Retail Advised Shares B (Net Accumulation)	35	32

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013*
	£	£
Final dividend 30 June - Sterling Income Shares	695,543	459,839
Final dividend 30 June - Sterling Accumulation Shares	284,594	222,864
Final dividend 30 June - X Shares (Net Accumulation)	57,347	70,919
Final dividend 30 June - Institutional Shares W (Net Income)	196,803	16,099
Final dividend 30 June - Institutional Shares W (Net Accumulation)	43,900	2,220
Final dividend 30 June - Retail Advised Shares B (Net Income)	579	56
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	238	56
	<b>6,220,794</b>	<b>2,561,044</b>
Amounts added on issue of shares	(216,198)	(19,511)
Amounts deducted on cancellation of shares	119,561	59,085
<b>Net distributions for the year</b>	<b>6,124,157</b>	<b>2,600,618</b>
Interest	2,519	703
<b>Total finance costs</b>	<b>6,126,676</b>	<b>2,601,321</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013*
	£	£
Net revenue after taxation	5,214,244	2,261,891
Capitalised fees less tax relief paid from capital	909,930	338,727
Equalisation on conversions	(17)	-
	<b>6,124,157</b>	<b>2,600,618</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	295,946	1,022,442
Amount receivable for issue of shares	2,938,363	184,642
Overseas tax recoverable	6,087	4,367
Sales awaiting settlement	-	37,327
	<b>3,240,396</b>	<b>1,248,778</b>

**Notes to the Financial Statements (continued)****8 Cash & bank balances**

	30/06/2014	30/06/2013
	£	£
Cash held at bank	4,267,040	78,178
Cash held in Insight Investment Liquidity Fund	-	391,043
	<b>4,267,040</b>	<b>469,221</b>
<b>Overdrawn cash and bank balances</b>		
Bank overdraft	-	(310,857)
	<b>-</b>	<b>(310,857)</b>

**9 Creditors**

	30/06/2014	30/06/2013
	£	£
Accrued expenses	107,939	276,462
Amount payable for cancellation of shares	2,126,170	45,610
Corporation tax payable	618,888	37,770
	<b>2,852,997</b>	<b>359,842</b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £713,682 (30/06/13: £54,129 due from the ACD).

**11 Financial instruments****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.

**Derivative risk**

The Fund enters into derivative transactions in the form of forward foreign currency contracts and options. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities. Exchange traded index options are written to enhance the yield for investors. As such returns are taken to revenue.

**Foreign currency risk**

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	76,708,400	3,561,388	80,269,788	69,218,744
Europe	-	44,316	44,316	43,126
United States of America	1,394,330	155,810	1,550,140	31,319
<b>Total</b>	<b>78,102,730</b>	<b>3,761,514</b>	<b>81,864,244</b>	<b>69,293,189</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	21,865,462	84,068,989
Commissions	17,306	8,130
Taxes	38,384	20,383
Total purchase costs	55,690	28,513
<b>Gross purchases total</b>	<b>21,921,152</b>	<b>84,097,502</b>
Analysis of total sales proceeds:		
Sales before transaction costs	20,921,155	15,476,207
Commissions	(15,099)	(8,801)
Taxes	(16)	(28)
Total sales costs	(15,115)	(8,829)
<b>Total sales net of transaction costs</b>	<b>20,906,040</b>	<b>15,467,378</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date.

### 14 Stock lending

As at 30 June 2014, £2,101,155 of investments were subject to stock lending agreements and the Fund held £2,214,837 in collateral. The collateral is held equity securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

The gross earnings and the fees for the year are £6,629 (30/06/2013: £718) and £1,326 (30/06/2013: £144) respectively.

### 15 Shareholders' funds

The Fund currently has seven share classes; Sterling Income Shares, Sterling Accumulation Shares, X Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Sterling Accumulation Shares	1.50%	0.10%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 51 to 52. The distributions are given in the distribution statements on pages 58 to 67. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT GLOBAL ABSOLUTE RETURN FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £46.92m

Comparative Index: LIBOR GBP 3 Months

Sector: IMA Targeted Absolute Return

Yield as at 30 June 2014:

Sterling Accumulation Shares	0.01%
Institutional Shares (Accumulation)	0.31%
Sterling Income Shares	0.03%
Institutional Shares W (Net Income)	0.35%
Institutional Shares W (Net Accumulation)	0.34%
Retail Advised Shares B (Net Income)	0.26%
Retail Advised Shares B (Net Accumulation)	0.26%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To deliver positive returns on an annual basis with the prospect of attractive long-term capital growth. The Fund aims to deliver cash (3 month GBP LIBOR) + 4% on a rolling annualised 5 years basis before fees. However, a positive return is not guaranteed and a capital loss may occur.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Accumulation Shares*	7.75%	n/a	n/a	n/a	n/a
Institutional Shares (Accumulation)*	8.65%	n/a	n/a	n/a	n/a
Sterling Income Shares*	7.72%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	8.76%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	8.76%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	8.47%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	8.47%	n/a	n/a	n/a	n/a
LIBOR GBP 3 Months	0.42%	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Accumulation Share Class of the Fund returned +7.75% against +0.42% for LIBOR GBP 3 Months.

The Fund generated an attractive positive return over the 12 months. The Fund maintained allocations to investments across the asset spectrum, and this diversification again added to performance over the year, with all four return components of the Fund – equities, fixed income, real assets and ‘total return’ strategies – contributing positively to overall returns. The Fund’s equity allocations were significant contributors to performance, with improving economic trends, accommodative central bank policy and a broader market stabilisation providing a healthy backdrop for risk assets. This ensured that developed equity markets rallied for much of the year, despite periodic bouts of volatility, and the Fund was able to benefit from these strong gains. Our exposure to ‘total return’ strategies was also very beneficial, providing an important diversifier to returns within a portfolio context. In this part of the portfolio we aim to identify and capture, through diverging trends or perceived mis-pricings, alternative sources of outperformance in a less-directional fashion. The positions held within this component relate directly to the economic views and investment preferences of the investment team. Within real assets, our holdings in infrastructure assets generated positive returns, more than offsetting the weak performance of our commodity exposure, which came under pressure due to softer prices.

As the global growth backdrop picked up over the 12-month period, we opted to increase our equity allocations and reducing our fixed income holdings. The main reductions occurred in investment grade (debt rated BBB and above by the credit rating agency Standard & Poor’s) and high yield (debt rated below BBB-) credit, where we favoured putting our exposures to work in more cyclically-oriented assets – more sensitive to economic change – to benefit from the improving economic backdrop. We also cut back our emerging market debt exposure, removing exposures to local currency debt where we expected currency movements to have a negative impact. Our allocations to real assets were broadly unchanged, while we lowered our allocation to total return strategies. We are mindful that diverging monetary policy and economic trends around the globe may open up some interesting opportunities going forwards.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

#### Purchases

UBS ETF CMCI Composite Fund  
Japan 0.1% 15/03/16  
iShares JPMorgan \$ Emerging Markets Bond Fund  
iShares Sterling Corporate Bond Fund  
iShares Markit iBoxx Euro Corporate Bond Fund  
BNY Mellon Global Fund - Absolute Return Bond Fund  
UBS ETC Composite Fund  
Spain 3.75% 31/10/18  
iShares EM Local Government Bonds  
iShares Markit iBoxx Euro Corporate 1-5 Years Bond Fund

#### Sales

Cazenove UK Opportunities X Accumulation  
Japan 0.1% 15/03/16  
BlackRock Overseas Government Bond Tracker Fund  
iShares Sterling Corporate 1-5 Years Bond Fund  
UBS ETC Composite Fund  
Neuberger Berman Short Duration High Yield Bond Fund  
Insight Global Funds II (Libor Plus 'S')  
iShares Markit iBoxx Euro Corporate 1-5 Years Bond Fund  
iShares Sterling Corporate Bond Fund  
JP Morgan Macro Hedge

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	102.99	98.10	0.0117
2014	106.25	100.44	0.1164
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	103.22	98.39	0.3276
2014	107.44	101.26	0.9561
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	102.90	98.01	0.0290
2014	106.10	100.30	0.1730
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.15	98.29	0.3711
2014	107.11	100.90	1.0608
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.15	98.32	0.3687
2014	107.50	101.27	1.0609
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.08	98.24	0.2764
2014	106.80	100.72	0.7894
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.08	98.24	0.2764
2014	107.11	101.01	0.7920

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2013	34,567,190	98.32	35,157,866
30/06/2014	27,971,736	105.93	26,405,834
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2013	16,375,831	98.63	16,603,638
30/06/2014	15,638,296	107.13	14,597,034
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2013	7,441	98.21	7,577
30/06/2014	28,385	105.58	26,886
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	4,959	98.20	5,050
30/06/2014	176,132	105.71	166,624
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	316,152	98.57	320,752
30/06/2014	3,090,027	107.18	2,883,113



**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,910	Pence 98.20	5,000
30/06/2014	5,300	105.70	5,014
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	4,924	Pence 98.48	5,000
30/06/2014	5,340	106.80	5,000

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Accumulation Shares	1.83	1.78
Institutional Shares (Accumulation)	1.01	0.96
Sterling Income Shares	1.83	1.78
Institutional Shares W (Net Income)	0.89	0.84
Institutional Shares W (Net Accumulation)	0.89	0.84
Retail Advised Shares B (Net Income)	1.17	1.10
Retail Advised Shares B (Net Accumulation)	1.17	1.10

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 2.83% (0.00%)</b>			
Spain 3.75% 31/10/18	EUR1,494,000	1,325,234	2.83
<b>Collective Investment Schemes 20.00% (22.54%)</b>			
BNY Mellon Global Fund - Absolute Return Bond Fund †	9,969	890,592	1.90
BNY Mellon Global Fund - Emerging Markets Corporate Debt Fund †	6,475	475,039	1.01
BNY Mellon Global Fund - European Credit X EUR Accumulation †	2,602	231,207	0.49
Insight Discretionary UK Corporate All Maturities Bond Fund †	658,783	1,169,603	2.49
Insight Discretionary UK Government All Maturities Bond Fund †	390,196	690,179	1.47
Insight Global Funds II (Libor Plus 'S') †	965	915,443	1.95
Insight Global II Short Dated High Yield Bond Fund †	42,793	486,218	1.04
Insight Investments Discretionary UK Government Long Maturities Bond †	377,416	703,503	1.50
Insight Libor Plus Fund-S †	1,262,672	1,872,921	3.99
Neuberger Berman Short Duration High Yield Bond Fund	39,454	469,897	1.00
SSGA-US Corporate Bond Index	247,178	1,481,797	3.16
<b>Equities 15.52% (16.43%)</b>			
3i Infrastructure	566,767	771,370	1.64
Doric Nimrod Air One	542,289	618,209	1.32
Doric Nimrod Air Two	415,135	975,567	2.08
Duet Real Estate Finance	1,258,731	937,755	2.00
GCP Infrastructure Investments	408,806	468,083	1.00
HarbourVest Senior Loans Europe	895,050	308,792	0.66
HICL Infrastructure	737,667	1,031,996	2.20
John Laing Infrastructure Fund	675,265	786,684	1.68
NB Distressed Debt Investment Fund	1,205,630	895,488	1.91
Twentyfour Select	464,000	484,880	1.03
<b>Exchange Traded Funds 13.42% (4.16%)</b>			
iShares EM Local Government Bonds	9,298	455,207	0.97
iShares JPMorgan \$ Emerging Markets Bond Fund	22,303	1,488,432	3.17
iShares Markit iBoxx \$ Corporate Bond Fund	2,117	140,638	0.30
iShares Markit iBoxx Euro Corporate Bond Fund	11,108	1,173,284	2.50
iShares Sterling Corporate Bond Fund	2,517	323,309	0.69
UBS ETF CMCI Composite Fund	49,510	2,714,602	5.79
<b>Derivatives 0.93% (-0.99%)</b>			
<b>Futures 0.35% (-0.03%)</b>			
BOVESPA Index Future Expires August 2014	BRL40	(20,116)	(0.04)
CBOE VIX Future Expires November 2014	USD(7)	9,011	0.02
CBOE VIX Future Expires September 2014	USD(21)	47,285	0.10
Euro Buxl 30 Year Bond Future Expires September 2014	EUR9	5,573	0.01
Euro Stoxx 50 Future Expires September 2014	EUR(6)	2,306	0.00
EURO-BOBL 50 Future Expires September 2014	EUR(14)	(6,278)	(0.01)
EURO-BTP 50 Future Expires September 2014	EUR30	52,128	0.11
Euro-Bund Future Expires September 2014	EUR(12)	(13,645)	(0.03)
FTSE 100 Index Future Expires September 2014	£29	(10,033)	(0.02)
FTSE Dividend Future Expires December 2015	£191	(3,802)	(0.01)
FTSE/JSE Top 40 Future Expires September 2014	ZAR23	(88)	0.00
H-Shares Index Future Expires July 2014	HKD15	8,603	0.02
IBEX 35 Index Future Expires July 2014	EUR27	(26,917)	(0.06)
Kospi2 Index Future Expires September 2014	KRW11	(10,650)	(0.02)
NIKKEI 225 Future (CME) Expires September 2014	USD37	(2,164)	0.00
NIKKEI Dividend Future Expires December 2015	JPY29	31,458	0.07
S&P 500 EMINI Future Expires September 2014	USD33	17,949	0.04
SGX CNX NIFTY Future Expires July 2014	USD64	697	0.00

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Futures (continued)</b>			
SPI 200 Future Expires September 2014	AUD11	2,269	0.00
SX5E Dividend Future Expires December 2014	EUR126	38,773	0.08
US 5 Year Note Future (CBT) Expires September 2014	USD(66)	4,525	0.01
US Ultra Bond Future (CBT) Expires September 2014	USD35	34,173	0.07
US 10 Year Note Future (CBT) Expires September 2014	USD13	(356)	0.00
CAC40 10 Euro Expires July 2014	EUR(66)	2,026	0.00
DAX Index Future Expires September 2014	EUR12	3,150	0.01
<b>Options 0.46% (-0.68%)</b>			
Australian dollar Put US dollar 09/07/2014	AUD(8,000,000)	19,533	0.04
Euro Stoxx 50 September 2014 2750 (Put Option)	USD133	(8,413)	(0.02)
Euro Stoxx 50 September 2013 3100 (Call Option)	USD133	187,543	0.40
Euro Stoxx 50 September 2013 3200 (Call Option)	USD(133)	(112,568)	(0.24)
FTSE 100 September 2014 6100 (Put Option)	USD(56)	(13,440)	(0.03)
FTSE 100 September 2014 6400 (Put Option)	USD(52)	(26,520)	(0.06)
FTSE 100 September 2014 6500 (Put Option)	USD28	19,040	0.04
FTSE 100 September 2014 6800 (Call Option)	USD28	23,240	0.05
FTSE 100 September 2014 6900 (Call Option)	USD52	23,140	0.05
FTSE 100 September 2014 7000 (Call Option)	USD(56)	(11,760)	(0.03)
FTSE 100 September 2014 7100 (Call Option)	USD(52)	(4,680)	(0.01)
FTSE 100 December 2014 6500 (Put Option)	USD(56)	(48,720)	(0.10)
FTSE 100 December 2014 6500 (Put Option)	USD28	50,960	0.11
FTSE 100 December 2014 6800 (Call Option)	USD28	42,840	0.09
FTSE 100 December 2014 6800 (Call Option)	USD(56)	(41,160)	(0.09)
Hang Seng July 2014 9200 (Put Option)	CNY(89)	(2,351)	(0.01)
Hang Seng July 2014 10600 (Call Option)	CNY89	16,790	0.04
Hang Seng July 2014 11000 (Call Option)	CNY(89)	(4,365)	(0.01)
iShares September 2014 44.5 (Call Option)	USD(1,037)	(36,996)	(0.08)
iShares September 2014 43 (Call Option)	USD1,037	86,121	0.18
iShares September 2014 39 (Put Option)	USD(1,037)	(15,162)	(0.03)
Nikkei September 2014 14000 (Put Option)	USD(37)	(24,565)	(0.05)
Nikkei September 2014 15500 (Call Option)	USD37	64,082	0.14
Nikkei September 2014 16000 (Call Option)	USD(37)	(32,041)	(0.07)
Russell July 2014 1140 (Call Option)	USD(28)	(88,789)	(0.19)
Russell July 2014 1140 (Put Option)	USD(28)	(5,535)	(0.01)
S&P 500 Index September 2014 1700 (Put Option)	USD(32)	(7,861)	(0.02)
S&P 500 Index September 2014 1800 (Put Option)	USD16	9,077	0.02
S&P 500 Index September 2014 1900 (Call Option)	USD16	71,117	0.15
S&P 500 Index September 2014 1950 (Call Option)	USD(32)	(76,732)	(0.16)
S&P 500 Index December 2014 1800 (Put Option)	USD(32)	(52,402)	(0.11)
S&P 500 Index December 2014 1900 (Put Option)	USD16	47,349	0.10
S&P 500 Index December 2014 2000 (Call Option)	USD16	35,559	0.08
S&P 500 Index December 2014 1500 (Call Option)	USD(32)	(36,307)	(0.08)
S&P 500 Index August 2014 1775 (Put Option)	USD(31)	(5,856)	(0.01)
S&P 500 Index August 2014 1900 (Call Option)	USD31	125,824	0.27
S&P 500 Index August 2014 1950 (Call Option)	USD(31)	(57,110)	(0.12)
SX5E Dividend December 2016 110 (Call Option)	USD210	132,674	0.28
SX5E Dividend December 2016 115 (Call Option)	USD(210)	(86,263)	(0.18)
SX5E Dividend December 2015 105 (Call Option)	USD298	134,581	0.29
SX5E Dividend December 2015 110 (Call Option)	USD(298)	(60,132)	(0.13)
SX5E Dividend December 2016 95 (Put Option)	USD(210)	(23,878)	(0.05)
SX5E Dividend December 2015 90 (Put Option)	USD(298)	(2,625)	(0.01)
US dollar Put Mexican peso	USD(6,000,000)	14,180	0.03
US dollar Call Japanese yen	USD(7,800,000)	(607)	0.00

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>EUR Forward Foreign Currency Contracts -0.02% (-0.01%)</b>			
Forward Foreign Currency Contracts 19/09/14	EUR(4,600,000)	(3,686,973)	(7.86)
Forward Foreign Currency Contracts 19/09/14	£3,676,971	3,676,971	7.84
<b>JPY Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 19/09/14	JPY(480,000,000)	(2,774,552)	(5.91)
Forward Foreign Currency Contracts 19/09/14	£2,777,410	2,777,410	5.92
Forward Foreign Currency Contracts 19/09/14	JPY436,000,000	2,520,218	5.37
Forward Foreign Currency Contracts 19/09/14	£(2,517,647)	(2,517,647)	(5.37)
<b>USD Forward Foreign Currency Contracts 0.13% (-0.28%)</b>			
Forward Foreign Currency Contracts 18/09/14	USD(600,000)	(351,138)	(0.75)
Forward Foreign Currency Contracts 18/09/14	£352,813	352,813	0.75
Forward Foreign Currency Contracts 19/09/14	USD(14,300,000)	(8,368,860)	(17.84)
Forward Foreign Currency Contracts 19/09/14	£8,427,882	8,427,882	17.97
<b>Portfolio of investments*</b>		<b>24,724,742</b>	<b>52.70</b>
<b>Net current assets</b>		<b>22,190,474</b>	<b>47.30</b>
<b>Total Net Assets</b>		<b>46,915,216</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

†Considered a related party of the ACD

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains/(losses)	1		3,545,404	(821,913)
Revenue	2	846,843		369,696
Expenses	3	(646,497)		(301,924)
Finance costs: Interest	5	(535)		(1,008)
Net revenue before taxation		199,811		66,764
Taxation	4	-		-
Net revenue after taxation			199,811	66,764
<b>Total return before distributions</b>			<b>3,745,215</b>	<b>(755,149)</b>
Finance costs: Distributions	5		(206,934)	(66,764)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>3,538,281</b>	<b>(821,913)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		51,281,407	-
Amounts receivable on issue of shares	3,919,002		60,297,715
Amounts payable on cancellation of shares	(12,022,744)		(8,256,098)
		(8,103,742)	52,041,617
Dilution adjustment		783	2,163
Stamp Duty Reserve Tax		(2,465)	(170)
Change in net assets attributable to Shareholders from investment activities (see above)		3,538,281	(821,913)
Retained distributions on accumulation shares		200,952	59,710
<b>Closing net assets attributable to Shareholders</b>		<b>46,915,216</b>	<b>51,281,407</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			25,715,631	22,946,577
Debtors	7	196,925		1,800,780
Cash and bank balances	8	<u>23,070,921</u>	<u>29,646,760</u>	
Total other assets			<u>23,267,846</u>	<u>31,447,540</u>
Total assets			48,983,477	54,394,117
<b>LIABILITIES</b>				
Investment liabilities			(990,889)	(1,338,888)
Bank overdraft	8	(9,106)		(301,061)
Creditors	9	(1,066,412)		(1,472,726)
Distribution payable on income shares		<u>(1,854)</u>	<u>(35)</u>	
Total other liabilities			<u>(1,077,372)</u>	<u>(1,773,822)</u>
Total liabilities			(2,068,261)	(3,112,710)
<b>Net assets attributable to Shareholders</b>			<u><b>46,915,216</b></u>	<u><b>51,281,407</b></u>

\*Gross of investment liabilities

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Accumulation Shares						
Group 1	0.1293	0.0129	0.1164	0.0000	0.1164	0.0117
Group 2	0.0872	0.0087	0.0785	0.0379	0.1164	0.0117
Institutional Shares (Accumulation)						
Group 1	1.0623	0.1062	0.9561	0.0000	0.9561	0.3276
Group 2	0.3279	0.0328	0.2951	0.6610	0.9561	0.3276
Sterling Income Shares						
Group 1	0.1922	0.0192	0.1730	0.0000	0.1730	0.0290
Group 2	0.0052	0.0005	0.0047	0.1683	0.1730	0.0290
Institutional Shares W (Net Income)						
Group 1	1.1787	0.1179	1.0608	0.0000	1.0608	0.3711
Group 2	0.4068	0.0407	0.3661	0.6947	1.0608	0.3711
Institutional Shares W (Net Accumulation)						
Group 1	1.1788	0.1179	1.0609	0.0000	1.0609	0.3687
Group 2	0.3282	0.0328	0.2954	0.7655	1.0609	0.3687
Retail Advised Shares B (Net Income)						
Group 1	0.8771	0.0877	0.7894	0.0000	0.7894	0.2764
Group 2	0.8771	0.0877	0.7894	0.0000	0.7894	0.2764
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8800	0.0880	0.7920	0.0000	0.7920	0.2764
Group 2	0.8800	0.0880	0.7920	0.0000	0.7920	0.2764

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014 £	30/06/2013* £
Gains on non-derivative securities	23,910	145,073
Gains/(losses) on derivative contracts	2,472,761	(611,498)
Gains/(losses) on forward currency contracts	991,279	(173,007)
Currency exchange gains/(losses)	97,549	(182,481)
Activity charges	(40,095)	-
<b>Net capital gains/(losses)</b>	<b>3,545,404</b>	<b>(821,913)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
Overseas dividends	683,364	359,287
Bank interest	3,066	772
Collective investment scheme distributions	99,933	-
Interest on debt securities	46,929	-
Management fee rebate	4,129	9,443
Interest on money market deposits	8,651	-
Stock lending	771	194
<b>Total revenue</b>	<b>846,843</b>	<b>369,696</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	588,023	272,044
Administration fees	35,985	16,742
Safe custody charges	1,379	-
	<b>625,387</b>	<b>288,786</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	13,564	5,699
	<b>13,564</b>	<b>5,699</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	7,318	7,321
Financial Conduct Authority fee	228	118
	<b>7,546</b>	<b>7,439</b>
<b>Total expenses</b>	<b>646,497</b>	<b>301,924</b>

† The Audit services (audit fee) net of VAT for 2014 is £6,250 (2013: £6,100).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013



## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013* £
<b>a) Analysis of tax charge in period:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	199,811	66,764
<b>Corporation tax @ 20%</b>	39,962	13,353
Effects of:		
Dividends not subject to corporation tax	(98,122)	(40,782)
Excess management expenses	58,160	27,429
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £427,944 (30/06/13: £137,145), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £85,589 (30/06/13: £27,429).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013* £
Final dividend 30 June - Sterling Accumulation Shares	30,752	4,116
Final dividend 30 June - Institutional Shares (Accumulation)	139,572	54,397
Final dividend 30 June - Sterling Income Shares	46	2
Final dividend 30 June - Institutional Shares W (Net Income)	1,768	19
Final dividend 30 June - Institutional Shares W (Net Accumulation)	30,588	1,183
Final dividend 30 June - Retail Advised Shares B (Net Income)	40	14
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	40	14
	<u>202,806</u>	<u>59,745</u>
Amounts added on issue of shares	(24,911)	(833)
Amounts deducted on cancellation of shares	29,039	7,852
<b>Net distributions for the year</b>	<u>206,934</u>	<u>66,764</u>
Interest	535	1,008
<b>Total finance costs</b>	<u>207,469</u>	<u>67,772</u>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	30/06/2014 £	30/06/2013* £
Net revenue after taxation	199,811	66,764
Equalisation on conversions	7,123	-
	<b>206,934</b>	<b>66,764</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

**7 Debtors**

	30/06/2014 £	30/06/2013 £
Accrued revenue	74,048	189,609
Amount receivable for issue of shares	122,131	44,198
Depository's fees	-	131
Management fee rebate	746	5,268
Sales awaiting settlement	-	1,561,574
	<b>196,925</b>	<b>1,800,780</b>

**8 Cash & bank balances**

	30/06/2014 £	30/06/2013 £
Cash held at bank	3,774,324	1,860,185
Cash held in BlackRock ICS Institutional Sterling Liquidity Fund	2,898,677	6,650,000
Cash held in Insight Investment Liquidity Fund	8,937,259	9,698,376
Cash held at LGIM Sterling Liquidity Fund	4,604,382	7,286,454
Cash held on margin account	2,856,279	4,151,745
	<b>23,070,921</b>	<b>29,646,760</b>

**Overdrawn cash and bank balances**

Overdraft position at brokers	(5,632)	(301,061)
Bank overdraft	(3,474)	-
	<b>(9,106)</b>	<b>(301,061)</b>

**9 Creditors**

	30/06/2014 £	30/06/2013 £
Accrued expenses	66,471	64,578
Amount payable for cancellation of shares	115,202	23,563
Purchases awaiting settlement	884,739	1,384,585
	<b>1,066,412</b>	<b>1,472,726</b>

## Notes to the Financial Statements (continued)

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £51,595 (30/06/13: £36,505 due to the ACD).

### 11 Financial instruments

#### Interest rate risk

The Fund invests in Collective Investment Schemes which, in themselves, invest in fixed rate securities and any change in interest rates may result in the ACD being unable to secure similar returns in the future. The interest rate profile for the relevant Collective Investment Schemes is shown in the notes to their Financial Statements.

#### Market Risk

The Fund uses Value at Risk (VaR) to calculate the likelihood of the Fund (including derivatives) falling in value by more than a particular level.

Under normal market conditions, VaR captures the potential fall in the value of the portfolio over a given holding period and to a given level of statistical confidence.

The Fund uses the Absolute VaR model, where it limits its VaR to 4.8% of the Net Asset Value (NAV) of the Fund, with a 99% confidence level and a 5 day holding period. The VaR model utilises an historical recalculation basis using at least one year of daily returns.

The confidence level is set at 99% meaning that we would expect losses calculated over a 5 day period to exceed the 5 day VaR calculated for that period only once every 100 trading days, other things being equal.

The holding period (5 trading days) is the time horizon over which the fall in value of individual security prices is projected.

As at the year ended 30 June 2014 the Fund had an Absolute daily VaR of 1.79%. (30/06/13: 0.62%)

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Currency Options	Total (£)
Barclays	-	14,180	14,180
Citibank	(7,431)	18,926	11,495
Royal Bank Of Canada	61,880	-	61,880
Royal Bank Of Scotland	1,675	-	1,675
	<b>56,124</b>	<b>33,106</b>	<b>89,230</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of futures, options and forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities. Exchange traded index options are used for hedging purposes to protect the value of the Fund. Exchange traded futures are used by the Fund to manage market price risk of the Fund. Derivatives may be used for efficient portfolio management as well as for meeting the objective of the Fund.

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	25,730,943	21,952,208	47,683,151	52,241,391
Australia	21,802	43,335	65,137	(1,041,251)
Brazil	(20,116)	125,899	105,783	-
Europe	151,380	(492,156)	(340,776)	(716,393)
Hong Kong	18,677	(1,055)	17,622	(5,992)
Japan	(215,400)	(5,175)	(220,575)	(579,214)
Korea	(10,650)	105,903	95,253	46,673
South Africa	(89)	105,475	105,386	(15,754)
United States of America	(951,805)	356,040	(595,765)	1,351,947
<b>Total</b>	<b>24,724,742</b>	<b>22,190,474</b>	<b>46,915,216</b>	<b>51,281,407</b>

### 12 Portfolio transaction costs

	£	30/06/2014	£	30/06/2013	£
Analysis of total purchase costs:					
Purchases before transaction costs		31,912,907		60,286,011	
Commissions	10,359		3,013		
Taxes	-		-		
Total purchase costs		10,359		3,013	
<b>Gross purchases total</b>		<b>31,923,266</b>		<b>60,289,024</b>	
Analysis of total sales proceeds:					
Sales before transaction costs		29,982,212		37,468,196	
Commissions	(14,624)		(11,826)		
Taxes	-		-		
Total sales costs		(14,624)		(11,826)	
<b>Total sales net of transaction costs</b>		<b>29,967,588</b>		<b>37,456,370</b>	

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, £908,453 of investments were subject to stock lending agreements and the Fund held £1,294,106 in collateral. The collateral is held 5.94% in debt securities and 94.06% in equity securities.

As at 30 June 2013, £88,920 of investments were subject to stock lending agreements and the Fund held £93,793 in collateral. The collateral was held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £964 (30/06/13: £243) and £193 (30/06/13: £49) respectively.

Notes to the Financial Statements (continued)

15 Shareholders' funds

The Fund currently has seven share classes; Sterling Accumulation Shares, Institutional Shares (Accumulation), Sterling Income Shares, Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Accumulation Shares	1.50%	0.10%
Institutional Shares (Accumulation)	0.75%	0.03%
Sterling Income Shares	1.50%	0.10%
Institutional Shares W (Net Income)	0.625%	0.03%
Institutional Shares W (Net Accumulation)	0.625%	0.03%
Retail Advised Shares B (Net Income)	0.85%	0.10%
Retail Advised Shares B (Net Accumulation)	0.85%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 77 to 78. The distribution is given in the distribution statement on page 84. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT GLOBAL MULTI-STRATEGY FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £138.63m

Sector: IMA Mixed Investment 20-60% Shares

Yield as at 30 June 2014:

Sterling Income Shares	0.17%
Sterling Accumulation Shares	0.17%
Institutional Shares (Income)	0.81%
Institutional Shares (Accumulation)	0.72%
S Shares (Net Income)	1.20%
S Shares (Net Accumulation)	1.23%
Institutional Shares W (Net Income)	0.83%
Institutional Shares W (Net Accumulation)	0.78%
Retail Advised Shares B (Net Income)	0.62%
Retail Advised Shares B (Net Accumulation)	0.61%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To achieve capital growth.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	7.35%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	7.36%	n/a	n/a	n/a	n/a
Institutional Shares (Income)*	8.08%	n/a	n/a	n/a	n/a
Institutional Shares (Accumulation)*	8.16%	n/a	n/a	n/a	n/a
S Shares (Net Income)*	8.59%	n/a	n/a	n/a	n/a
S Shares (Net Accumulation)*	8.55%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	8.26%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	8.24%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	8.04%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	8.05%	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Retail Advised Shares B (Net Accumulation) Share Class of the Fund returned +8.05% against +6.90% for IMA Mixed Investment 20-60% Shares.

The Fund generated an attractive positive return over the 12 months. The Fund maintained allocations to investments across the asset spectrum, and this diversification again added to performance over the year, with all four return components of the Fund – equities, fixed income, real assets and ‘total return’ strategies – contributing positively to overall returns. The Fund’s equity allocations were significant contributors to performance, with improving economic trends, accommodative central bank policy and a broader market stabilisation providing a healthy backdrop for risk assets. This ensured that developed equity markets rallied for much of the year, despite periodic bouts of volatility, and the Fund was able to benefit from these strong gains. Our exposure to ‘total return’ strategies was also very beneficial, providing an important diversifier to returns within a portfolio context. In this part of the portfolio we aim to identify and capture, through diverging trends or perceived mis-pricings, alternative sources of outperformance in a less-directional fashion. The positions held within this component relate directly to the economic views and investment preferences of the investment team. Within real assets, our holdings in infrastructure assets generated positive returns, more than offsetting the weak performance of our commodity exposure, which came under pressure due to softer prices.

As the global growth backdrop picked up over the 12-month period, we opted to increase our equity allocations and reducing our fixed income holdings. The main reductions occurred in investment grade (debt rated BBB and above by the credit rating agency Standard & Poor’s – and high yield – debt rated below BBB-) credit, where we favoured putting our exposures to work in more cyclically-oriented assets – more sensitive to economic change – to benefit from the improving economic backdrop. We also cut back our emerging market debt exposure, removing exposures to local currency debt where we expected currency movements to have a negative impact. Our allocations to real assets were broadly unchanged, while we lowered our allocation to total return strategies. We are mindful that diverging monetary policy and economic trends around the globe may open up some interesting opportunities going forwards.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
iShares Sterling Corporate Bond Fund	iShares Sterling Corporate Bond Fund
iShares Sterling Corporate Bond Fund 1-5 Year	Schroders UK Opportunities Z Accumulation
UBS London ETC Note	Jupiter UK Special Situations Fund
UBS ETF Composite	iShares Sterling Corporate Bond Fund 1-5 Year
Japan 0.10% Bonds 2016	UBS ETF Composite
Insight Global II Ex-UK Bond Fund	Japan 0.10% Bonds 2016
Spain 3.75% Bonds 2018	Pimco Global High Yield Bond Fund
SSgA US Corporate Bond Index Fund	iShares Euro Corporate Bond Fund
BNY Mellon Global Funds - European Credit Fund	Insight Discretionary UK Corporate Long Maturities Bond Fund
iShares Emerging Markets Local Government Bond Fund	Ireland 3.90% Bonds 2023



## Statistics

### Price and Revenue Record by Share Class

Calendar Year	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	106.69	99.13	0.3669
2014	108.21	102.55	0.0000
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	106.89	99.31	0.3678
2014	108.60	102.92	0.0000
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	106.75	99.32	0.9239
2014	108.62	102.77	0.2421
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	107.08	99.56	0.8869
2014	109.68	103.73	0.2425
<b>S Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	106.76	99.24	0.7276
2014	108.29	102.76	0.7927
<b>S Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	107.02	99.48	0.7294
2014	109.78	103.49	0.8314
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	106.70	99.21	0.9509
2014	108.63	102.78	0.2904
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	107.01	99.49	0.9396
2014	109.68	103.69	0.2938
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	106.65	99.14	0.7997
2014	108.50	102.68	0.2007
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	106.93	99.41	0.8026
2014	109.40	103.48	0.2023

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>			
30/06/2013	20,073,719	100.17	20,038,847
30/06/2014	18,037,485	107.21	16,825,043
<b>Sterling Accumulation Shares</b>			
30/06/2013	39,679,984	100.36	39,538,143
30/06/2014	36,489,826	107.59	33,915,753
<b>Institutional Shares (Income)</b>			
30/06/2013	50	100.00	50
30/06/2014	46,816	107.44	43,576
<b>Institutional Shares (Accumulation)</b>			
30/06/2013	65,357,738	100.62	64,958,243
30/06/2014	60,871,401	108.67	56,014,817
<b>S Shares (Net Income)</b>			
30/06/2013	1,116,145	100.29	1,112,933
30/06/2014	30,488	107.44	28,376
<b>S Shares (Net Accumulation)</b>			
30/06/2013	19,747,475	100.54	19,642,026
30/06/2014	496,764	108.98	455,817
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	24,827	100.27	24,760
30/06/2014	1,136,822	107.42	1,058,253
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	38,062	100.55	37,853
30/06/2014	21,506,260	108.68	19,788,587
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	5,010	100.20	5,000
30/06/2014	5,411	107.34	5,041
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	5,023	100.46	5,000
30/06/2014	5,420	108.40	5,000

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.81	1.84
Sterling Accumulation Shares	1.81	1.84
Institutional Shares (Income)	0.99	1.02
Institutional Shares (Accumulation)	0.99	1.02
S Shares (Net Income)	1.24	1.27
S Shares (Net Accumulation)	1.24	1.27
Institutional Shares W (Net Income)	0.86	0.89
Institutional Shares W (Net Accumulation)	0.86	0.89
Retail Advised Shares B (Net Income)	1.13	1.15
Retail Advised Shares B (Net Accumulation)	1.13	1.15

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 2.94% (0.00%)</b>			
Spain 3.75% Bonds 2018	EUR4,591,000	4,072,388	2.94
<b>Collective Investment Schemes 32.70% (33.61%)</b>			
Baring Europe Select	78,185	1,842,823	1.33
BlackRock European Dynamic Fund	524,155	1,880,668	1.36
BNY Mellon Global Funds - European Credit Fund †	39,833	3,539,464	2.55
Insight Discretionary UK Corporate All Maturities Bond Fund †	6,678,329	11,856,705	8.55
Insight Discretionary UK Government All Maturities Bond Fund †	4,339,811	7,676,258	5.54
Insight Global Funds II - Short High Yield Bond Fund †	130,203	1,479,379	1.07
Insight Global II Ex-UK Bond Fund †	4,475	4,245,187	3.06
Jupiter UK Special Situations Fund	2,443,251	4,367,802	3.15
Liontrust Special Situations Fund	1,553,647	4,215,198	3.04
Merrill Lynch MLCX Commodity Fund	9,753	762,528	0.55
SSgA US Corporate Bond Index Fund	577,052	3,459,342	2.50
<b>Equity 6.32% (5.87%)</b>			
Doric Nimrod Air One	1,158,770	1,320,998	0.95
Doric Nimrod Air Two	755,907	1,776,382	1.28
Duet Real Estate Finance Fund	1,215,858	905,814	0.65
HarbourVest Senior Loans Europe	2,599,120	896,696	0.65
NB Distressed Debt Investment Fund	3,205,402	2,380,829	1.72
TwentyFour Select	1,414,000	1,477,630	1.07
<b>Exchange Traded Funds 10.17% (1.99%)</b>			
iShares Emerging Markets Local Government Bond Fund	28,289	1,384,959	1.00
iShares J.P. Morgan Emerging Markets Bond	42,167	2,814,093	2.03
iShares Markit iBoxx \$ Corporate Bond Fund	10,627	705,981	0.51
iShares Markit iBoxx Euro Corporate Bond Fund	13,190	1,393,196	1.01
iShares Sterling Corporate Bond Fund	28,077	3,606,491	2.60
UBS ETF CMCI Composite Fund	76,257	4,181,123	3.02
<b>Derivatives 0.62% (-0.38%)</b>			
<b>Futures 0.26% (-0.20%)</b>			
Bovespa Index Future August 2014	ZAR20	(10,051)	(0.01)
CAC 40 Future July 2014	EUR(98)	3,008	0.00
CBOE VIX Future September 2014	HKD(64)	144,106	0.10
CBOE VIX Future November 2014	KRW(24)	30,895	0.02
DAX Index Future September 2014	EUR18	4,725	0.00
Euro Stoxx 50 September 2014	USD(67)	25,752	0.02
Euro-BOBL Future September 2014	USD(41)	(18,385)	(0.01)
Euro-BTP Future September 2014	USD70	121,632	0.09
Euro-Bund Future September 2014	USD(61)	(69,360)	(0.05)
FTSE 100 Index Future September 2014	CAD289	(91,348)	(0.07)
FTSE 250 Mid Life September 2014	USD108	25,503	0.02
FTSE Dividend Future December 2014	AUD584	(11,624)	(0.01)
FTSE/JSE TOP 40 September 2014	CHF12	(46)	0.00
H-Shares Index Future July 2014	EUR8	4,588	0.00
IBEX 35 Index Future July 2014	EUR32	(31,901)	(0.02)
KOSPI2 Index Future September 2014	EUR13	(12,587)	(0.01)
Long Gilt Future September 2014	EUR25	(3,820)	0.00
Nikkei 225 (CME) September 2014	EUR72	(4,211)	0.00
Nikkei 225 Dividend December 2014	EUR90	97,635	0.07
S&P 500 Emini Future September 2014	EUR226	122,923	0.09
S&P TSX 60 IX Futures September 2014	EUR19	17,339	0.01

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>Futures (continued)</b>			
SGX CNX Nifty July 2014	EUR33	359	0.00
SPI 200 Futures September 2014	EUR14	2,888	0.00
Swiss Market IX Futures September 2014	EUR22	(19,007)	(0.01)
US 5 Year Treasury Notes Future (CBT) Expires September 2014	EUR(99)	6,787	0.00
US Long Bond (CBT) September 2014	EUR40	42,031	0.03
<b>Options 0.38% (-0.69%)</b>			
Australian Dollar USD July 2014 0.90 (Put options)	AUD(25,000,000)	(1,297)	0.00
Australian Dollar USD July 2014 0.94 (Call options)	AUD25,000,000	81,353	0.06
Australian Dollar USD July 2014 0.95 (Call options)	AUD(25,000,000)	(19,017)	(0.01)
FTSE 100 Call Option 19/12/2014 6800	£83	126,990	0.09
FTSE 100 Call Option 19/12/2014 7000	£(166)	(122,010)	(0.09)
FTSE 100 Call Option 19/9/2014 6800	£85	70,550	0.05
FTSE 100 Call Option 19/9/2014 6900	£205	91,225	0.07
FTSE 100 Call Option 19/9/2014 7000	£(170)	(35,700)	(0.03)
FTSE 100 Call Option 19/9/2014 7100	£(205)	(18,450)	(0.01)
FTSE 100 Put Option 19/12/2014 6100	£(170)	(40,800)	(0.03)
FTSE 100 Put Option 19/12/2014 6200	£(166)	(144,420)	(0.10)
FTSE 100 Put Option 19/12/2014 6600	£83	151,060	0.11
FTSE 100 Put Option 19/9/2014 6400	£(205)	(104,550)	(0.08)
FTSE 100 Put Option 19/9/2014 6500	£85	57,800	0.04
ISHARES Call Option 20/9/2014 43	USD4,206	349,301	0.25
ISHARES Call Option 20/9/2014 44.5	USD(4,206)	(150,052)	(0.11)
ISHARES Put Option 20/9/2014 39	USD(4,206)	(61,497)	(0.04)
NIKKEI Call Option 12/9/2014 15500	JPY113	195,709	0.14
NIKKEI Call Option 12/9/2014 16000	JPY(113)	(97,855)	(0.07)
NIKKEI Put Option 12/9/2014 14000	JPY(113)	(75,022)	(0.05)
Russell Call Option 19/7/2014 1140	USD(83)	(263,196)	(0.19)
Russell Put Option 19/7/2014 1140	USD(83)	(16,407)	(0.01)
S&P 500 Call Option 16/8/2014 1900	USD127	515,472	0.37
S&P 500 Call Option 16/8/2014 1950	USD(127)	(233,968)	(0.17)
S&P 500 Call Option 20/12/2014 2000	USD49	108,898	0.08
S&P 500 Call Option 20/12/2014 2050	USD(98)	(111,191)	(0.08)
S&P 500 Call Option 20/9/2014 1900	USD49	217,797	0.16
S&P 500 Call Option 20/9/2014 1950	USD(98)	(234,991)	(0.17)
S&P 500 Put Option 16/8/2014 1775	USD(127)	(23,991)	(0.02)
S&P 500 Put Option 20/12/2014 1800	USD(98)	(160,482)	(0.12)
S&P 500 Put Option 20/12/2014 1900	USD49	145,007	0.10
S&P 500 Put Option 20/9/2014 1700	USD(98)	(24,072)	(0.02)
S&P 500 Put Option 20/9/2014 1800	USD49	27,798	0.02
SX5E DIV Call Option 16/12/2016 110	EUR 645	407,499	0.29
SX5E DIV Call Option 16/12/2016 115	EUR (645)	(264,952)	(0.19)
SX5E DIV Call Option 18/12/2015 105	EUR 875	395,164	0.29
SX5E DIV Call Option 18/12/2015 110	EUR (875)	(176,562)	(0.13)
SX5E DIV Call Option 18/12/2015 90	EUR (875)	(7,707)	(0.01)
SX5E DIV Put Option 16/12/2016 95	EUR (645)	(73,339)	(0.05)
US Dollar Japanese Yen August 2014 103 (Call options)	USD23,600,000	37,004	0.03
US Dollar Japanese Yen August 2014 104.5 (Call options)	USD(23,600,000)	(11,553)	(0.01)
US Dollar Japanese Yen August 2014 99 (Put options)	USD(23,600,000)	(27,287)	(0.02)
US Dollar Mexican Peso July 2014 12.8 (Put options)	USD(18,000,000)	(5,222)	0.00
US Dollar Mexican Peso July 2014 13 (Put options)	USD18,000,000	50,489	0.04
US Dollar Mexican Peso July 2014 13.4 (Call options)	USD(18,000,000)	(2,727)	0.00

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>AUD Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 19/09/14	AUD2,300,000	1,263,195	0.91
Forward Foreign Currency Contracts 19/09/14	£(1,262,581)	(1,262,581)	(0.91)
<b>CAD Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 19/09/14	CAD2,300,000	1,261,204	0.91
Forward Foreign Currency Contracts 19/09/14	£(1,244,304)	(1,244,304)	(0.90)
<b>EUR Forward Foreign Currency Contracts -0.02% (0.00%)</b>			
Forward Foreign Currency Contracts 19/09/14	£10,391,438	10,391,438	7.50
Forward Foreign Currency Contracts 19/09/14	EUR(13,000,000)	(10,419,706)	(7.52)
<b>JPY Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 19/09/14	JPY845,000,000	4,884,368	3.52
Forward Foreign Currency Contracts 19/09/14	£(4,879,384)	(4,879,384)	(3.52)
Forward Foreign Currency Contracts 19/09/14	£2,488,096	2,488,096	1.79
Forward Foreign Currency Contracts 19/09/14	JPY(430,000,000)	(2,485,536)	(1.79)
<b>CHF Forward Foreign Currency Contracts 0.01% (0.01%)</b>			
Forward Foreign Currency Contracts 19/09/14	CHF1,900,000	1,254,756	0.91
Forward Foreign Currency Contracts 19/09/14	£(1,247,536)	(1,247,536)	(0.90)
<b>USD Forward Foreign Currency Contracts (0.02)% (0.50%)</b>			
Forward Foreign Currency Contracts 19/09/14	USD4,200,000	2,457,987	1.77
Forward Foreign Currency Contracts 19/09/14	£(2,476,249)	(2,476,249)	(1.79)
<b>Portfolio of investments*</b>		<b>73,126,312</b>	<b>52.75</b>
<b>Net current assets</b>		<b>65,500,381</b>	<b>47.25</b>
<b>Total Net Assets</b>		<b>138,626,693</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

\*Net of investment liabilities

† Considered a related party of the ACD

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains	1		9,918,422	890,053
Revenue	2	2,395,290		788,632
Expenses	3	(1,645,455)		(704,033)
Finance costs: Interest	5	(2,063)		(392)
Net revenue before taxation		747,772		84,207
Taxation	4	-		(14,682)
Net revenue after taxation			747,772	69,525
<b>Total return before distributions</b>			<b>10,666,194</b>	<b>959,578</b>
Finance costs: Distributions	5		(798,338)	(366,710)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>9,867,856</b>	<b>592,868</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		146,048,033	-
Amounts receivable on issue of shares	4,103,218		154,374,129
Amounts payable on cancellation of shares	(22,104,276)		(9,234,741)
		(18,001,058)	145,139,388
Stamp Duty Reserve Tax		(24,408)	(1,345)
Change in net assets attributable to Shareholders from investment activities (see above)		9,867,856	592,868
Retained distributions on accumulation shares		736,270	316,981
Unclaimed distributions		-	141
<b>Closing net assets attributable to Shareholders</b>		<b>138,626,693</b>	<b>146,048,033</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			75,953,499	63,732,658
Debtors	7	444,411	435,403	
Cash and bank balances	8	<u>65,664,925</u>	<u>86,540,547</u>	
Total other assets			<u>66,109,336</u>	<u>86,975,950</u>
Total assets			142,062,835	150,708,608
<b>LIABILITIES</b>				
Investment liabilities			(2,827,187)	(3,721,958)
Bank overdraft	8	(85,613)	(543,629)	
Creditors	9	(520,964)	(394,988)	
Distribution payable on income shares		<u>(2,378)</u>	<u>-</u>	
Total other liabilities			<u>(608,955)</u>	<u>(938,617)</u>
Total liabilities			(3,436,142)	(4,660,575)
<b>Net assets attributable to Shareholders</b>			<u><b>138,626,693</b></u>	<u><b>146,048,033</b></u>

\*Gross of investment liabilities



**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sterling Accumulation Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Institutional Shares (Income)						
Group 1	0.2091	0.0209	0.1882	0.0000	0.1882	0.0000
Group 2	0.0968	0.0097	0.0871	0.1011	0.1882	0.0000
Institutional Shares (Accumulation)						
Group 1	0.2114	0.0211	0.1903	0.0000	0.1903	0.0000
Group 2	0.0956	0.0096	0.0860	0.1043	0.1903	0.0000
S Shares (Net Income)						
Group 1	0.0476	0.0048	0.0428	0.0000	0.0428	0.0000
Group 2	0.0476	0.0048	0.0428	0.0000	0.0428	0.0000
S Shares (Net Accumulation)						
Group 1	0.0456	0.0046	0.0410	0.0000	0.0410	0.0000
Group 2	0.0456	0.0046	0.0410	0.0000	0.0410	0.0000
Institutional Shares W (Net Income)						
Group 1	0.2389	0.0239	0.2150	0.0000	0.2150	0.0000
Group 2	0.1192	0.0119	0.1073	0.1077	0.2150	0.0000
Institutional Shares W (Net Accumulation)						
Group 1	0.2412	0.0241	0.2171	0.0000	0.2171	0.0000
Group 2	0.0980	0.0098	0.0882	0.1289	0.2171	0.0000
Retail Advised Shares B (Net Income)						
Group 1	0.1739	0.0174	0.1565	0.0000	0.1565	0.0000
Group 2	0.1739	0.0174	0.1565	0.0000	0.1565	0.0000
Retail Advised Shares B (Net Accumulation)						
Group 1	0.1750	0.0175	0.1575	0.0000	0.1575	0.0000
Group 2	0.1750	0.0175	0.1575	0.0000	0.1575	0.0000

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.1886
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.1886

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Accumulation Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.1886
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.1886
Institutional Shares (Income)						
Group 1	0.0599	0.0060	0.0539	0.0000	0.0539	0.2903
Group 2	0.0000	0.0000	0.0000	0.0539	0.0539	0.2903
Institutional Shares (Accumulation)						
Group 1	0.0580	0.0058	0.0522	0.0000	0.0522	0.2817
Group 2	0.0000	0.0000	0.0000	0.0522	0.0522	0.2817
S Shares (Net Income)						
Group 1	0.8332	0.0833	0.7499	0.0000	0.7499	0.2533
Group 2	0.8332	0.0833	0.7499	0.0000	0.7499	0.2533
S Shares (Net Accumulation)						
Group 1	0.8782	0.0878	0.7904	0.0000	0.7904	0.2533
Group 2	0.8782	0.0878	0.7904	0.0000	0.7904	0.2533
Institutional Shares W (Net Income)						
Group 1	0.0838	0.0084	0.0754	0.0000	0.0754	0.3022
Group 2	0.0000	0.0000	0.0000	0.0754	0.0754	0.3022
Institutional Shares W (Net Accumulation)						
Group 1	0.0852	0.0085	0.0767	0.0000	0.0767	0.3008
Group 2	0.0000	0.0000	0.0000	0.0767	0.0767	0.3008
Retail Advised Shares B (Net Income)						
Group 1	0.0491	0.0049	0.0442	0.0000	0.0442	0.2708
Group 2	0.0000	0.0000	0.0000	0.0442	0.0442	0.2708
Retail Advised Shares B (Net Accumulation)						
Group 1	0.0498	0.0050	0.0448	0.0000	0.0448	0.2708
Group 2	0.0498	0.0050	0.0448	0.0000	0.0448	0.2708

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.0734	0.0073	0.0661	0.0000	0.0661	n/a
Group 2	0.0000	0.0000	0.0000	0.0661	0.0661	n/a
Sterling Accumulation Shares						
Group 1	0.0740	0.0074	0.0666	0.0000	0.0666	n/a
Group 2	0.0000	0.0000	0.0000	0.0666	0.0666	n/a
Institutional Shares (Income)						
Group 1	0.3564	0.0356	0.3208	0.0000	0.3208	n/a
Group 2	0.0000	0.0000	0.0000	0.3208	0.3208	n/a

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Institutional Shares (Accumulation)						
Group 1	0.3577	0.0358	0.3219	0.0000	0.3219	n/a
Group 2	0.0810	0.0081	0.0729	0.2490	0.3219	n/a
S Shares (Net Income)						
Group 1	0.2712	0.0271	0.2441	0.0000	0.2441	n/a
Group 2	0.2712	0.0271	0.2441	0.0000	0.2441	n/a
S Shares (Net Accumulation)						
Group 1	0.2724	0.0272	0.2452	0.0000	0.2452	n/a
Group 2	0.0000	0.0000	0.0000	0.2452	0.2452	n/a
Institutional Shares W (Net Income)						
Group 1	0.3787	0.0379	0.3408	0.0000	0.3408	n/a
Group 2	0.0000	0.0000	0.0000	0.3408	0.3408	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.3673	0.0367	0.3306	0.0000	0.3306	n/a
Group 2	0.0283	0.0028	0.0255	0.3051	0.3306	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.3116	0.0312	0.2804	0.0000	0.2804	n/a
Group 2	0.0000	0.0000	0.0000	0.2804	0.2804	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3138	0.0314	0.2824	0.0000	0.2824	n/a
Group 2	0.3138	0.0314	0.2824	0.0000	0.2824	n/a

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.1247	0.0125	0.1122	0.0000	0.1122	n/a
Group 2	0.0681	0.0068	0.0613	0.0509	0.1122	n/a
Sterling Accumulation Shares						
Group 1	0.1251	0.0125	0.1126	0.0000	0.1126	n/a
Group 2	0.0898	0.0090	0.0808	0.0318	0.1126	n/a
Institutional Shares (Income)						
Group 1	0.3476	0.0348	0.3128	0.0000	0.3128	n/a
Group 2	0.2143	0.0214	0.1929	0.1199	0.3128	n/a
Institutional Shares (Accumulation)						
Group 1	0.3148	0.0315	0.2833	0.0000	0.2833	n/a
Group 2	0.2059	0.0206	0.1853	0.0980	0.2833	n/a

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
S Shares (Net Income)						
Group 1	0.2558	0.0256	0.2302	0.0000	0.2302	n/a
Group 2	0.2558	0.0256	0.2302	0.0000	0.2302	n/a
S Shares (Net Accumulation)						
Group 1	0.2566	0.0257	0.2309	0.0000	0.2309	n/a
Group 2	0.2566	0.0257	0.2309	0.0000	0.2309	n/a
Institutional Shares W (Net Income)						
Group 1	0.3421	0.0342	0.3079	0.0000	0.3079	n/a
Group 2	0.3421	0.0342	0.3079	0.0000	0.3079	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.3424	0.0342	0.3082	0.0000	0.3082	n/a
Group 2	0.0162	0.0016	0.0146	0.2936	0.3082	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.2761	0.0276	0.2485	0.0000	0.2485	n/a
Group 2	0.0248	0.0025	0.0223	0.2262	0.2485	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.2771	0.0277	0.2494	0.0000	0.2494	n/a
Group 2	0.2771	0.0277	0.2494	0.0000	0.2494	n/a

	<b>Franked (%)</b>	<b>Unfranked (%)</b>	<b>Utilised foreign tax (£)</b>	<b>Utilised foreign tax (pence per share)</b>
<b>Final distributions for 30 June 2014</b>				
Sterling Income Shares	0.00	100.00	n/a	n/a
Sterling Accumulation Shares	0.00	100.00	n/a	n/a
Institutional Shares (Income)	0.00	100.00	n/a	n/a
Institutional Shares (Accumulation)	0.00	100.00	n/a	n/a
S Shares (Net Income)	0.00	100.00	n/a	n/a
S Shares (Net Accumulation)	0.00	100.00	n/a	n/a
Institutional Shares W (Net Income)	0.00	100.00	n/a	n/a
Institutional Shares W (Net Accumulation)	0.00	100.00	n/a	n/a
Retail Advised Shares B (Net Income)	0.00	100.00	n/a	n/a
Retail Advised Shares B (Net Accumulation)	0.00	100.00	n/a	n/a

**Interim distributions for 31 March 2014**

Sterling Income Shares	0.00	100.00	n/a	n/a
Sterling Accumulation Shares	0.00	100.00	n/a	n/a
Institutional Shares (Income)	0.00	100.00	n/a	n/a
Institutional Shares (Accumulation)	0.00	100.00	n/a	n/a
S Shares (Net Income)	0.00	100.00	n/a	n/a
S Shares (Net Accumulation)	0.00	100.00	n/a	n/a
Institutional Shares W (Net Income)	0.00	100.00	n/a	n/a
Institutional Shares W (Net Accumulation)	0.00	100.00	n/a	n/a
Retail Advised Shares B (Net Income)	0.00	100.00	n/a	n/a
Retail Advised Shares B (Net Accumulation)	0.00	100.00	n/a	n/a

**Distribution Statements (continued)**

			Utilised foreign tax	Utilised foreign tax
	Franked (%)	Unfranked (%)	foreign tax (£)	(pence per share)
<b>Interim distributions for 31 December 2013</b>				
Sterling Income Shares	100.00	0.00	n/a	n/a
Sterling Accumulation Shares	100.00	0.00	n/a	n/a
Institutional Shares (Income)	100.00	0.00	n/a	n/a
Institutional Shares (Accumulation)	100.00	0.00	n/a	n/a
S Shares (Net Income)	100.00	0.00	n/a	n/a
S Shares (Net Accumulation)	100.00	0.00	n/a	n/a
Institutional Shares W (Net Income)	100.00	0.00	n/a	n/a
Institutional Shares W (Net Accumulation)	100.00	0.00	n/a	n/a
Retail Advised Shares B (Net Income)	100.00	0.00	n/a	n/a
Retail Advised Shares B (Net Accumulation)	100.00	0.00	n/a	n/a
<b>Interim distributions for 30 September 2013</b>				
Sterling Income Shares	69.01	30.99	n/a	n/a
Sterling Accumulation Shares	69.01	30.99	n/a	n/a
Institutional Shares (Income)	69.01	30.99	n/a	n/a
Institutional Shares (Accumulation)	69.01	30.99	n/a	n/a
S Shares (Net Income)	69.01	30.99	n/a	n/a
S Shares (Net Accumulation)	69.01	30.99	n/a	n/a
Institutional Shares W (Net Income)	69.01	30.99	n/a	n/a
Institutional Shares W (Net Accumulation)	69.01	30.99	n/a	n/a
Retail Advised Shares B (Net Income)	69.01	30.99	n/a	n/a
Retail Advised Shares B (Net Accumulation)	69.01	30.99	n/a	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013* £
Gains on non-derivative securities	2,507,111	1,914,269
Gains/(losses) on derivative contracts	8,915,615	(53,033)
Losses on forward currency contracts	(1,280,156)	(1,624,331)
Currency exchange (losses)/gains	(181,231)	653,148
Activity charges	(42,917)	-
<b>Net capital gains</b>	<b>9,918,422</b>	<b>890,053</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
Overseas dividends	1,021,105	490,544
Bank interest	775	2,235
Collective investment scheme distributions	1,166,199	260,751
Interest on debt securities	140,243	-
Management fee rebate	56,809	34,880
Stock lending	10,159	222
<b>Total revenue</b>	<b>2,395,290</b>	<b>788,632</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	1,525,260	651,037
Administration fees	83,084	35,004
Safe custody charges	4,092	-
	<b>1,612,436</b>	<b>686,041</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	23,206	8,993
Distribution reconciliation service	705	-
	<b>23,911</b>	<b>8,993</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	8,880	8,880
Financial Conduct Authority fee	228	119
	<b>9,108</b>	<b>8,999</b>
<b>Total expenses</b>	<b>1,645,455</b>	<b>704,033</b>

† The Audit services (audit fee) net of VAT for 2014 is £7,600 (2013: £7,400).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013*
	£	£
<b>a) Analysis of tax charge in period:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	-	14,682
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>14,682</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>747,772</u>	<u>84,207</u>
<b>Corporation tax @ 20%</b>	149,554	16,841
Effects of:		
Dividends not subject to corporation tax	(185,945)	(52,022)
Excess management expenses	36,391	35,181
Overseas tax withheld	-	14,682
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>14,682</u>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £357,847 (30/06/13: £175,900), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £71,572 (30/06/13: £35,181).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013*
	£	£
Interim dividend 30 September - Sterling Income Shares	21,642	-
Interim dividend 30 September - Sterling Accumulation Shares	42,531	-
Interim dividend 30 September - Institutional Shares (Income)	15	-
Interim dividend 30 September - Institutional Shares (Accumulation)	175,917	-
Interim dividend 30 September - S Shares (Net Income)	2,544	-
Interim dividend 30 September - S Shares (Net Accumulation)	44,150	-
Interim dividend 30 September - Institutional Shares W (Net Income)	76	-
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	4,519	-
Interim dividend 30 September - Retail Advised Shares B (Net Income)	12	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	12	-
Interim dividend 31 December - Sterling Income Shares	11,978	-
Interim dividend 31 December - Sterling Accumulation Shares	24,434	-
Interim dividend 31 December - Institutional Shares (Income)	171	-
Interim dividend 31 December - Institutional Shares (Accumulation)	192,047	-
Interim dividend 31 December - S Shares (Net Income)	2,627	-
Interim dividend 31 December - S Shares (Net Accumulation)	46,241	-
Interim dividend 31 December - Institutional Shares W (Net Income)	256	-

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

**Notes to the Financial Statements (continued)****5 Finance costs (continued)**

	30/06/2014	30/06/2013*
	£	£
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	7,025	-
Interim dividend 31 December - Retail Advised Shares B (Net Income)	14	-
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	14	-
Interim dividend 31 March - Sterling Income Shares	-	39,447
Interim dividend 31 March - Sterling Accumulation Shares	-	77,299
Interim dividend 31 March - Institutional Shares (Income)	44	15
Interim dividend 31 March - Institutional Shares (Accumulation)	30,133	189,251
Interim dividend 31 March - S Shares (Net Income)	213	2,928
Interim dividend 31 March - S Shares (Net Accumulation)	3,678	50,369
Interim dividend 31 March - Institutional Shares W (Net Income)	831	15
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	15,824	48
Interim dividend 31 March - Retail Advised Shares B (Net Income)	2	14
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	2	14
Final dividend 30 June - Sterling Income Shares	-	-
Final dividend 30 June - Sterling Accumulation Shares	-	-
Final dividend 30 June - Institutional Shares (Income)	82	-
Final dividend 30 June - Institutional Shares (Accumulation)	106,582	-
Final dividend 30 June - S Shares (Net Income)	12	-
Final dividend 30 June - S Shares (Net Accumulation)	187	-
Final dividend 30 June - Institutional Shares W (Net Income)	2,276	-
Final dividend 30 June - Institutional Shares W (Net Accumulation)	42,966	-
Final dividend 30 June - Retail Advised Shares B (Net Income)	8	-
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	8	-
	<b>779,073</b>	<b>359,400</b>
Amounts added on issue of shares	(8,699)	(1,751)
Amounts deducted on cancellation of shares	27,964	9,061
<b>Net distributions for the year</b>	<b>798,338</b>	<b>366,710</b>
Interest	1,482	208
Interest paid on derivative contracts	581	184
<b>Total finance costs</b>	<b>800,401</b>	<b>367,102</b>

**6 Net movement between revenue after taxation and distributions**

	30/06/2014	30/06/2013*
	£	£
Net revenue after taxation	747,772	69,525
Equalisation on conversions	9,677	-
Transferred from capital distribution deficit	40,889	297,185
	<b>798,338</b>	<b>366,710</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013



## Notes to the Financial Statements (continued)

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	234,423	394,076
Amount receivable for issue of shares	209,988	41,327
	<b>444,411</b>	<b>435,403</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	10,995,248	1,208,487
Cash held in BlackRock ICS Institutional Sterling Liquidity Fund	7,232,522	11,304,955
Cash held in Insight Investment Liquidity Fund	26,357,211	27,579,195
Cash held in LGIM Sterling Liquidity Fund	9,604,638	19,800,000
Cash held in SSGA Cash Management Fund	2,494,486	14,592,635
Cash held on margin account	8,980,820	12,055,275
	<b>65,664,925</b>	<b>86,540,547</b>

#### Overdrawn cash and bank balances

Overdraft position at brokers	(85,613)	(494,557)
Bank overdraft	-	(49,072)
	<b>(85,613)</b>	<b>(543,629)</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	138,428	149,213
Amount payable for cancellation of shares	382,536	245,775
	<b>520,964</b>	<b>394,988</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £302,084 (30/06/13: £344,662).

### 11 Financial instruments

#### Interest rate risk

The Fund invests in Collective Investment Schemes which, in themselves, invest in fixed rate securities and any change in interest rates may result in the ACD being unable to secure similar returns in the future. The interest rate profile for the relevant Collective Investment Schemes is shown in the notes to their financial statements.

#### Market Risk

The Fund uses Value at Risk (VaR) to calculate the likelihood of the Fund (including derivatives) falling in value by more than a particular level.

Under normal market conditions, VaR captures the potential fall in the value of the portfolio over a given holding period and to a given level of statistical confidence.

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk (continued)

The Fund limits its VaR to 4.8% of the Net Asset Value (NAV) of the Fund, with a 99% confidence level, a 1 day holding period. The Fund uses a historical observation period of one year.

The confidence level is set at 99% meaning that we would expect losses calculated over a 5 day period to exceed the 5 day VaR calculated for that period only once every 100 trading days, other things being equal.

The holding period (5 trading days) is the time horizon over which the fall in value of individual security prices is projected.

As at the year ended 30 June 2014 the Fund had an absolute daily VaR of 2.39%. (30/06/13: 1.05%)

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Currency Options	Total (£)
Barclays	(11,042)	42,541	31,499
Citibank	(23,285)	59,203	35,919
Goldman Sachs	16,900	-	16,900
Royal Bank of Canada	2,560	-	2,560
Royal Bank of Scotland	614	-	614
	<b>(14,252)</b>	<b>101,744</b>	<b>87,492</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of futures, options and forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities. Exchange traded index options are used for hedging purposes to protect the value of the Fund. Exchange traded futures are used by the Fund to manage market price risk of the Fund. Derivatives may be used for efficient portfolio management as well as for meeting the objective of the Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	49,267,918	59,477,679	108,745,597	118,098,943
Australia	1,327,123	84,664	1,411,787	(1,502,912)
Brazil	(10,051)	317,743	307,692	-
Canada	1,278,542	340,839	1,619,381	1,475,216
Europe	(336,558)	623,713	287,155	530,559
Hong Kong	4,588	(81,048)	(76,460)	(73,883)
Japan	2,519,299	(3,680)	2,515,619	2,631,455
Korea	(12,587)	197,024	184,437	56,269
South Africa	(46)	59,843	59,797	(71,825)
Switzerland	1,235,749	231,367	1,467,116	1,455,574
United States of America	17,852,335	4,252,237	22,104,572	23,448,637
<b>Total</b>	<b>73,126,312</b>	<b>65,500,381</b>	<b>138,626,693</b>	<b>146,048,033</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		199,186,199		132,731,802
Commissions	38,915		8,887	
Taxes	<u>3</u>		<u>3</u>	
Total purchase costs		38,918		8,890
<b>Gross purchases total</b>		<b><u>199,225,117</u></b>		<b><u>132,740,692</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		219,840,059		73,520,074
Commissions	(42,528)		(25,223)	
Taxes	<u>(5)</u>		<u>(23)</u>	
Total sales costs		(42,533)		(25,246)
<b>Total sales net of transaction costs</b>		<b><u>219,797,526</u></b>		<b><u>73,494,828</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £868,604 of investments were subject to stock lending agreements and the Fund held £913,099 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better.

The gross earnings and the fees for the year are £12,699 (30/06/13: £278) and £2,540 (30/06/13: £56) respectively.

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Sterling Accumulation Shares, Institutional Shares (Income), Institutional Shares (Accumulation), S Shares (Net Income), S Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Sterling Accumulation Shares	1.50%	0.10%
Institutional Shares (Income)	0.75%	0.03%
Institutional Shares (Accumulation)	0.75%	0.03%
S Shares (Net Income)	1.00%	0.03%
S Shares (Net Accumulation)	1.00%	0.03%
Institutional Shares W (Net Income)	0.625%	0.03%
Institutional Shares W (Net Accumulation)	0.625%	0.03%
Retail Advised Shares B (Net Income)	0.85%	0.10%
Retail Advised Shares B (Net Accumulation)	0.85%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 95. The distributions are given in the distribution statements on pages 102 to 106. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT INFLATION-LINKED CORPORATE BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £34.91m

Sector: IMA £ Strategic Bond

Yield as at 30 June 2014:

Sterling Income Shares	2.10%
Sterling Accumulation Shares	2.10%
Institutional Shares (Income)	2.78%
Institutional Shares (Accumulation)	2.78%
Institutional Shares W (Net Income)	2.76%
Institutional Shares W (Net Accumulation)	2.76%
Retail Advised Shares B (Net Income)	2.47%
Retail Advised Shares B (Net Accumulation)	2.47%
X Shares (Net Accumulation)	3.40%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To generate attractive returns relative to UK inflation levels over the medium to long term.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	6.68%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	6.68%	n/a	n/a	n/a	n/a
Institutional Shares (Income)*	7.25%	n/a	n/a	n/a	n/a
Institutional Shares (Accumulation)*	7.24%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	7.26%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.27%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	7.00%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	6.99%	n/a	n/a	n/a	n/a
X Shares (Net Accumulation)*	n/a	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Accumulation Share Class of the Fund returned +6.68% against +7.31% for the IMA £ Strategic Bond Sector.

The Fund produced a positive return over the 12 months to the end of June 2014, largely the result of tactical duration trading and being long credit risk at a time when the market rallied. This more than offset the negative impact of the cheapening of inflation protection, notably towards the end of the period when the inflation rate started to slow down. Duration – sensitivity to interest rate change – management was a key source of returns over the year as we positioned the Fund with a longer duration at opportune times in anticipation of a market rally, after which we sold selected longer-dated instruments to lock in profits. This was most notably the case during September, October and April. Towards the end of the period under review, we started to gradually reduce duration to adopt a more ‘defensive’ – reducing the Fund’s sensitivity – strategy towards interest rates risk. The Fund ended the period with a shorter duration position. In terms of credit risk, the Fund was overweight higher-yielding assets for most of the period, which proved beneficial as investors continued to search for yield. However, given the expensive levels the sector reached during the second quarter of 2014, we started to decrease our exposure to high yield bonds – debt rated below BBB- by the credit rating agency Standard & Poor’s – in order to lock in profits and reduce credit spread duration. With the proceeds, we increased the credit quality of the portfolio to adopt a more cautious strategy. At the end of June, our net exposure to the high yield sector was low and limited to selected short-dated, stock-specific holdings. We also took advantage of momentum in the primary market to participate in a couple of new issues. A key theme this year has been contingent convertible bonds (so-called ‘CoCos’) issued by financial institutions. In particular, the Fund bought a new CoCo from Credit Agricole and took profits on a CoCo from Credit Suisse.

Although we remain constructive on break-evens (the difference between conventional and inflation-linked yields), in our view the market has moved significantly higher at a time when global inflation trends remain weak, especially in Europe. As such, we recently took some profits on an inflation position that we had built up earlier in the year and are looking to re-enter the position on any market pullback. As the Fund continues to seek opportunities to acquire cheap inflation protection, we set up a position in the US government market in May.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

#### Purchases

Treasury 0.125% Index Linked Gilt 2019  
 Treasury 0.125% Index Linked Gilt 2024  
 Treasury 0.125% Index Linked Gilt 2029  
 US Treasury Notes 0.625% 2024  
 Treasury 2.5% Index Linked Gilt 2016  
 Microsoft 3.125% Senior Notes 2028  
 Health Care REIT 4.8% Senior Bonds 2028  
 Assicurazioni Generali 10.125% European Medium Term Notes 2042  
 Intesa Sanpaolo 4% Senior European Medium Term Notes 2023  
 German Residential Funding 2013-2 Floating Rate Notes 2014

#### Sales

Treasury 0.125% Index Linked Gilt 2019  
 Treasury 0.125% Index Linked Gilt 2024  
 Treasury 0.125% Index Linked Gilt 2029  
 Virgin Media 7% Bonds 2018  
 Treasury 2.5% Index Linked Gilt 2016  
 Microsoft 3.125% Senior Notes 2028  
 Lloyds 11.875% Subordinated Floating Rate EMT Bonds 2021  
 Scottish Amicable Finance 8.5% Bonds 2049  
 THPA Finance 7.127% Guaranteed Asset Backed Bonds 2024  
 Annington Finance No 4 6.5676% Variable Rate Bonds 2023

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	104.20	97.85	2.1974
2014	103.81	99.92	1.1945
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	104.20	98.63	2.2095
2014	106.13	102.15	1.2210
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	104.34	97.85	2.6861
2014	104.01	99.92	1.4674
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	104.34	98.84	2.6998
2014	106.84	102.65	1.4980
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	104.39	97.89	2.6934
2014	104.06	99.96	1.4664
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	104.39	98.88	2.7092
2014	106.91	102.70	1.5082
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	104.33	97.89	2.4680
2014	103.97	99.96	1.3419
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	104.33	98.79	2.4838
2014	106.57	102.47	1.3732
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 6 November)	100.50	99.26	0.5140
2014	103.58	99.35	1.6628

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2013	13,085,854	97.53	13,417,036
30/06/2014	12,136,453	101.80	11,921,288
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2013	15,274,348	98.47	15,511,011
30/06/2014	14,069,222	105.30	13,361,442
<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2013	11,661	97.52	11,957
30/06/2014	12,172	101.80	11,957

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Institutional Shares (Accumulation)</b>			
30/06/2013	10,441	Pence 98.69	10,580
30/06/2014	11,297	106.08	10,650
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	24,465	Pence 97.56	25,076
30/06/2014	5,168,428	101.85	5,074,702
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	90,406	Pence 98.73	91,571
30/06/2014	320,139	106.14	301,622
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,879	Pence 97.58	5,000
30/06/2014	5,218	101.85	5,123
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	4,932	Pence 98.64	5,000
30/06/2014	5,289	105.78	5,000
<b>X Shares (Net Accumulation)</b>			
30/06/2014	3,178,611	Pence 102.88	3,089,566

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.36	1.30
Sterling Accumulation Shares	1.36	1.30
Institutional Shares (Income)	0.70	0.63
Institutional Shares (Accumulation)	0.70	0.63
Institutional Shares W (Net Income)	0.75	0.63
Institutional Shares W (Net Accumulation)	0.75	0.63
Retail Advised Shares B (Net Income)	1.00	0.93
Retail Advised Shares B (Net Accumulation)	1.00	0.93
X Shares (Net Accumulation)	0.20	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charge figure for X Shares (Net Accumulation) has been annualised as the share class launched during the year, the comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.



**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds 64.49% (74.46%)</b>			
AA Bond 4.2487% Senior Bonds 2043	£356,000	364,524	1.04
ABP Finance 6.25% Guaranteed EMT Bonds 2026	£140,000	165,222	0.47
Affinity Water Programme Finance 1.548% Index Linked Bond 2045	£500,000	549,404	1.57
AIG 5.00% Guaranteed Senior EMT Bonds 2023	£400,000	439,292	1.26
Allianz Finance II 4.50% Guaranteed Bonds 2043	£500,000	518,589	1.49
America Movil 6.375% Subordinated Variable Rate Bonds 2073	£100,000	106,560	0.31
Anglian Water Service Financing 3.07% Index Linked Guaranteed Bond 2032	£330,000	618,895	1.77
Annington Finance No 4 8.07% Guaranteed Bonds 2023	£320,000	404,716	1.16
Asif III 5.375% Guaranteed Senior EMT Bonds 2016	£112,000	120,536	0.35
Aviva 5.9021% Guaranteed Perpetual Subordinated Floating Rate Bonds	£180,000	188,814	0.54
Aviva 6.125% Guaranteed Perpetual Subordinated Bonds	£450,000	480,518	1.38
AXA 6.772% Guaranteed Perpetual Subordinated Floating Rate EMTN	£472,000	515,416	1.48
BAA Funding 7.125% Guaranteed EMT Bonds 2024	£400,000	486,789	1.39
Barclays Bank 10.00% Guaranteed Subordinated EMTN 2021	£388,000	510,350	1.46
BL Superstore Finance 5.578% Guaranteed Asset Backed Bonds 2030	£370,000	396,603	1.14
Channel Link Enterprises Finance 3.8455% Guaranteed Floating Rate Bonds 2050	£428,000	422,729	1.21
Commonwealth Bank Australia 3.00% Guaranteed EMT Bonds 2026	£590,000	559,320	1.60
Delamare Finance 6.067% Guaranteed Bonds 2029	£180,000	202,775	0.58
Dwr Cymru Financing 5.0305% Index Linked Medium Term Notes 2030	£270,000	523,751	1.50
Electricite De France 6.00% Perpetual Subordinated Floating Rate EMT Bonds	£300,000	318,975	0.91
Equity Release Fund No 3 5.05% Guaranteed Mortgage Backed Bonds 2033	£460,000	493,203	1.41
Firstgroup 6.875% Guaranteed Bonds 2024	£300,000	355,658	1.02
Gatwick Funding 6.125% Guaranteed Senior EMT Bonds 2028	£520,000	614,384	1.76
Goldman Sachs 7.25% Guaranteed Senior Bonds 2028	£430,000	558,390	1.60
Goodman Australia Finance 9.75% Guaranteed EMT Bonds 2018	£100,000	124,258	0.36
Great Rolling Stock 6.50% Guaranteed Senior EMT Bonds 2031	£99,000	118,899	0.34
Health Care REIT 4.8% Senior Bonds 2028	£500,000	511,925	1.47
Heathrow Funding 6% Guaranteed EMTN 2020	£100,000	111,405	0.32
Iberdrola Finanzas 7.375% Guaranteed EMT Bonds 2024	£300,000	378,084	1.08
Imperial Tobacco Finance 4.875% Guaranteed European Medium Term Notes 2032	£200,000	203,449	0.58
Intu (SGS) Finance 3.875% Guaranteed Senior EMT Bonds 2028	£550,000	545,138	1.56
Italy 6.00% EMTN 2028	£121,000	136,634	0.39
Juturna 5.0636% Guaranteed EMT Bonds 2033	£141,277	157,051	0.45
Kelda Finance 3 5.75% Guaranteed Senior Notes 2020	£200,000	205,386	0.59
Koninklijke KPN 5.00% Guaranteed Medium Term Notes 2026	£450,000	468,202	1.34
Land Securities Capital Markets 5.125% Guaranteed Senior FRMT Bonds 2036	£250,000	285,901	0.82
Legal & General 6.385% Perpetual Bonds	£100,000	106,961	0.31
Lloyds Bank 7.625% Bonds 2025	£200,000	212,598	0.61
Lloyds Banking Group 7.875% Perpetual	£356,000	387,058	1.10
London Power Networks 3.125% Index Linked Notes 2032	£350,000	652,012	1.87
Moyle Interconnector 2.9376% Guaranteed Index Linked Bonds 2033	£348,537	571,064	1.64
National Australia Bank 3.00% EMT Bonds 2026	£110,000	104,071	0.30
National Grid 2.983% Senior Index Linked Bonds 2018	£380,000	624,013	1.79
Nationwide Building Society 6.875% Perpetual Subordinated Floating Rate Medium Term Notes	£100,000	102,500	0.29
Petrobras Global Finance 5.375% Notes 2029	£380,000	348,170	1.00
Porterbrook Rail Finance 5.50% Senior EMTN 2019	£200,000	219,049	0.63
QBE Capital Funding 7.50% Guaranteed Bonds 2041	£300,000	333,460	0.96
RSA Insurance 6.701% Guaranteed Perpetual Floating Rate Bonds	£100,000	106,718	0.31
SSE 5% Guaranteed Senior European Medium Term Notes 2018	£300,000	331,721	0.95
Scottish Widows 5.5% Bonds 2023	£160,000	166,368	0.48
Severn Trent Utilities Finance 5.5894344% Floating Rate Notes 2028	£330,000	644,193	1.85
Southern Water Services Finance 4.50% Guaranteed Senior Floating Rate EMT Bonds 2038	£200,000	200,356	0.57
Southern Water Services Finance Index Linked Bond 2023	£350,000	598,980	1.72
Telefonica Emisiones 5.289% Guaranteed EMTN 2022	£400,000	435,136	1.25
Telefonica Emisiones 5.597% Medium Term Notes 2020	£100,000	111,309	0.32
Telereal Securitisation 5.4252% Asset Backed Bonds 2033	£184,300	202,386	0.58
Telereal Securitisation 6.1645% Guaranteed Asset Backed Bonds 2033	£271,600	317,915	0.91
Tesco Property 5 5.6611% Guaranteed Bonds 2041	£534,394	572,513	1.64

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds (continued)</b>			
Tesco Property Finance 4 5.8006% Guaranteed Mortgage Backed Bonds 2040	£99,118	107,886	0.31
Thames Water Utilities Finance 3.375% Index Linked Guaranteed Notes 2021	£7,000	12,017	0.03
Unique Pub Finance 5.659% Bonds 2027	£76,229	76,197	0.22
Verizon Communications 4.75% Senior European Medium Term Notes 2034	£350,000	361,632	1.04
Wales & West Utilities Finance 6.75% Guaranteed Floating Rate EMTN 2036	£142,000	161,715	0.46
Westfield UK & Europe Finance P 4.25% Guaranteed EMTN 2022	£200,000	217,360	0.62
White City Property Finance 5.1202% Guaranteed Bonds 2035	£478,654	527,224	1.51
Yorkshire Water SVS Bradford Finance 2.718% Guaranteed Index Linked 2039	£350,000	531,581	1.52
<b>Non-Sterling Denominated Corporate Bonds 30.01% (24.49%)</b>			
Altria Group 5.375% Bonds 2044	USD70,000	44,842	0.13
America Movil 6.375% Variable Rate Subordinated Bonds 2073	USD100,000	91,164	0.26
Assicurazioni Generali 10.125% European Medium Term Notes 2042	EUR400,000	446,978	1.28
Assicurazioni Generali 4.125% Bonds 2026	EUR200,000	164,753	0.47
Babson European Floating Rate Notes 2027	EUR250,000	200,184	0.57
Barclays Bank 7.625% Notes 2022	USD200,000	133,521	0.38
BBVA Leasing 0.399% Floating Rate Notes 2031	EUR96,920	74,562	0.21
BBVA B 0.403% Floating Rate Bonds 2039	EUR400,000	310,523	0.89
Carlyle Floating Rate Notes 2027	EUR200,000	159,111	0.46
Channel Link Enterprises Finance 3.57% Floating Rate Guaranteed Bonds 2050	EUR110,000	87,421	0.25
Chrysler 8.25% Bonds 2021	EUR500,000	330,438	0.95
Credit Agricole 7.875% Perpetual Subordinated Floating Rate Notes	EUR400,000	255,908	0.73
Credit Agricole 8.125% Variable Rate Bonds 2033	EUR200,000	133,345	0.38
Credit Suisse 6.25% Bonds 2049	EUR300,000	178,195	0.51
CVC Cordatus Loan Fund Floating Rate Notes 2027	EUR100,000	79,661	0.23
Empresas Hipotecar 0.386% Floating Rate Notes 2040	USD212,614	165,140	0.47
EP Energy 4.375% Guaranteed Senior Bonds 2018	EUR135,000	115,033	0.33
Fibria Overseas Finance 5.25% Bonds 2024	EUR170,000	98,927	0.28
Florentia Commercial Mortgage Backed Floating Rate Notes 2024	EUR159,611	132,841	0.38
German Residential Funding 2013-2 Floating Rate Notes 2014	EUR498,194	407,190	1.17
GTECH Spa 8.25% Floating Rate Notes 2066	EUR190,000	163,931	0.47
Harvest CLO Floating Rate Notes 2026	USD190,000	150,234	0.43
Interstar 3.3292% Floating Rate Notes 2039	EUR811,775	420,825	1.21
Intesa Sanpaolo 4% Senior European Medium Term Notes 2023	EUR510,000	460,004	1.32
KBC Bank 8% Subordinated Variable Rate Bonds 2023	AUD200,000	133,784	0.38
KBC Groep 5.625% Bonds 2049	EUR280,000	225,688	0.65
Matterhorn Mobile 6.75% Guaranteed Senior Notes 2019	EUR300,000	211,171	0.60
Metro Exploration 8% Bonds 2016	EUR500,000	290,964	0.83
Nationwide Building Society 4.125% Bonds 2023	USD200,000	170,395	0.49
Santander UK 5% Subordinated Bonds 2023	CHF200,000	126,264	0.36
ST Pauls Floating Rate Notes 2028	EUR250,000	199,489	0.57
Talanx Finanz 8.3673% Guaranteed Floating Rate EMT Bonds 2042	EUR500,000	519,372	1.49
Talisman-7 Finance 0.571% Floating Rate Notes 2017	USD540,996	423,482	1.21
Taurus Floating Rate Notes 2024	CHF296,258	240,262	0.69
Tullow Oil 6% Senior Notes 2020	EUR400,000	242,711	0.70
UBS 4.75% Floating Rate European Medium Term Notes 2026	EUR300,000	255,148	0.73
US Treasury Notes 0.625% 2024	EUR2,714,800	1,672,121	4.79
Utrecht Funding 1 3.206% Floating Rate Notes 2016	EUR719,768	581,531	1.67
Verizon Communications 6.55% Bonds 2043	EUR273,000	200,927	0.57
WEA Finance 7.125% Guaranteed Notes 2018	EUR262,000	181,194	0.52
<b>Derivatives -0.96% (-1.10%)</b>			
<b>Interest Rate Swaps -1.14% (-1.28%)</b>			
Receive UK RPI GBP 6 Months Pay 3.31% 07/2/2019	£16,600,000	(380,905)	(1.09)
Receive LIBOR GBP 6 Months Pay UK RPI 17/1/2034	EUR250,000	(3,000)	(0.01)
Receive UK RPI GBP 6 Months Pay 3.63% 7/3/2049	£460,000	(3,867)	(0.01)
Receive UK RPI GBP 6 Months Pay 3.095% 27/6/2049	EUR3,900,000	(10,371)	(0.03)

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>Futures -0.11% (0.39%)</b>			
Euro-Bobl Future September 2014	EUR(10)	(4,484)	(0.01)
Euro-Bund Future September 2014	EUR(18)	(27,104)	(0.08)
Euro-Schatz Future September 2014	EUR(4)	(128)	0.00
Long Gilt Future September 2014	£(33)	10,360	0.03
US 5 Year Note (CBT) September 2014	USD(8)	(2,595)	(0.01)
US 10 Year Note (CBT) September 2014	USD(46)	(9,184)	(0.03)
US Long Bond (CBT) September 2014	USD(1)	(612)	0
US Ultra Bond (CBT) September 2014	USD(2)	(2,111)	(0.01)
<b>AUD Forward Foreign Currency Contracts 0.00% (0.01%)</b>			
Forward Foreign Currency Contracts 28/07/14	£428,531	428,531	1.23
Forward Foreign Currency Contracts 28/07/14	AUD(778,000)	(428,653)	(1.23)
<b>CHF Forward Foreign Currency Contracts 0.01% (-0.03%)</b>			
Forward Foreign Currency Contracts 10/07/14	£217,037	217,037	0.62
Forward Foreign Currency Contracts 10/07/14	CHF(325,000)	(214,368)	(0.61)
<b>EUR Forward Foreign Currency Contracts 0.08% (-0.16%)</b>			
Forward Foreign Currency Contracts 02/07/14	£1,099,880	1,099,880	3.15
Forward Foreign Currency Contracts 02/07/14	EUR(1,356,000)	(1,085,799)	(3.11)
Forward Foreign Currency Contracts 16/07/14	£1,471,779	1,471,779	4.22
Forward Foreign Currency Contracts 16/07/14	EUR(1,812,000)	(1,451,195)	(4.16)
Forward Foreign Currency Contracts 16/07/14	£75,559	75,559	0.22
Forward Foreign Currency Contracts 16/07/14	EUR(94,000)	(75,283)	(0.22)
Forward Foreign Currency Contracts 30/07/14	£2,780,596	2,780,596	7.97
Forward Foreign Currency Contracts 30/07/14	EUR(3,482,000)	(2,789,165)	(7.99)
Forward Foreign Currency Contracts 30/07/14	£111,203	111,203	0.32
Forward Foreign Currency Contracts 30/07/14	EUR(139,000)	(111,342)	(0.32)
<b>USD Forward Foreign Currency Contracts 0.20% (-0.04%)</b>			
Forward Foreign Currency Contracts 11/07/14	£917,519	917,519	2.63
Forward Foreign Currency Contracts 11/07/14	USD(1,537,000)	(898,977)	(2.58)
Forward Foreign Currency Contracts 23/07/14	£2,742,189	2,742,189	7.86
Forward Foreign Currency Contracts 23/07/14	USD(4,600,000)	(2,690,768)	(7.71)
Forward Foreign Currency Contracts 23/07/14	£165,050	165,050	0.47
Forward Foreign Currency Contracts 23/07/14	USD(280,000)	(163,786)	(0.47)
Forward Foreign Currency Contracts 06/08/14	£917,519	294,070	0.84
Forward Foreign Currency Contracts 06/08/14	USD(499,000)	(291,924)	(0.84)
<b>Portfolio of investments*</b>		<b>32,653,294</b>	<b>93.54</b>
<b>Net current assets</b>		<b>2,253,535</b>	<b>6.46</b>
<b>Total Net Assets</b>		<b>34,906,829</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Credit Default Swaps portfolio category, which, at 30 June 2013, represented 0.01% a of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	421	1.21	2.25
AA	3,048	8.73	2.45
A	7,760	22.23	30.19
BBB	12,682	36.33	38.60
BB	2,084	5.97	6.60
B	542	1.55	4.70
Not rated (by S&P)	6,050	17.33	12.87
Derivatives	66	0.19	0.19
<b>Portfolio of investments</b>	<b>32,653</b>	<b>93.54</b>	<b>97.85</b>
<b>Net current assets</b>	<b>2,254</b>	<b>6.46</b>	<b>2.15</b>
<b>Total Net Assets</b>	<b>34,907</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains/(losses)	1		1,148,238	(693,001)
Revenue	2	1,288,482		506,294
Expenses	3	(360,799)		(153,963)
Finance costs: Interest	5	(4,858)		(597)
Net revenue before taxation		922,825		351,734
Taxation	4	363		(530)
Net revenue after taxation			923,188	351,204
<b>Total return before distributions</b>			<b>2,071,426</b>	<b>(341,797)</b>
Finance costs: Distributions	5		(923,644)	(351,199)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>1,147,782</b>	<b>(692,996)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		28,506,986	-
Amounts receivable on issue of shares	8,570,994		30,758,116
Amounts payable on cancellation of shares	(3,767,009)		(1,705,580)
		4,803,985	29,052,536
Dilution adjustment		30,642	-
Change in net assets attributable to Shareholders from investment activities (see above)		1,147,782	(692,996)
Retained distributions on accumulation shares		413,095	147,446
Unclaimed distributions		4,339	-
<b>Closing net assets attributable to Shareholders</b>		<b>34,906,829</b>	<b>28,506,986</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			33,106,485	28,342,497
Debtors	7	488,655		512,423
Cash and bank balances	8	<u>6,678,718</u>	<u>373,595</u>	
Total other assets			<u>7,167,373</u>	<u>886,018</u>
Total assets			40,273,858	29,228,515
<b>LIABILITIES</b>				
Investment liabilities			(453,191)	(448,391)
Bank overdraft	8	(77,036)		(16,724)
Creditors	9	(4,619,741)		(129,462)
Distribution payable on income shares		<u>(217,061)</u>	<u>(126,952)</u>	
Total other liabilities			<u>(4,913,838)</u>	<u>(273,138)</u>
Total liabilities			(5,367,029)	(721,529)
<b>Net assets attributable to Shareholders</b>			<u><b>34,906,829</b></u>	<u><b>28,506,986</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	1.4931	0.2986	1.1945	0.0000	1.1945	0.9426
Group 2	0.8391	0.1678	0.6713	0.5232	1.1945	0.9426
Sterling Accumulation Shares						
Group 1	1.5263	0.3053	1.2210	0.0000	1.2210	0.9426
Group 2	0.9433	0.1887	0.7546	0.4664	1.2210	0.9426
Institutional Shares (Income)						
Group 1	1.8343	0.3669	1.4674	0.0000	1.4674	1.1565
Group 2	1.8343	0.3669	1.4674	0.0000	1.4674	1.1565
Institutional Shares (Accumulation)						
Group 1	1.8725	0.3745	1.4980	0.0000	1.4980	1.1566
Group 2	1.2676	0.2535	1.0141	0.4839	1.4980	1.1566
Institutional Shares W (Net Income)						
Group 1	1.8330	0.3666	1.4664	0.0000	1.4664	1.1642
Group 2	0.3865	0.0773	0.3092	1.1572	1.4664	1.1642
Institutional Shares W (Net Accumulation)						
Group 1	1.8852	0.3770	1.5082	0.0000	1.5082	1.1621
Group 2	1.4241	0.2848	1.1393	0.3689	1.5082	1.1621
Retail Advised Shares B (Net Income)						
Group 1	1.6774	0.3355	1.3419	0.0000	1.3419	1.0660
Group 2	1.1406	0.2281	0.9125	0.4294	1.3419	1.0660
Retail Advised Shares B (Net Accumulation)						
Group 1	1.7165	0.3433	1.3732	0.0000	1.3732	1.0658
Group 2	1.7165	0.3433	1.3732	0.0000	1.3732	1.0658
X Shares (Net Accumulation)						
Group 1	2.0785	0.4157	1.6628	0.0000	1.6628	n/a
Group 2	0.7774	0.1555	0.6219	1.0409	1.6628	n/a

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.5685	0.3137	1.2548	0.0000	1.2548	n/a
Group 2	1.0245	0.2049	0.8196	0.4352	1.2548	n/a
Sterling Accumulation Shares						
Group 1	1.5836	0.3167	1.2669	0.0000	1.2669	n/a
Group 2	0.8259	0.1652	0.6607	0.6062	1.2669	n/a

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 31/12/2012
Institutional Shares (Income)						
Group 1	1.9120	0.3824	1.5296	0.0000	1.5296	n/a
Group 2	1.9120	0.3824	1.5296	0.0000	1.5296	n/a
Institutional Shares (Accumulation)						
Group 1	1.9290	0.3858	1.5432	0.0000	1.5432	n/a
Group 2	1.3110	0.2622	1.0488	0.4944	1.5432	n/a
Institutional Shares W (Net Income)						
Group 1	1.9115	0.3823	1.5292	0.0000	1.5292	n/a
Group 2	0.5146	0.1029	0.4117	1.1175	1.5292	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.9339	0.3868	1.5471	0.0000	1.5471	n/a
Group 2	0.3618	0.0724	0.2894	1.2577	1.5471	n/a
Retail Advised Shares B (Net Income)						
Group 1	1.7525	0.3505	1.4020	0.0000	1.4020	n/a
Group 2	1.1684	0.2337	0.9347	0.4673	1.4020	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	1.7725	0.3545	1.4180	0.0000	1.4180	n/a
Group 2	1.7725	0.3545	1.4180	0.0000	1.4180	n/a
						Period
						Group 1: Shares purchased at launch 6 November 2013
						Group 2: Shares purchased 7 November 2013 to 31 December 2013
X Shares (Net Accumulation)						
Group 1	0.6425	0.1285	0.5140	0.0000	0.5140	n/a
Group 2	0.5471	0.1094	0.4377	0.0763	0.5140	n/a



## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014 £	30/06/2013* £
Gains/(losses) on non-derivative securities	331,913	(467,285)
Gains/(losses) on derivative contracts	153,818	(256,002)
Gains on forward currency contracts	824,717	44,089
Currency exchange losses	(136,643)	(13,803)
Activity charges	(25,567)	-
<b>Net capital gains/(losses)</b>	<b>1,148,238</b>	<b>(693,001)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
Overseas dividends	3,383	735
Bank interest	3,904	320
Interest on debt securities	1,280,873	505,239
Stock lending	322	-
<b>Total revenue</b>	<b>1,288,482</b>	<b>506,294</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	308,293	130,112
Administration fees	28,310	11,824
Safe custody charges	5,469	-
	<b>342,072</b>	<b>141,936</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	9,014	3,500
Distribution reconciliation service	1,086	-
	<b>10,100</b>	<b>3,500</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	8,399	8,400
Financial Conduct Authority fee	228	118
Legal fees	-	9
	<b>8,627</b>	<b>8,527</b>
<b>Total expenses</b>	<b>360,799</b>	<b>153,963</b>

† The Audit services (audit fee) net of VAT for 2014 is £7,150 (2013: £7,000).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013* £
<b>a) Analysis of tax charge in period:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	(363)	530
<b>Total tax charge (see note 4b)</b>	<b><u>(363)</u></b>	<b><u>530</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>922,825</u>	<u>351,734</u>
<b>Corporation tax @ 20%</b>	184,565	70,347
Effects of:		
Overseas tax withheld	(363)	530
Overseas tax at 20%	72	-
Tax deductible interest distributions	(184,637)	(70,347)
<b>Total tax charge (see note 4a)</b>	<b><u>(363)</u></b>	<b><u>530</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013* £
Interim interest 31 December - Sterling Income Shares	158,851	-
Interim interest 31 December - Sterling Accumulation Shares	181,168	-
Interim interest 31 December - Institutional Shares (Income)	183	-
Interim interest 31 December - Institutional Shares (Accumulation)	164	-
Interim interest 31 December - Institutional Shares W (Net Income)	1,348	-
Interim interest 31 December - Institutional Shares W (Net Accumulation)	3,118	-
Interim interest 31 December - Retail Advised Shares B (Net Income)	71	-
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	71	-
Interim interest 31 December - X Shares (Net Accumulation)	9,268	-
Final interest 30 June - Sterling Income Shares	142,402	126,469
Final interest 30 June - Sterling Accumulation Shares	163,154	146,207
Final interest 30 June - Institutional Shares (Income)	175	138
Final interest 30 June - Institutional Shares (Accumulation)	160	122
Final interest 30 June - Institutional Shares W (Net Income)	74,415	292
Final interest 30 June - Institutional Shares W (Net Accumulation)	4,549	1,064
Final interest 30 June - Retail Advised Shares B (Net Income)	69	53
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	69	53
Final interest 30 June - X Shares (Net Accumulation)	51,374	-
Income tax withheld	184,637	70,241
	<b><u>975,246</u></b>	<b><u>344,639</u></b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013*
	£	£
Amounts added on issue of shares	(74,134)	(1,191)
Amounts deducted on cancellation of shares	22,532	7,751
<b>Net distributions for the year</b>	<b>923,644</b>	<b>351,199</b>
Interest	4,858	597
<b>Total finance costs</b>	<b>928,502</b>	<b>351,796</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013*
	£	£
Net revenue after taxation	923,188	351,204
Equalisation on conversions	451	-
Undistributed revenue brought forward	5	-
Undistributed revenue carried forward	-	(5)
	<b>923,644</b>	<b>351,199</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	469,463	512,423
Amount receivable for issue of shares	19,192	-
	<b>488,655</b>	<b>512,423</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	2,709,091	38,712
Cash held in Insight Investment Liquidity Fund	3,465,900	70,162
Cash held on margin account	503,727	264,721
	<b>6,678,718</b>	<b>373,595</b>
<b>Overdrawn cash and bank balances</b>		
Overdraft position at brokers	(77,036)	(16,724)
	<b>(77,036)</b>	<b>(16,724)</b>

## Notes to the Financial Statements (continued)

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	39,155	37,450
Amount payable for cancellation of shares	73,717	21,771
Income tax payable	122,114	70,241
Purchases awaiting settlement	4,384,755	-
	<b>4,619,741</b>	<b>129,462</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £84,651 (30/06/13: £50,777).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	3,633,563	22,083,178	14,161,995	39,878,736	4.68	17.47
Australia	420,896	-	697	421,593		
Europe	3,213,187	2,612,465	72,977	5,898,629	5.45	23.01
Norway	65	-	-	65		
Switzerland	120	211,171	5,008	216,299	6.32	4.88
United States of America	173	4,023,141	27,652	4,050,966	4.06	12.57
	<b>7,268,004</b>	<b>28,929,955</b>	<b>14,268,329</b>	<b>50,466,288</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(4,889,821)	(4,889,821)		
Australia	-	-	(428,628)	(428,628)		
Europe	(66,033)	-	(5,889,867)	(5,955,900)		
Switzerland	-	-	(214,327)	(214,327)		
United States of America	(11,003)	-	(4,059,780)	(4,070,783)		
	<b>(77,036)</b>	<b>-</b>	<b>(15,482,423)</b>	<b>(15,559,459)</b>		
<b>Total</b>	<b>7,190,968</b>	<b>28,929,955</b>	<b>(1,214,094)</b>	<b>34,906,829</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	4,704,418	16,813,427	7,596,454	29,114,299	5.06	10.49
Australia	641,919	-	1,223	643,142		
Europe	3,280,209	1,535,136	85,279	4,900,624	6.11	5.14
Norway	74	-	-	74		
Switzerland	369	421,225	11,171	432,765	6.14	5.19
United States of America	7,404	1,105,048	44,476	1,156,928	6.73	6.53
	<b>8,634,393</b>	<b>19,874,836</b>	<b>7,738,603</b>	<b>36,247,832</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(622,283)	(622,283)		
Australia	-	-	(603,101)	(603,101)		
Europe	(16,724)	-	(4,917,251)	(4,933,975)		
Switzerland	-	-	(442,047)	(442,047)		
United States of America	-	-	(1,139,440)	(1,139,440)		
	<b>(16,724)</b>	<b>-</b>	<b>(7,724,122)</b>	<b>(7,740,846)</b>		
<b>Total</b>	<b>8,617,669</b>	<b>19,874,836</b>	<b>14,481</b>	<b>28,506,986</b>		

#### Market Risk

The Fund uses Value at Risk (VaR) to calculate the likelihood of the Fund (including derivatives) falling in value by more than a particular level.

Under normal market conditions, VaR captures the potential fall in the value of the portfolio over a given holding period and to a given level of statistical confidence.

The Fund uses the Absolute VaR model, limits its VaR to 5% of the Net Asset Value (NAV) of the Fund, with a 99% confidence level and a 5 day holding period. The VaR model utilises an historical recalculation basis using at least one year of daily returns.

The confidence level is set at 99% meaning that we would expect losses calculated over a 5 day period to exceed the 5 day VaR calculated for that period only once every 100 trading days, other things being equal.

The holding period (5 trading days) is the time horizon over which the fall in value of individual security prices is projected.

As at the year ended 30 June 2014 the Fund had an Absolute daily VaR of 2.34% (30/06/13: 3.13%).

Counterparty exposure for non-exchange traded derivatives

Counterparty	Currency Options	Total (£)
Barclays	276	276
Citibank	(122)	(122)
Goldman Sachs	59,287	59,287
RBC London	(139)	(139)
Royal Bank of Scotland	42,851	42,851
	<b>102,153</b>	<b>102,153</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk (continued)

Collateral received from these counterparties in respect of derivative contracts was £270,000 in the form of cash.

Collateral pledged to these counterparties in respect of derivative contracts was nil.

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts, interest rate swaps and exchange traded futures. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities. Interest rate swaps and exchange traded futures are used by the Fund to manage market price risk of the Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Liabilities	Total	Total
	£	£	£	£
United Kingdom	35,887,438	(898,523)	34,988,915	28,492,016
Australia	(7,828)	793	(7,035)	40,041
Europe	279,597	(336,868)	(57,271)	(33,351)
Norway	-	65	65	74
Switzerland	(3,197)	5,169	1,972	(9,282)
United States of America	(36,816)	16,999	(19,817)	17,488
<b>Total</b>	<b>36,119,194</b>	<b>(1,212,365)</b>	<b>34,906,829</b>	<b>28,506,986</b>

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014. (30/06/13: nil)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, there were no investments subject to stock lending agreements. (30/06/13: nil)

The gross earnings and the fees for the year are £403 (30/06/13: nil) and £81 (30/06/13: nil) respectively.

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund currently has nine share classes; Sterling Income Shares, Sterling Accumulation Shares, Institutional Shares (Income), Institutional Shares (Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and X Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.10%	0.10%
Sterling Accumulation Shares	1.10%	0.10%
Institutional Shares (Income)	0.50%	0.03%
Institutional Shares (Accumulation)	0.50%	0.03%
Institutional Shares W (Net Income)	0.50%	0.03%
Institutional Shares W (Net Accumulation)	0.50%	0.03%
Retail Advised Shares B (Net Income)	0.75%	0.10%
Retail Advised Shares B (Net Accumulation)	0.75%	0.10%
X Shares (Net Accumulation)	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 116 to 117. The distributions are given in the distribution statements on pages 124 to 125. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – INSIGHT STRATEGIC BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**



**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Insight Investment Management (Global) Limited

Fund Size: £21.65m

Sector: IMA £ Strategic Bond

Yield as at 30 June 2014:

Sterling Income Shares	2.82%
Sterling Accumulation Shares	2.82%
Institutional Shares W (Net Income)	3.36%
Institutional Shares W (Net Accumulation)	3.36%
Retail Advised Shares B (Net Income)	3.07%
Retail Advised Shares B (Net Accumulation)	3.07%
Institutional Shares (Income)	3.24%
Institutional Shares (Accumulation)	3.24%

Key Dates: Fund Launch 09 February 2013

**Investment Objective**

To achieve a total return.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	7.71%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	7.70%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	8.20%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	8.18%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	7.94%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	7.94%	n/a	n/a	n/a	n/a
Institutional Shares (Income)*	n/a	n/a	n/a	n/a	n/a
Institutional Shares (Accumulation)*	n/a	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Accumulation Share Class of the Fund returned +7.70% against +7.31% for the IMA £ Strategic Bond Sector.

BNY Mellon Global Strategic Bond Fund merged into Insight Strategic Bond Fund on 15 February 2014.

The Fund produced a positive return in the 12 months to the end of June 2014, highlighting the benefits of a diversified approach that offers flexibility to allocate between different fixed income sub-asset classes. Our overweight to credit risk was a key contributor to performance as investors continued to search for yield, allowing spreads to narrow. In addition, the Fund's exposure to asset-backed securities was also a key contributor to Fund performance. In terms of sector preferences, the Fund favoured securitised bonds including commercial and residential mortgage-backed securities, subordinated bank and insurance paper, as well as energy and utilities. From a geographical perspective, we increased our small allocation to emerging market debt over the second quarter of 2014 as the asset class saw some strong inflows, and this proved beneficial to Fund performance.

Within emerging market debt, we tended to favour countries with more accommodative central bank policies such as certain Eastern European economies while being short those economies with central banks taking the opposite stance, such as Malaysia. As we increased our exposure to emerging market debt, we reduced our allocation to markets on the 'periphery' of Europe following their strong performance. We were also active within the sub-investment grade part of the portfolio. This area of the credit – bonds in issued by companies – market had become increasingly expensive and so during the second quarter of 2014 we started to reduce our exposure in order to lock in profits. As a result, we sold bonds including Welltec, Wind, Numericable and Travellex as well as some of the Fund's exposure to bank contingent convertible bonds from issuers such as Santander. In addition, the Fund also purchased some protection on the Markit iTraxx Crossover Index to reduce directional exposure to high yield bonds. We ended the period under review with zero net risk in high yield bonds. The Fund remained overweight credit spread duration via investment grade bonds.

In terms of duration – the Fund's sensitivity to interest rate change – we managed our exposures tactically. We ended the year overall long duration, made up of a long position in the UK and a short position 10-year US Treasuries. In addition, the Fund favoured US inflation-linked Treasuries over conventional bonds. In June, we initiated a small short position in five-year US Treasuries; however this initially moved slightly against us as yields rallied towards the end of June. In terms of yield curve, the Fund was focused on 10-year to 15-year part of the UK curve.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
US Treasury 0.125% Notes 2018	US Treasury 0.125% Notes 2018
Insight Emerging Markets Debt Fund Class S	Slovakia 3.00% Bonds 2023
Wind Acquisition Finance 7.00% 2021	Grupo Isolux Corsan Finance 6.625% Notes 2021
Grupo Isolux Corsan Finance 6.625% Notes 2021	Slovakia 4.375% Notes 2022
Slovakia 3.00% Bonds 2023	Italy 3.50% Bonds 2018
Genel Energy 7.50% Guaranteed Senior Bonds 2019	Ocean Rig 7.25% Senior Bonds 2019
Slovakia 4.375% Notes 2022	Ziggo 8.00% Guaranteed Senior Notes 2018
Italy 3.50% Bonds 2018	GHD Bondco 7.00% Senior Security Notes 2020
Bankia 4.00% Variable Subordinate Notes 2024	Intralot Capital 6.00% Senior Notes 2021
Ocean Rig 7.25% Senior Bonds 2019	Australia (Commonwealth of) 2.00% Index Linked Bonds 2035

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	103.30	98.56	2.5769
2014	104.76	100.99	1.2925
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 9 February)	103.75	99.47	2.6022
2014	108.16	103.60	1.3281
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.28	98.51	2.9841
2014	104.79	100.93	1.5209
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.93	99.58	3.0220
2014	108.74	103.96	1.5727
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.25	98.50	2.7812
2014	104.74	100.92	1.4026
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 February)	103.75	99.50	2.8110
2014	108.41	103.75	1.4408
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 17 February)	102.90	100.00	1.1210
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 17 February)	103.31	100.00	1.1247

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2013	8,614,991	98.29	8,764,781
30/06/2014	12,190,747	103.13	11,820,570
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2013	3,132,656	99.43	3,150,536
30/06/2014	2,945,873	107.14	2,749,439
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	20,851	98.23	21,227
30/06/2014	1,812,976	103.07	1,758,977
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	52,673	99.55	52,913
30/06/2014	2,124,483	107.75	1,971,684

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,935	Pence 98.25	5,023
30/06/2014	109,140	103.07	105,892
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	4,973	Pence 99.46	5,000
30/06/2014	10,549	107.40	9,822
<b>Institutional Shares (Income)</b>			
30/06/2014	2,005,691	Pence 101.24	1,981,180
<b>Institutional Shares (Accumulation)</b>			
30/06/2014	453,738	Pence 102.37	443,231

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.48	1.39
Sterling Accumulation Shares	1.48	1.39
Institutional Shares W (Net Income)	0.96	0.83
Institutional Shares W (Net Accumulation)	0.96	0.83
Retail Advised Shares B (Net Income)	1.23	1.11
Retail Advised Shares B (Net Accumulation)	1.23	1.11
Institutional Shares (Income)	1.04	n/a
Institutional Shares (Accumulation)	1.04	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges figures for Institutional Shares (Income) and Institutional Shares (Accumulation) have been annualised as the share classes launched during the year, the comparative figures for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 6.54% (0.00%)</b>			
Mexico 5.625% 2114	USD500,000	491,521	2.28
Spain Treasury 5.15% 2044	USD200,000	193,294	0.89
Spain Treasury 5.40% 2023	USD297,000	292,258	1.35
US Treasury 5.40% 2043	USD800,000	437,359	2.02
<b>Sterling Denominated Corporate Bonds 25.04% (46.08%)</b>			
America Movil 6.375% Subordinated Floating Rate Bonds 2073	£100,000	106,560	0.49
Annington Finance 13.00% Guaranteed Senior Bonds 2023	£343,665	439,812	2.03
Aviva 6.125% Guaranteed Perpetual Subordinated Bonds	£220,000	234,920	1.08
AXA 6.772% Guaranteed Perpetual Subordinated Floating Rate EMTN	£200,000	218,397	1.01
BL Superstore Finance 5.578% Guaranteed Asset Backed Bonds 2025	£175,000	187,582	0.87
Channel Link Enterprises Finance 3.8455% Guaranteed Floating Rate Bonds 2050	£210,000	207,414	0.96
Delamare Finance 6.067% Guaranteed Bonds 2029	£150,000	168,978	0.78
Electricite De France 6.00% Perpetual Subordinated Floating Rate EMT Bonds	£300,000	318,975	1.47
Firstgroup 6.875% Guaranteed Bonds 2024	£120,000	142,263	0.66
Juturna 5.0636% Guaranteed EMT Bonds 2033	£94,185	104,701	0.48
Kelda Finance 3 5.75% Guaranteed Senior Notes 2020	£100,000	102,693	0.47
Lloyds Banking Group 7.875% Perpetual	£373,000	405,541	1.87
Nationwide Building Society 6.875% Floating Rate Subordinate Notes	£100,000	102,500	0.47
Petrobras Global Finance 6.625% 2034	£200,000	198,387	0.92
Petrobras International 5.375% Medium Term Bonds 2029	£100,000	91,624	0.42
Precise Mortgage Floating Rate Notes 2047	£100,000	103,775	0.48
QBE Capital Funding 7.50% Guaranteed Bonds 2041	£300,000	333,460	1.54
Residential Mortgage Securities 21 Floating Rate Notes Mortgage Backed 2038	£350,000	349,988	1.62
RSA Insurance 6.701% Perpetual	£300,000	320,155	1.48
Southern Water Services Finance 4.50% Guaranteed Senior Floating Rate EMT Bonds 2038	£100,000	100,178	0.46
Telefonica Emisiones 5.289% Guaranteed EMTN 2022	£300,000	326,352	1.51
Travelex Financing 8.00% Senior Bonds 2018	£400,000	428,364	1.98
Ulysses European Loan Conduit 0.74531% Floating Rate Bonds 2017	£150,000	143,393	0.66
Unique Pub Finance 5.659% 2027	£55,266	55,242	0.25
White City Property Finance 5.1202% Guaranteed Bonds 2035	£212,735	234,322	1.08
<b>Non-Sterling Denominated Corporate Bonds 56.22% (42.41%)</b>			
Altice Finco 7.25% Senior Notes 2022	EUR200,000	169,838	0.78
Assicurazioni Generali 10.125% European Medium Term Bonds 2042	EUR100,000	111,744	0.52
Assicurazioni Generali Spa 4.125% European Medium Term Notes 2026	EUR400,000	329,506	1.52
Avoca Capital 4.2710% Collateralized Loan Obligation 2026	EUR200,000	161,707	0.75
Babson 3.911% Collateralized Loan Obligation 2027	EUR250,000	198,943	0.92
Banglalink Digital Comm 8.625% Senior Notes 2019	USD400,000	247,975	1.15
Bankia S.A 4.00% Variable Subordinate Notes 2024	EUR800,000	636,240	2.94
Bankinter Pyme 0.437% Floating Rate Bonds 2043	EUR200,000	136,997	0.63
Barclays Bank 7.625% Notes 2022	USD400,000	267,041	1.23
BBVA Leasing 0.399% Floating Rate Notes 2031	EUR0	0	0.00
Carlyle Global Market Strategies 3.992790% Collateralized Loan Obligation 2027	EUR100,000	79,561	0.37
Chapel 0.585% Floating Rate Bonds 2066	EUR583,002	425,459	1.96
Chrysler 8.25% Guaranteed Senior Notes 2021	USD200,000	132,175	0.61
CM Bancaja 1 0.713% Floating Rate Notes 2036	EUR173,345	136,479	0.63
Consolidated Minerals 8% Guaranteed Senior Secured Notes 2020	USD700,000	401,205	1.85
Crédit Agricole 7.875% Perpetual	USD400,000	255,908	1.18
Credit Agricole 8.125% Variable Rate Bonds 2033	USD300,000	200,018	0.92
Credit Suisse 6.25% Bonds 2049	USD400,000	237,594	1.10
Eileme 11.75% Guaranteed Notes 2020	EUR300,000	287,665	1.33
Electricite De France 5.375% European Medium Term Notes Perpetual	EUR100,000	88,740	0.41

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Underlying Exposure - Derivatives (£)</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non-Sterling Denominated Corporate Bonds (continued)</b>				
Enel Spa 5.00% Bonds 2075		EUR100,000	84,406	0.39
EP Energy 4.375% Guaranteed Senior Bonds 2018		EUR135,000	115,033	0.53
Fibria Overseas Finance 5.25% Guaranteed Senior Notes 2024		EUR220,000	128,023	0.59
Florentia Commercial Mortgage Backed Floating Rate Notes 2024		USD99,757	83,025	0.38
Gallerie 2013 SRL Commercial Mortgage Backed Notes 2025		EUR398,000	327,262	1.51
Genel Energy 7.50% Guaranteed Senior Bonds 2019		EUR600,000	348,964	1.61
German Residential Floating Rate Notes 2024		EUR197,137	165,326	0.76
German Residential Funding 5.0670% Floating Rate Notes 2024		EUR413,500	337,693	1.56
Greensill Capital 0.00% Senior Notes 2014		EUR400,000	229,786	1.06
Groupama 6.298% Notes 2017		EUR100,000	81,409	0.38
Groupama 6.375% Subordinate Floating Rate Notes Perpetual		USD200,000	165,752	0.77
GTECH Spa 8.25% Floating Rate Notes 2066		EUR120,000	103,536	0.48
Hapag-Lloyd 9.00% Guaranteed Senior Medium Term Notes 2015		AUD198,528	165,275	0.76
Harvest 3.7020% Collateralised Loan Obligation 2026		EUR150,000	116,918	0.54
Intesa Sanpaolo 4.00% Senior European Medium Term Notes 2023		EUR220,000	198,433	0.92
Iona Energy 9.50% Senior Notes 2018		EUR200,000	115,212	0.53
Ithaca Energy 8.125% Senior Notes 2019		EUR400,000	233,939	1.08
KBC Bank 8.00% Subordinated Floating Rate Notes 2023		USD400,000	267,567	1.24
KBC Groep 5.625% Notes 2049		EUR280,000	225,688	1.04
Matterhorn Mobile 6.75% Guaranteed Senior Notes 2019		CHF300,000	211,171	0.97
Metro 8.00% Bonds 2016		EUR200,000	116,386	0.54
Nara Cable 8.875% Bonds 2018		USD350,000	218,513	1.01
Nationwide Building Society 4.125% Bonds 2023		EUR100,000	85,197	0.39
Pacific Drilling 7.25% Bond 2017		USD200,000	123,695	0.57
Paragon Mortgages No.7 'A1A' Mortgage Backed Floating Rate Notes 2034		USD536,528	301,720	1.39
Sable International Finance 8.75% Guaranteed Senior Notes 2020		EUR200,000	131,590	0.61
St.Pauls 4.455% Collateralized Loan Obligation 2028		EUR400,000	322,509	1.49
St.Pauls 4.84938% Collateralised Loan Obligation 2028		CHF250,000	198,701	0.92
Talanx Finanz 8.3673% Guaranteed Floating Rate European Medium Term Bonds 2042		EUR200,000	207,749	0.96
Talisman-7 Finance 0.571% Floating Rate Notes 2017		EUR231,856	181,492	0.84
Taurus Floating Rate Notes 2024		EUR197,505	160,175	0.74
Telefonica Europe 5.875% Notes 2049		EUR200,000	171,089	0.79
Themeleion III Mortgage Finance 0.6270% Floating Rate Bonds 2043		EUR422,314	320,519	1.48
Tullow Oil 6.00% Guaranteed Notes 2020		EUR500,000	303,389	1.40
UBS 4.75% Subordinate Notes 2026		USD300,000	255,148	1.18
Utrecht Funding 1 3.206% Floating Rate Notes 2016		EUR433,772	350,463	1.62
Wind Acquisition Finance 7.00% Guaranteed Senior Notes 2021		EUR600,000	516,605	2.39
<b>Collective Investment Schemes 9.76% (8.59%)</b>				
Insight Emerging Markets Debt Fund Class S†		210,071	2,112,616	9.76
<b>Derivatives 0.14% (-0.48%)</b>				
<b>Credit Default Swaps -0.02% (-0.01%)</b>				
People's Republic of China Credit Default Swap		USD600,000	(5,311)	(0.02)
<b>Futures -0.40% (-0.50%)</b>				
Euro-Bobl Future September 2014	(701,524)	EUR(8)	(3,587)	(0.02)
Euro-Btp Future September 2014	303,111	EUR3	5,213	0.02
Euro-Bund Future September 2014	(3,060,624)	EUR(34)	(40,149)	(0.19)
Japan 10 Year Bond (OSE) September 2014	(3,363,424)	JPY (4)	(14,779)	(0.07)
Long Gilt Future September 2014	4,067,040	£37	2,630	0.01
US 5 Year Note (CBT) September 2014	(4,750,910)	USD(68)	(21,223)	(0.10)
US 10 Year Note (CBT) September 2014	(1,390,921)	USD(19)	(2,605)	(0.01)
US Ultra Bond(CBT) September 2014	(701,524)	USD(8)	(8,444)	(0.04)

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>AUD Forward Foreign Currency Contracts 0.00% (0.02%)</b>			
Forward Foreign Currency Contracts 24/07/14	AUD148,917	82,073	0.38
Forward Foreign Currency Contracts 24/07/14	CHF(140,000)	(81,894)	(0.38)
<b>CHF Forward Foreign Currency Contracts 0.00% (-0.07%)</b>			
Forward Foreign Currency Contracts 10/07/14	CHF156,000	102,897	0.47
Forward Foreign Currency Contracts 10/07/14	£(102,780)	(102,780)	(0.47)
Forward Foreign Currency Contracts 10/07/14	CHF(309,000)	(203,814)	(0.94)
Forward Foreign Currency Contracts 10/07/14	£206,352	206,352	0.95
Forward Foreign Currency Contracts 10/07/14	CHF(150,000)	(98,939)	(0.46)
Forward Foreign Currency Contracts 10/07/14	£98,610	98,610	0.45
<b>EUR Forward Foreign Currency Contracts 0.16% (-0.20%)</b>			
Forward Foreign Currency Contracts 16/07/14	EUR(1,599,000)	(1,280,608)	(5.91)
Forward Foreign Currency Contracts 16/07/14	£1,299,120	1,299,120	6.00
Forward Foreign Currency Contracts 16/07/14	EUR(82,000)	(65,672)	(0.30)
Forward Foreign Currency Contracts 16/07/14	£65,913	65,913	0.30
Forward Foreign Currency Contracts 16/07/14	EUR(422,000)	(337,972)	(1.56)
Forward Foreign Currency Contracts 16/07/14	£337,711	337,711	1.56
Forward Foreign Currency Contracts 2/07/14	EUR209,000	167,354	0.77
Forward Foreign Currency Contracts 2/07/14	£(166,706)	(166,706)	(0.77)
Forward Foreign Currency Contracts 2/07/14	EUR(2,714,000)	(2,173,200)	(10.04)
Forward Foreign Currency Contracts 2/07/14	£2,201,419	2,201,419	10.17
Forward Foreign Currency Contracts 24/07/14	EUR102,655	82,223	0.38
Forward Foreign Currency Contracts 24/07/14	USD(140,000)	(81,893)	(0.38)
Forward Foreign Currency Contracts 24/07/14	EUR200,000	160,193	0.74
Forward Foreign Currency Contracts 24/07/14	NOK(1,664,694)	(158,836)	(0.73)
Forward Foreign Currency Contracts 24/07/14	EUR100,000	80,096	0.37
Forward Foreign Currency Contracts 24/07/14	SEK(916,791)	(80,194)	(0.37)
Forward Foreign Currency Contracts 30/07/14	EUR(5,638,000)	(4,516,174)	(20.86)
Forward Foreign Currency Contracts 30/07/14	£4,502,503	4,502,503	20.79
<b>JPY Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 24/07/14	JPY 56,921,069	328,704	1.52
Forward Foreign Currency Contracts 24/07/14	USD(560,000)	(327,560)	(1.51)
<b>NOK Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 24/07/14	NOK1,634,643	155,687	0.72
Forward Foreign Currency Contracts 24/07/14	USD(268,308)	(156,948)	(0.72)
<b>USD Forward Foreign Currency Contracts 0.39% (-0.08%)</b>			
Forward Foreign Currency Contracts 11/07/14	USD99,000	57,904	0.27
Forward Foreign Currency Contracts 11/07/14	£(58,179)	(58,179)	(0.27)
Forward Foreign Currency Contracts 11/07/14	USD304,000	177,807	0.82
Forward Foreign Currency Contracts 11/07/14	£(178,540)	(178,540)	(0.82)
Forward Foreign Currency Contracts 11/07/14	USD(1,712,000)	(1,001,333)	(4.62)
Forward Foreign Currency Contracts 11/07/14	£1,021,252	1,021,252	4.72
Forward Foreign Currency Contracts 23/07/14	USD(5,950,000)	(3,480,450)	(16.07)
Forward Foreign Currency Contracts 23/07/14	£3,544,349	3,544,349	16.37
Forward Foreign Currency Contracts 24/07/14	USD192,015	112,320	0.52
Forward Foreign Currency Contracts 24/07/14	EUR(140,765)	(112,747)	(0.52)
Forward Foreign Currency Contracts 24/07/14	USD408,179	238,766	1.10
Forward Foreign Currency Contracts 24/07/14	CHF(364,178)	(240,270)	(1.11)
Forward Foreign Currency Contracts 24/07/14	USD777,199	454,626	2.10

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>USD Forward Foreign Currency Contracts (continued)</b>			
Forward Foreign Currency Contracts 24/07/14	JPY(79,114,505)	(456,906)	(2.10)
Forward Foreign Currency Contracts 24/07/14	USD140,000	81,894	0.38
Forward Foreign Currency Contracts 24/07/14	AUD (149,445)	(82,364)	(0.38)
Forward Foreign Currency Contracts 24/07/14	USD(554,559)	(324,392)	(1.50)
Forward Foreign Currency Contracts 24/07/14	£325,862	325,862	1.50
<b>Portfolio of investments*</b>		<b>21,155,786</b>	<b>97.70</b>
<b>Net current assets</b>		<b>497,411</b>	<b>2.30</b>
<b>Total Net Assets</b>		<b>21,653,197</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Interest Rate Swaps portfolio category, which, at 30 June 2013, represented 0.33% of the Total Net Assets of the Fund.

†Considered a related party of the ACD.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

\*Net of investment liabilities



**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	1,414	6.53	1.41
A	1,102	5.09	13.94
BBB	3,946	18.22	30.14
BB	2,446	11.30	15.50
B	5,061	23.37	13.07
CCC	583	2.69	0.77
Not rated (by S&P)	6,575	30.36	22.25
Derivatives	29	0.14	(0.48)
<b>Portfolio of investments</b>	<b>21,156</b>	<b>97.70</b>	<b>96.60</b>
<b>Net current assets</b>	<b>497</b>	<b>2.30</b>	<b>3.40</b>
<b>Total Net Assets</b>	<b>21,653</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital gains/(losses)	1		715,311	(187,124)
Revenue	2	747,972		250,320
Expenses	3	(193,244)		(68,548)
Finance costs: Interest	5	(6,388)		(739)
Net revenue before taxation		548,340		181,033
Taxation	4	462		-
Net revenue after taxation			548,802	181,033
<b>Total return before distributions</b>			<b>1,264,113</b>	<b>(6,091)</b>
Finance costs: Distributions	5		(548,215)	(181,038)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>715,898</b>	<b>(187,129)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		11,831,079	-
<b>Transfer of Assets from:</b>			
BNY Mellon Global Strategic Bond Fund (on 15 February 2014)		13,936,831	-
Amounts receivable on issue of shares	1,705,258		13,346,437
Amounts payable on cancellation of shares	(6,653,724)		(1,366,236)
		(4,948,466)	11,980,201
Dilution adjustment		4,278	-
Change in net assets attributable to Shareholders from investment activities (see above)		715,898	(187,129)
Retained distributions on accumulation shares		113,141	37,914
Unclaimed distributions		436	93
<b>Closing net assets attributable to Shareholders</b>		<b>21,653,197</b>	<b>11,831,079</b>

\*for the period 9 February 2013 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			21,273,193		11,575,245
Debtors	7	1,448,115		216,704	
Cash and bank balances	8	<u>1,367,680</u>		<u>352,588</u>	
Total other assets			<u>2,815,795</u>		<u>569,292</u>
Total assets			24,088,988		12,144,537
<b>LIABILITIES</b>					
Investment liabilities			(117,407)		(146,149)
Bank overdraft	8	(107,163)		(8,546)	
Creditors	9	(2,105,541)		(96,867)	
Distribution payable on income shares		<u>(105,680)</u>		<u>(61,896)</u>	
Total other liabilities			<u>(2,318,384)</u>		<u>(167,309)</u>
Total liabilities			(2,435,791)		(313,458)
<b>Net assets attributable to Shareholders</b>			<u><b>21,653,197</b></u>		<u><b>11,831,079</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.8154	0.1631	0.6523	0.0000	0.6523	0.7038
Group 2	0.2449	0.0490	0.1959	0.4564	0.6523	0.7038
Sterling Accumulation Shares						
Group 1	0.8449	0.1690	0.6759	0.0000	0.6759	0.7069
Group 2	0.5124	0.1025	0.4099	0.2660	0.6759	0.7069
Institutional Shares W (Net Income)						
Group 1	0.9573	0.1915	0.7658	0.0000	0.7658	0.8148
Group 2	0.4530	0.0906	0.3624	0.4034	0.7658	0.8148
Institutional Shares W (Net Accumulation)						
Group 1	0.9943	0.1989	0.7954	0.0000	0.7954	0.8220
Group 2	0.6670	0.1334	0.5336	0.2618	0.7954	0.8220
Retail Advised Shares B (Net Income)						
Group 1	0.8806	0.1761	0.7045	0.0000	0.7045	0.7572
Group 2	0.4444	0.0889	0.3555	0.3490	0.7045	0.7572
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9099	0.1820	0.7279	0.0000	0.7279	0.7612
Group 2	0.9099	0.1820	0.7279	0.0000	0.7279	0.7612
Institutional Shares (Income)						
Group 1	0.9055	0.1811	0.7244	0.0000	0.7244	n/a
Group 2	0.4283	0.0857	0.3426	0.3818	0.7244	n/a
Institutional Shares (Accumulation)						
Group 1	0.9103	0.1821	0.7282	0.0000	0.7282	n/a
Group 2	0.4504	0.0901	0.3603	0.3679	0.7282	n/a

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.8003	0.1601	0.6402	0.0000	0.6402	0.4476
Group 2	0.7938	0.1588	0.6350	0.0052	0.6402	0.4476
Sterling Accumulation Shares						
Group 1	0.8153	0.1631	0.6522	0.0000	0.6522	0.4476
Group 2	0.1174	0.0235	0.0939	0.5583	0.6522	0.4476
Institutional Shares W (Net Income)						
Group 1	0.9439	0.1888	0.7551	0.0000	0.7551	0.5138
Group 2	0.9153	0.1831	0.7322	0.0229	0.7551	0.5138

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>	Period
							Group 1: Shares purchased prior to 1 January 2014 Group 2: Shares purchased 1 January 2014 to 31 March 2014
Institutional Shares W (Net Accumulation)							
Group 1	0.9716	0.1943	0.7773	0.0000	0.7773	0.5150	
Group 2	0.7794	0.1559	0.6235	0.1538	0.7773	0.5150	
Retail Advised Shares B (Net Income)							
Group 1	0.8726	0.1745	0.6981	0.0000	0.6981	0.4840	
Group 2	0.8374	0.1675	0.6699	0.0282	0.6981	0.4840	
Retail Advised Shares B (Net Accumulation)							
Group 1	0.8911	0.1782	0.7129	0.0000	0.7129	0.4838	
Group 2	0.8911	0.1782	0.7129	0.0000	0.7129	0.4838	
							Period
							Group 1: Shares purchased at launch 17 February 2014 Group 2: Shares purchased 18 February 2014 to 31 March 2014
Institutional Shares (Income)							
Group 1	0.4958	0.0992	0.3966	0.0000	0.3966	n/a	
Group 2	0.2948	0.0590	0.2358	0.1608	0.3966	n/a	
Institutional Shares (Accumulation)							
Group 1	0.4956	0.0991	0.3965	0.0000	0.3965	n/a	
Group 2	0.3991	0.0798	0.3193	0.0772	0.3965	n/a	

**Interim interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>	Period
							Group 1: Shares purchased prior to 1 October 2013 Group 2: Shares purchased 1 October 2013 to 31 December 2013
Sterling Income Shares							
Group 1	0.9100	0.1820	0.7280	0.0000	0.7280	n/a	
Group 2	0.5866	0.1173	0.4693	0.2587	0.7280	n/a	
Sterling Accumulation Shares							
Group 1	0.9269	0.1854	0.7415	0.0000	0.7415	n/a	
Group 2	0.4536	0.0907	0.3629	0.3786	0.7415	n/a	
Institutional Shares W (Net Income)							
Group 1	1.0491	0.2098	0.8392	0.0000	0.8392	n/a	
Group 2	0.7728	0.1546	0.6182	0.2210	0.8392	n/a	
Institutional Shares W (Net Accumulation)							
Group 1	1.0720	0.2144	0.8576	0.0000	0.8576	n/a	
Group 2	0.9501	0.1900	0.7601	0.0975	0.8576	n/a	
Retail Advised Shares B (Net Income)							
Group 1	0.9783	0.1957	0.7826	0.0000	0.7826	n/a	
Group 2	0.3820	0.0764	0.3056	0.4770	0.7826	n/a	
Retail Advised Shares B (Net Accumulation)							
Group 1	0.9993	0.1999	0.7994	0.0000	0.7994	n/a	
Group 2	0.9993	0.1999	0.7994	0.0000	0.7994	n/a	

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.8719	0.1744	0.6975	0.0000	0.6975	n/a
Group 2	0.3024	0.0605	0.2419	0.4556	0.6975	n/a
Sterling Accumulation Shares						
Group 1	0.8826	0.1765	0.7061	0.0000	0.7061	n/a
Group 2	0.4001	0.0800	0.3201	0.3860	0.7061	n/a
Institutional Shares W (Net Income)						
Group 1	1.0204	0.2041	0.8163	0.0000	0.8163	n/a
Group 2	0.3589	0.0718	0.2871	0.5292	0.8163	n/a
Institutional Shares W (Net Accumulation)						
Group 1	1.0341	0.2068	0.8273	0.0000	0.8273	n/a
Group 2	1.0341	0.2068	0.8273	0.0000	0.8273	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.9468	0.1894	0.7574	0.0000	0.7574	n/a
Group 2	0.3574	0.0715	0.2859	0.4715	0.7574	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9583	0.1917	0.7666	0.0000	0.7666	n/a
Group 2	0.9583	0.1917	0.7666	0.0000	0.7666	n/a

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014 £	30/06/2013* £
Gains/(losses) on non-derivative securities	345,279	(71,238)
Losses on derivative contracts	(221,361)	(91,377)
Gains/(losses) on forward currency contracts	731,022	(20,599)
Currency exchange losses	(138,308)	(3,910)
Activity charges	(1,321)	-
<b>Net capital gains/(losses)</b>	<b>715,311</b>	<b>(187,124)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013* £
Overseas dividends	50,346	26,137
Bank interest	2,898	279
Interest on debt securities	694,700	223,904
Stock lending	28	-
<b>Total revenue</b>	<b>747,972</b>	<b>250,320</b>

### 3 Expenses

	30/06/2014 £	30/06/2013* £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	163,584	54,592
Administration fees	14,004	4,959
Safe custody charges	2,662	-
	<b>180,250</b>	<b>59,551</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	4,695	1,476
Distribution reconciliation service	753	-
	<b>5,448</b>	<b>1,476</b>
<b>Other expenses:</b>		
Auditor's remuneration: - Audit services (audit fee)†	7,318	7,321
Financial Conduct Authority fee	228	119
Legal fees	-	81
	<b>7,546</b>	<b>7,521</b>
<b>Total expenses</b>	<b>193,244</b>	<b>68,548</b>

† The Audit services (audit fee) net of VAT for 2014 is £6,250 (2013: £6,100).

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013* £
<b>a) Analysis of tax charge in period:</b>		
Corporation tax	(462)	-
	<u>(462)</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u><b>(462)</b></u>	<u><b>-</b></u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>548,340</u>	<u>181,033</u>
<b>Corporation tax @ 20%</b>	109,668	36,207
Effects of:		
Prior year income tax adjustment	(370)	-
Tax deductible interest distributions	(109,760)	(36,207)
<b>Total tax charge (see note 4a)</b>	<u><b>(462)</b></u>	<u><b>-</b></u>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses (30/06/13: Nil).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013* £
Interim interest 30 September - Sterling Income Shares	58,297	-
Interim interest 30 September - Sterling Accumulation Shares	21,167	-
Interim interest 30 September - Institutional Shares W (Net Income)	377	-
Interim interest 30 September - Institutional Shares W (Net Accumulation)	435	-
Interim interest 30 September - Retail Advised Shares B (Net Income)	38	-
Interim interest 30 September - Retail Advised Shares B (Net Accumulation)	38	-
Interim interest 31 December - Sterling Income Shares	56,958	-
Interim interest 31 December - Sterling Accumulation Shares	21,304	-
Interim interest 31 December - Institutional Shares W (Net Income)	1,398	-
Interim interest 31 December - Institutional Shares W (Net Accumulation)	1,088	-
Interim interest 31 December - Retail Advised Shares B (Net Income)	40	-
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	40	-
Interim interest 31 March - Sterling Income Shares	82,578	41,801
Interim interest 31 March - Sterling Accumulation Shares	18,729	15,120
Interim interest 31 March - Institutional Shares W (Net Income)	14,518	61
Interim interest 31 March - Institutional Shares W (Net Accumulation)	10,733	26
Interim interest 31 March - Retail Advised Shares B (Net Income)	1,055	24
Interim interest 31 March - Retail Advised Shares B (Net Accumulation)	70	24
Interim interest 31 March - Institutional Shares (Income)	12,508	-
Interim interest 31 March - Institutional Shares (Accumulation)	1,971	-

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013



## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014 £	30/06/2013* £
Final interest 30 June - Sterling Income Shares	77,111	61,685
Final interest 30 June - Sterling Accumulation Shares	18,584	22,271
Final interest 30 June - Institutional Shares W (Net Income)	13,471	173
Final interest 30 June - Institutional Shares W (Net Accumulation)	15,683	435
Final interest 30 June - Retail Advised Shares B (Net Income)	746	38
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	71	38
Final interest 30 June - Institutional Shares (Income)	14,352	-
Final interest 30 June - Institutional Shares (Accumulation)	3,228	-
Income tax withheld	115,217	36,207
	<b>561,805</b>	<b>177,903</b>
Amounts added on issue of shares	(37,227)	(335)
Amounts deducted on cancellation of shares	23,637	3,470
<b>Net distributions for the year</b>	<b>548,215</b>	<b>181,038</b>
Interest	6,388	739
<b>Total finance costs</b>	<b>554,603</b>	<b>181,777</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014 £	30/06/2013* £
Net revenue after taxation	548,802	181,033
Equalisation on conversions	(586)	-
Undistributed revenue brought forward	(5)	-
Undistributed revenue carried forward	4	5
	<b>548,215</b>	<b>181,038</b>

\* Notes 1 to 6 are for the period 9 February 2013 to 30 June 2013

### 7 Debtors

	30/06/2014 £	30/06/2013 £
Accrued revenue	274,328	216,099
Amount receivable for issue of shares	17,764	605
Amounts receivable on open currency contracts	356,290	-
Sales awaiting settlement	799,733	-
	<b>1,448,115</b>	<b>216,704</b>

**Notes to the Financial Statements (continued)****8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	918,918	34,998
Cash held in Insight Investment Liquidity Fund	-	165,000
Cash held on margin account	448,762	152,590
	<b><u>1,367,680</u></b>	<b><u>352,588</u></b>

**Overdrawn cash and bank balances**

Overdraft position at brokers	(107,163)	(8,468)
Bank overdraft	-	(78)
	<b><u>(107,163)</u></b>	<b><u>(8,546)</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	33,606	19,388
Amount payable for cancellation of shares	196,851	47,232
Amounts payable on open currency contracts	355,285	-
Income tax payable	95,849	30,247
Purchases awaiting settlement	1,423,950	-
	<b><u>2,105,541</u></b>	<b><u>96,867</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £192,817 (30/06/13: £58,608).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	1,933,221	5,553,880	16,458,400	23,945,501	6.39	27.17
Australia	13,945	-	82,072	96,017		
Europe	3,704,201	4,484,604	930,695	9,119,500	5.55	13.51
Japan	-	-	246,823	246,823		
Poland	6,270	-	-	6,270		
Norway	2	-	155,687	155,689		
Switzerland	217	211,171	107,905	319,293	6.32	4.88
United States of America	311,929	4,162,401	1,390,743	5,865,073	6.12	9.03
	<b>5,969,785</b>	<b>14,412,056</b>	<b>19,372,325</b>	<b>39,754,166</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(1,958,380)	(1,958,380)		
Australia	-	-	(82,363)	(82,363)		
Europe	(40,815)	-	(8,878,107)	(8,918,922)		
Japan	(14,429)	-	(471,685)	(486,114)		
Norway	-	-	(158,835)	(158,835)		
Sweden	-	-	(80,194)	(80,194)		
Switzerland	-	-	(543,023)	(543,023)		
United States of America	(51,919)	-	(5,821,219)	(5,873,138)		
	<b>(107,163)</b>	<b>-</b>	<b>(17,993,806)</b>	<b>(18,100,969)</b>		
<b>Total</b>	<b>5,862,622</b>	<b>14,412,056</b>	<b>1,378,519</b>	<b>21,653,197</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	1,722,859	3,902,986	6,477,518	12,103,363	5.98	10.12
Australia	167,826	-	319	168,145		
Europe	1,680,871	1,796,481	70,684	3,548,036	7.67	5.23
Norway	2	-	-	2		
Switzerland	339	421,225	11,172	432,736	6.14	5.19
United States of America	14,895	950,234	35,287	1,000,416	7.10	6.30
	<b>3,586,792</b>	<b>7,070,926</b>	<b>6,594,980</b>	<b>17,252,698</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(250,430)	(250,430)		
Australia	-	-	(154,394)	(154,394)		
Europe	(8,546)	-	(3,560,635)	(3,569,181)		
Norway	-	-	-	-		
Switzerland	-	-	(442,745)	(442,745)		
United States of America	-	-	(1,004,869)	(1,004,869)		
	<b>(8,546)</b>	<b>-</b>	<b>(5,413,073)</b>	<b>(5,421,619)</b>		
<b>Total</b>	<b>3,578,246</b>	<b>7,070,926</b>	<b>1,181,907</b>	<b>11,831,079</b>		

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	212	212
Citibank	44,283	44,283
Deutsche Bank	261	261
Goldman Sachs	4,770	4,770
JP Morgan	143	143
Merrill Lynch	391	391
RBC	19,507	19,507
Royal Bank of Scotland	48,599	48,599
Toronto Dominion	359	359
UBS	(1,261)	(1,261)
	<b>117,264</b>	<b>117,264</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

##### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and futures. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities. Exchange traded futures are used for hedging purposes to protect the value of the Fund.

##### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	21,363,070	624,051	21,987,121	11,852,933
Australia	(291)	13,945	13,654	13,751
Europe	152,805	47,773	200,578	(21,145)
Japan	(224,862)	(14,429)	(239,291)	-
Norway	(3,148)	2	(3,146)	2
Poland	-	6,270	6,270	-
Sweden	(80,194)	-	(80,194)	-
Switzerland	(228,955)	5,225	(223,730)	(10,009)
United States of America	177,361	(185,426)	(8,065)	(4,453)
<b>Total</b>	<b>21,155,786</b>	<b>497,411</b>	<b>21,653,197</b>	<b>11,831,079</b>

### 12 Portfolio transaction costs

There were no portfolio transaction costs at the balance sheet date. (30/06/13: nil)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, there were no investments subject to stock lending agreements. (30/06/13: nil)

The gross earnings and the fees for the year are £35 (30/06/13: nil) and £7 (30/06/13: nil) respectively.

Notes to the Financial Statements (continued)

15 Shareholders’ funds

The Fund currently has eight share classes; Sterling Income Shares, Sterling Accumulation Shares, Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation), Institutional Shares (Income) and Institutional Shares (Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.10%	0.10%
Sterling Accumulation Shares	1.10%	0.10%
Institutional Shares W (Net Income)	0.625%	0.03%
Institutional Shares W (Net Accumulation)	0.625%	0.03%
Retail Advised Shares B (Net Income)	0.85%	0.10%
Retail Advised Shares B (Net Accumulation)	0.85%	0.10%
Institutional Shares (Income)	0.75%	0.03%
Institutional Shares (Accumulation)	0.75%	0.03%

Consequently the level of net revenue attributable to each share class will differ

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 136 to 137. The distributions are given in the distribution statements on pages 145 to 147. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON 50/50 GLOBAL EQUITY FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£426.91m
Comparative Index:	50% FTSE All Share, 50% (1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific)
Sector:	IMA Global
Yield as at 30 June 2014:	
Exempt Shares 1 (Net Accumulation)	2.06%
X Shares (Net Accumulation)	2.53%
Exempt Shares 2 (Net Accumulation)	1.97%
Key Dates: Fund Launch	15 February 1999
Converted to ICVC	02 August 2004

**Investment Objective**

To invest in a broad spread of UK and international securities to achieve income and capital growth over the longer term. The Fund will be managed to a benchmark of approximately 50% UK equities and 50% international equities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Exempt Shares 1 (Net Accumulation)	6.88%	21.65%	-5.13%	18.99%	19.91%
X Shares (Net Accumulation)	7.42%	22.25%	-4.65%	19.59%	20.50%
Exempt Shares 2 (Net Accumulation)	6.77%	21.53%	-5.22%	18.87%	19.79%
Comparative Index*	11.31%	20.50%	-5.54%	23.78%	21.80%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*50% FTSE All Share, 16.67% FTSE AW North America, 16.67% FTSE AW Europe ex UK, 16.67% FTSE AW Asia Pacific. Prior to 31/3/10 - 60% FTSE All Share, 13.33% FTSE AW North America, 13.33% FTSE AW Europe ex UK, 13.33% FTSE AW Asia Pacific.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.



## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Exempt Shares 1 (Net Accumulation) Share Class of the Fund returned +6.88% against +11.31% for its composite benchmark, the LCI FTSE All-Share TR/International Equities – 50% FTSE All-Share / 16.67% FTSE AW North America / 16.67% FTSE AW Europe ex UK / 16.67% FTSE AW Asia Pacific – (1:1).

The Fund delivered a positive return but underperformed its composite benchmark over the 12-month period. Broadly speaking, the Fund was ‘defensively’ positioned within equities – it held less economically sensitive stocks, which contributed to the underperformance in rising markets. Overall, we have a preference for large, globally diversified companies, but we remain heavily underweight in financials. The Fund was negatively affected by the technology, and basic materials sectors, which detracted from returns. In addition, healthcare was a weak performer, despite an overweight positioning in this industry. In particular, a lack of exposure to companies that were the target of takeover bids – such as AstraZeneca and Shire – proved costly. However, overall positioning in oil & gas and telecommunications contributed positively. Company-level disappointments included Citigroup, the US bank, as it suffered from regulatory setbacks and poor results. Swiss crop-protection company Syngenta also damaged returns as it underperformed before we sold out of the stock and US toy maker Mattel declined after a poor Christmas trading period. More positively, not holding HSBC proved beneficial, while Swiss pharmaceuticals company Actelion moved higher on strong clinical trial results for its Selexipag drug.

During the period we increased Vodafone on the potential competitive advantages arising from its strong balance sheet. We also added a sizeable holding in Wolters Kluwer, the Dutch publishing company. After having been sold from the Fund before the turn of the year on the grounds of high valuation, Japanese internet company Softbank was added back as it became attractively valued once more. Another new addition was US food producer Kraft, as it has a strong and credible strategy to cut costs and to boost its brand power. Concurrently, Unilever, the Anglo-Dutch multinational, was sold. Swiss agrochemicals company Syngenta, was removed as we expect weaker grain prices and higher costs to impact over the near-term. Other reductions included a total sale of Tesco the UK supermarket chain and a reduction of German pharmaceutical and chemicals company Bayer.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
Vodafone	Bayer
Wolters Kluwer	Syngenta
Barclays	Tesco
Softbank	EMC
Citigroup	Softbank
Credit Suisse	Informa
Pearson	Cisco Systems
Dollar General	Bunzl
BNY MFM Newton Global Emerging Markets X Net Income	Standard Chartered
Mitchells & Butlers	GlaxoSmithKline

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	198.13	164.56	4.1837
2011	204.92	165.23	4.5018
2012	207.02	180.61	4.8147
2013	245.76	207.52	5.0753
2014	249.74	230.99	3.5073
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	202.91	168.11	5.1902
2011	210.41	169.86	5.5949
2012	214.10	186.26	5.9709
2013	255.28	214.66	6.4726
2014	260.20	240.24	4.2779
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	147.20	122.32	2.9765
2011	152.17	122.67	3.2060
2012	153.50	133.99	3.4206
2013	182.07	153.87	3.5879
2014	184.90	171.08	2.5085

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 1 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	344,784,243	189.03	182,396,418
30/06/2013	350,919,561	229.84	152,681,746
30/06/2014	345,160,515	245.65	140,511,803
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	148,847,304	195.04	76,314,827
30/06/2013	118,410,047	238.33	49,682,798
30/06/2014	27,277,711	256.01	10,654,938
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	45,733,425	140.23	32,613,768
30/06/2013	51,304,559	170.33	30,120,753
30/06/2014	54,475,871	181.86	29,954,517

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Exempt Shares 1 (Net Accumulation)	0.56	0.56
X Shares (Net Accumulation)	0.06	0.06
Exempt Shares 2 (Net Accumulation)	0.66	0.66

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 40.66% (39.16%)</b>			
Associated British Foods	121,695	3,709,264	0.87
Atkins (WS)	141,547	1,867,005	0.44
BAE Systems	1,009,462	4,367,942	1.02
Barclays	2,428,716	5,165,879	1.21
BHP Billiton	452,205	8,544,413	2.00
BP	2,866,022	14,757,147	3.46
British American Tobacco	346,686	12,057,739	2.83
Bunzl	249,181	4,039,224	0.95
Cable & Wireless Communications	11,401,917	5,614,304	1.32
Carphone Warehouse	1,911,407	6,164,288	1.44
Centrica	2,384,414	7,451,294	1.75
Chemring	814,976	1,674,776	0.39
GlaxoSmithKline	1,278,447	19,988,519	4.68
Hikma Pharmaceuticals	104,450	1,752,671	0.41
Johnson Matthey	147,616	4,576,096	1.07
Mitchells & Butlers	1,254,429	4,886,001	1.14
Pearson	414,033	4,773,800	1.12
Prudential	540,882	7,253,228	1.70
Reed Elsevier	663,029	6,232,473	1.46
Royal Dutch Shell B	731,574	18,600,269	4.36
Sage	559,941	2,150,733	0.50
Smiths	359,898	4,664,278	1.09
Standard Chartered	319,635	3,816,442	0.90
Vodafone	6,511,387	12,693,949	2.97
Wolseley	134,174	4,297,593	1.01
Wood (John)	301,363	2,428,986	0.57
<b>Collective Investment Schemes 0.81% (0.57%)</b>			
BNY MFM Newton Global Emerging Markets X Net Income	718,859	3,476,832	0.81
<b>United States of America 18.98% (21.48%)</b>			
Abbott Laboratories	86,077	2,057,975	0.48
Accenture	139,551	6,595,383	1.55
Citigroup	362,923	9,995,055	2.34
Dollar General	235,804	7,909,091	1.85
Dun & Bradstreet	21,447	1,382,011	0.32
eBay	214,456	6,278,719	1.47
Equifax	70,943	3,009,326	0.70
Express Scripts	74,905	3,036,766	0.71
Interpublic	117,329	1,338,080	0.31
Kraft Foods	129,132	4,527,569	1.06
Marathon Oil	143,892	3,358,616	0.79
Mattel	183,003	4,170,908	0.98
Medtronic	98,329	3,667,246	0.86
Microsoft	355,407	8,667,703	2.03
National Oilwell Varco	37,864	1,823,389	0.43
PNC Financial Services	59,265	3,086,210	0.72
Principal Financial	137,584	4,061,096	0.95
Sprint	684,454	3,410,561	0.80
United Technologies	39,889	2,692,860	0.63
<b>Canada 1.94% (2.41%)</b>			
Barrick Gold	231,188	2,474,334	0.58
Suncor Energy	126,663	3,163,711	0.74
Yamana Gold	549,172	2,644,473	0.62

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Brazil 0.75% (1.17%)</b>			
International Meal Company	591,736	3,218,790	0.75
<b>Mexico 0.29% (0.88%)</b>			
Grupo Financiero Santander ADR	160,532	1,245,875	0.29
<b>Australia 0.23% (0.20%)</b>			
Newcrest Mining	169,542	984,550	0.23
<b>Hong Kong 2.09% (1.22%)</b>			
AIA	1,917,868	5,644,221	1.32
Belle International	5,101,381	3,299,053	0.77
<b>India 0.93% (0.97%)</b>			
Apollo Hospitals	197,983	1,915,550	0.45
ITC	641,947	2,034,976	0.48
<b>Japan 7.42% (6.40%)</b>			
Japan Tobacco	224,700	4,790,639	1.12
Sawai Pharmaceutical	85,800	2,957,146	0.69
Softbank	168,700	7,346,328	1.72
Sugi	112,400	2,997,916	0.70
Topcon	311,100	4,202,686	0.99
Toyota Motor	266,900	9,374,517	2.20
<b>Philippines 0.96% (0.56%)</b>			
Energy Development	48,301,400	4,077,162	0.96
<b>Belgium 0.81% (0.73%)</b>			
Anheuser-Busch InBev	51,412	3,453,562	0.81
<b>France 4.37% (3.59%)</b>			
Air Liquide	83,033	6,555,053	1.54
Sanofi	138,178	8,583,834	2.01
Total	82,481	3,482,606	0.82
<b>Germany 3.03% (2.71%)</b>			
Bayer	89,279	7,388,434	1.73
MTU Aero Engines	63,311	3,397,631	0.80
SAP	47,443	2,147,552	0.50
<b>Ireland 0.51% (0.00%)</b>			
CRH	145,077	2,176,155	0.51
<b>Israel 0.82% (0.00%)</b>			
Teva Pharmaceutical ADR	114,541	3,510,889	0.82
<b>Netherlands 2.20% (0.00%)</b>			
Wolters Kluwer	542,806	9,394,907	2.20
<b>Norway 0.85% (0.64%)</b>			
DNB	339,092	3,622,918	0.85
<b>Sweden 2.44% (2.08%)</b>			
Ericsson	496,323	3,503,933	0.82
Millicom International Cellular SDR	64,972	3,470,002	0.81
TeliaSonera	808,290	3,451,388	0.81

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Switzerland 6.19% (5.97%)</b>			
Actelion	44,849	3,318,654	0.78
Credit Suisse	287,121	4,800,199	1.12
Nestle	184,789	8,372,384	1.96
Novartis	46,229	2,446,672	0.57
Roche	42,945	7,491,255	1.76
<b>Derivatives 0.03% (-0.03%)</b>			
<b>CHF Forward Foreign Currency Contracts 0.03% (-0.03%)</b>			
CHF Forward Foreign Currency Contract 12/09/14	CHF(22,928,000)	(15,144,530)	(3.55)
CHF Forward Foreign Currency Contract 12/09/14	£15,296,469	15,296,469	3.58
<b>Portfolio of investments*</b>		<b>411,165,603</b>	<b>96.31</b>
<b>Net current assets</b>		<b>15,748,494</b>	<b>3.69</b>
<b>Total Net Assets</b>		<b>426,914,097</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the China, Thailand and South Africa portfolio categories, which, at 30 June 2013, represented 1.18%, 0.72% and 1.18% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

SDR = Swedish Depositary Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		22,090,619	99,167,772
Revenue	2	13,804,950		16,801,083
Expenses	3	(2,376,187)		(2,474,441)
Finance costs: Interest	5	-	-	
Net revenue before taxation		11,428,763		14,326,642
Taxation	4	(413,768)		(844,254)
Net revenue after taxation			11,014,995	13,482,388
<b>Total return before distributions</b>			<b>33,105,614</b>	<b>112,650,160</b>
Finance costs: Distributions	5		(11,014,960)	(13,482,401)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>22,090,654</b>	<b>99,167,759</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		520,634,167	539,364,972
Amounts receivable on issue of shares	11,811,565		12,854,904
Amounts payable on cancellation of shares	(137,992,970)		(143,365,126)
		(126,181,405)	(130,510,222)
Dilution adjustment		117,833	118,359
Stamp Duty Reserve Tax		(26,049)	(35,681)
Change in net assets attributable to Shareholders from investment activities (see above)		22,090,654	99,167,759
Retained distributions on accumulation shares		10,278,897	12,528,980
<b>Closing net assets attributable to Shareholders</b>		<b>426,914,097</b>	<b>520,634,167</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			411,165,603	488,475,385
Debtors	7	2,895,320		5,098,556
Cash and bank balances	8	<u>14,350,152</u>	<u>30,413,837</u>	
Total other assets			<u>17,245,472</u>	<u>35,512,393</u>
Total assets			428,411,075	523,987,778
<b>LIABILITIES</b>				
Investment liabilities			-	(181,448)
Creditors	9	<u>(1,496,978)</u>	<u>(3,172,163)</u>	
Total other liabilities			<u>(1,496,978)</u>	<u>(3,172,163)</u>
Total liabilities			(1,496,978)	(3,353,611)
<b>Net assets attributable to Shareholders</b>			<u><b>426,914,097</b></u>	<u><b>520,634,167</b></u>

\*Gross of investment liabilities



**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Exempt Shares 1 (Net Accumulation)						
Group 1	3.8970	0.3897	3.5073	0.0000	3.5073	3.2340
Group 2	2.3341	0.2334	2.1007	1.4066	3.5073	3.2340
X Shares (Net Accumulation)						
Group 1	4.7532	0.4753	4.2779	0.0000	4.2779	3.9339
Group 2	3.3950	0.3395	3.0555	1.2224	4.2779	3.9339
Exempt Shares 2 (Net Accumulation)						
Group 1	2.7872	0.2787	2.5085	0.0000	2.5085	2.3130
Group 2	1.5306	0.1531	1.3775	1.1310	2.5085	2.3130

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 1 (Net Accumulation)						
Group 1	2.0459	0.2046	1.8413	0.0000	1.8413	1.7535
Group 2	0.9989	0.0999	0.8990	0.9423	1.8413	1.7535
X Shares (Net Accumulation)						
Group 1	2.8208	0.2821	2.5387	0.0000	2.5387	2.3305
Group 2	1.4549	0.1455	1.3094	1.2293	2.5387	2.3305
Exempt Shares 2 (Net Accumulation)						
Group 1	1.4166	0.1417	1.2749	0.0000	1.2749	1.2256
Group 2	0.6257	0.0626	0.5631	0.7118	1.2749	1.2256

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	21,147,146	99,682,555
Gains/(losses) on forward currency contracts	947,431	(438,047)
Currency exchange gains/(losses)	23,107	(39,495)
Activity charges	(27,065)	(29,934)
Overseas transaction tax	-	(7,307)
<b>Net capital gains</b>	<b>22,090,619</b>	<b>99,167,772</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	8,008,609	9,239,683
Overseas dividends	5,609,753	7,298,959
Bank interest	62,413	89,616
Collective investment scheme distributions	35,033	102,428
Stock lending	89,142	70,397
<b>Total revenue</b>	<b>13,804,950</b>	<b>16,801,083</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	2,100,857	2,173,019
Administration fees	149,284	168,520
Collection charges	4,407	4,869
Registrar's disbursement fees	6,872	12,117
Safe custody charges	45,687	60,314
	<b>2,307,107</b>	<b>2,418,839</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	43,999	46,259
	<b>43,999</b>	<b>46,259</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,300	6,180
- Non-audit services (tax compliance fee)†	2,940	2,877
Financial Conduct Authority fee	287	286
Expenses associated with making tax reclaims	15,554	-
	<b>25,081</b>	<b>9,343</b>
<b>Total expenses</b>	<b>2,376,187</b>	<b>2,474,441</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,250 (2013: £5,150) and £2,450 (2013: £1,850) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	753	-
Income tax expense	2,146	11,250
	<u>2,899</u>	<u>11,250</u>
Overseas tax withheld	432,778	833,004
Repayment of French withholding tax	(21,909)	-
<b>Total tax charge (see note 4b)</b>	<b><u>413,768</u></b>	<b><u>844,254</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>11,428,763</u>	<u>14,326,642</u>
<b>Corporation tax @ 20%</b>	2,285,753	2,865,328
Effects of:		
Dividends not subject to corporation tax	(2,727,495)	(3,315,572)
Excess management expenses	442,495	450,244
Income tax expense	2,146	11,250
Repayment of French withholding tax	(21,909)	-
Overseas tax withheld	432,778	833,004
<b>Total tax charge (see note 4a)</b>	<b><u>413,768</u></b>	<b><u>844,254</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £11,097,164 (30/06/13: £8,884,689), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £2,219,433 (30/06/13: £1,776,938).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Exempt Shares 1 (Net Accumulation)	2,729,446	3,225,916
Interim dividend 31 December - X Shares (Net Accumulation)	1,030,853	1,343,527
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	383,211	370,644
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	4,928,170	4,937,728
Final dividend 30 June - X Shares (Net Accumulation)	455,808	1,954,472
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	751,409	696,693
	<u>10,278,897</u>	<u>12,528,980</u>
Amounts added on issue of shares	(56,201)	(57,585)
Amounts deducted on cancellation of shares	792,264	1,011,006
<b>Net distributions for the year</b>	<b><u>11,014,960</u></b>	<b><u>13,482,401</u></b>
Interest	-	-
<b>Total finance costs</b>	<b><u>11,014,960</u></b>	<b><u>13,482,401</u></b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	11,014,995	13,482,388
Undistributed revenue brought forward	123	136
Undistributed revenue carried forward	(158)	(123)
	<b><u>11,014,960</u></b>	<b><u>13,482,401</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	1,087,732	1,524,190
Amount receivable for issue of shares	55,242	289,469
Overseas tax recoverable	503,976	451,234
Sales awaiting settlement	1,248,370	2,833,663
	<b><u>2,895,320</u></b>	<b><u>5,098,556</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	4,758,661	5,827,455
Cash held in BNY Mellon Sterling Liquidity Fund	9,591,491	24,586,382
	<b><u>14,350,152</u></b>	<b><u>30,413,837</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	203,101	203,028
Amount payable for cancellation of shares	702,046	1,002,705
Corporation tax payable	753	-
Purchases awaiting settlement	591,078	1,966,430
	<b><u>1,496,978</u></b>	<b><u>3,172,163</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £837,396 (30/06/13: £902,215).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Royal Bank of Scotland	151,939	151,939
	<b>151,939</b>	<b>151,939</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	194,477,768	14,777,926	209,255,694	254,377,200
Australia	984,550	-	984,550	1,019,686
Brazil	3,218,790	-	3,218,790	4,061,842
Canada	5,808,184	10,293	5,818,477	9,582,137
Europe	44,403,584	167,846	44,571,430	36,658,789
Hong Kong	8,943,273	3,632	8,946,905	11,055,763
India	3,950,525	36,392	3,986,917	5,109,823
Japan	31,669,231	-	31,669,231	33,233,715
Mexico	-	-	-	2,142,895
Norway	3,622,918	-	3,622,918	3,315,781
Philippines	4,077,162	-	4,077,162	2,918,393
Poland	-	27,099	27,099	27,844
South Africa	-	-	-	6,115,695
Sweden	10,425,323	-	10,425,323	10,857,362
Switzerland	11,284,634	309,030	11,593,664	15,491,277
Taiwan	-	1,769	1,769	1,987
Thailand	-	-	-	3,751,325
United States of America	88,299,661	414,507	88,714,168	120,912,653
<b>Total</b>	<b>411,165,603</b>	<b>15,748,494</b>	<b>426,914,097</b>	<b>520,634,167</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		186,010,527		143,772,004
Commissions	133,197		116,980	
Taxes	<u>340,702</u>		<u>156,426</u>	
Total purchase costs		473,899		273,406
<b>Gross purchases total</b>		<b><u>186,484,426</u></b>		<b><u>144,045,410</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		285,263,142		243,479,088
Commissions	(156,447)		(158,922)	
Taxes	<u>(13,402)</u>		<u>(22,155)</u>	
Total sales costs		(169,849)		(181,077)
<b>Total sales net of transaction costs</b>		<b><u>285,093,293</u></b>		<b><u>243,298,011</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £4,029,600 of investments were subject to stock lending agreements and the Fund held £4,420,365 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £1,187,736 of investments were subject to stock lending agreements and the Fund held £1,293,872 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £111,428 (30/06/13: £92,047) and £22,286 (30/06/13: £21,650).

### 15 Shareholders' funds

The Fund currently has three share classes; Exempt Shares 1 (Net Accumulation), X Shares (Net Accumulation) and Exempt Shares 2 (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Exempt Shares 2 (Net Accumulation)	0.60%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 159. The distributions are given in the distribution statements on page 166. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON ASIAN INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

## Fund Report

for the year ended 30 June 2014

### General Information

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£4,574.99m
Comparative Index:	FTSE AW Asia Pacific ex Japan TR GBP
Sector:	IMA Asia Pacific Excluding Japan

Yield as at 30 June 2014:

Sterling Income Shares	4.68%
Institutional Shares (Income)	4.77%
Institutional Shares (Accumulation)	4.64%
X Shares (Net Income)	4.85%
Institutional Shares (Accumulation) Euro	4.43%
Institutional Shares (Income) Euro	4.57%
Euro Accumulation Shares	4.33%
Euro Income Shares	4.47%
Institutional Shares (Income) USD	4.52%
Institutional Shares (Accumulation) USD	4.37%
USD Income Shares	4.42%
USD Accumulation Shares	4.30%
Institutional Shares W (Net Income)	4.79%
Institutional Shares W (Net Accumulation)	4.65%
Retail Advised Shares B (Net Income)	4.70%
Retail Advised Shares B (Net Accumulation)	4.56%
P Shares (Net Income)	4.75%
X Shares (Net Accumulation) USD	4.36%

Key Dates: Fund Launch 30 November 2005

### Investment Objective

To achieve income together with long-term capital growth predominantly through investments in securities in the Asia Pacific ex. Japan (including Australia & New Zealand) region. The Fund may also invest in collective investment schemes.



**Fund Report (continued)****Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	-0.98%	16.86%	6.21%	26.29%	43.27%
Institutional Shares (Income)	-0.41%	17.51%	6.82%	27.01%	44.09%
Institutional Shares (Accumulation)	-0.41%	17.55%	6.78%	26.95%	44.09%
X Shares (Net Income)	0.60%	18.70%	7.88%	28.29%	45.62%
Institutional Shares (Accumulation) Euro*	-0.38%	17.08%	n/a	n/a	n/a
Institutional Shares (Income) Euro*	-0.38%	16.97%	n/a	n/a	n/a
Euro Accumulation Shares*	-0.93%	16.43%	n/a	n/a	n/a
Euro Income Shares*	-0.95%	16.38%	n/a	n/a	n/a
Institutional Shares (Income) USD*	-1.20%	18.58%	n/a	n/a	n/a
Institutional Shares (Accumulation) USD*	-1.20%	18.65%	n/a	n/a	n/a
USD Income Shares*	-1.76%	18.06%	n/a	n/a	n/a
USD Accumulation Shares*	-1.75%	18.05%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	-0.17%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	-0.16%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	-0.48%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	-0.47%	n/a	n/a	n/a	n/a
P Shares (Net Income)*	-0.41%	n/a	n/a	n/a	n/a
X Shares (Net Accumulation) USD*	n/a	n/a	n/a	n/a	n/a
FTSE AW Asia Pacific ex Japan TR GBP	4.62%	13.38%	-10.57%	21.25%	34.64%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

**Portfolio Summary**

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned -0.98% against a return of +4.62% for the FTSE AW Pacific Ex Japan Index.

The Fund delivered a negative return and underperformed the comparative index over the 12-month period. From a sector perspective, the Fund's returns were impacted by stock selection within technology and disappointing moves in telecoms. Financials and industrials were also generally weak. On a more upbeat note, stock selection in both consumer services and utilities added value, as did asset allocation in consumer goods. At a country level, the zero weighting in India detracted from returns, as investors reacted positively to Narendra Modi's general-election victory. Thailand's Intouch was a notable detractor. This is a holding company with much of its revenue derived from the dividends of Advanced Info Service, the leader in the Thai cellular-phone market. As price competition intensified in this market, Intouch's shares underperformed in the latter stages of the year under review. There were, however, some bright spots for the Fund, with Macau gaming stocks Sands China and Wynn Macau being particular highlights. Despite some profit-taking later in the period, the constrained supply and increased demand for gaming in Macau underpinned the share prices of these two companies. Sydney Airport also performed strongly over the year. In our view, the fundamentals of the airport are intact, in light of steady growth in numbers of Chinese and ASEAN air-travel passengers. Meridian Energy was another beneficial holding as the company reported a solid set of results and lifted full-year guidance.

Fund activity saw us take part in the initial public offering (IPO) of New Zealand's largest renewable power generator Meridian Energy. This was part of the government's Mixed Ownership Model programme, aimed at attracting international capital to the country. In May, we added the Spotless, an Australian firm that provides catering and laundry services. It is set to benefit from increased outsourcing in the public sector and offers both high growth and a decent yield. Our exposure to the Macau gaming firms Sands China and Wynn Macau was also increased in May when both fell on worries that regulation of payment methods in casinos would slow profit growth, but we felt that the market's reaction was overdone. Over the year, turnover was low and there were relatively few outright sales and purchases. We did sell Xinyi Glass and Lafarge Malayan cement, which were small positions, to fund the increase in higher conviction holdings, such as Spotless and Scentre in Australia.

Fund Report (continued)

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Meridian Energy	PTT
Wesfarmers	Sands China
Woodside Petroleum	China Mobile (Hong Kong)
Spotless Group Holdings IPO	Coca-Cola Amatil
Wynn Macau	Chorus
Suncorp	Thai Beverage
Transurban	Lafarge Malayan
Sydney Airport	Xinyi Glass
WorleyParsons	Jiangsu Expressway
Sands China	Adaro Energy

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	168.26	126.82	8.2595
2011	167.98	143.52	8.3898
2012	181.69	155.55	8.3516
2013	208.40	168.88	8.4451
2014	178.77	163.17	4.3396
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	172.65	129.50	8.5536
2011	172.79	147.80	8.7425
2012	188.31	160.39	8.7531
2013	216.40	175.85	8.9450
2014	186.52	169.99	4.6266
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	219.73	157.46	10.5480
2011	228.48	198.68	11.4586
2012	266.60	217.59	12.0926
2013	312.08	260.77	12.9853
2014	282.06	253.80	6.9759
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	172.79	128.41	8.6236
2011	173.83	149.06	8.7853
2012	192.29	162.16	8.8748
2013	221.83	181.27	9.2904
2014	193.00	175.40	4.8768
<b>Institutional Shares (Accumulation) Euro</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 30 January)	120.69	100.00	5.4466
2013	135.06	113.48	5.6271
2014	127.55	111.92	3.1344
<b>Institutional Shares (Income) Euro</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 5 March)	110.16	96.61	4.2555
2013	121.02	98.89	5.0200
2014	108.99	96.88	2.7095
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 5 March)	113.57	96.84	4.3057
2013	126.82	106.20	5.1854
2014	119.04	104.66	2.8630
<b>Euro Income Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 5 March)	109.71	96.50	4.1918
2013	120.34	98.05	4.8973
2014	107.83	96.00	2.6077
<b>Institutional Shares (Income) USD</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 2 April)	108.63	92.05	3.7008
2013	119.23	101.36	5.0425
2014	112.23	99.08	2.8015

\*Distributions are shown in the year declared rather than paid.

**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>Institutional Shares (Accumulation) USD</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 2 April)	111.96	92.06	3.7875
2013	125.15	106.38	5.3057
2014	123.57	107.69	3.0641
<b>USD Income Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 2 April)	108.22	91.95	3.7368
2013	118.58	100.72	4.9294
2014	111.02	98.20	2.7105
<b>USD Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2012 (from 2 April)	111.54	91.95	3.7561
2013	124.44	105.69	5.1734
2014	122.07	106.61	2.9721
<b>X Shares (Net Accumulation) USD</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2013 (from 2 December)	100.00	96.80	0.6873
2014	108.13	93.87	2.7245
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	107.63	99.24	1.0399
2013	123.81	100.74	5.1316
2014	106.96	97.41	2.6712
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	108.02	99.24	1.0225
2013	126.57	105.91	5.2754
2014	114.68	103.11	2.8486
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 1 October)	105.21	100.00	0.6655
2013	120.91	98.24	4.9452
2014	104.20	94.97	2.5563
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 1 October)	105.21	100.00	0.6655
2013	123.16	102.87	5.0843
2014	111.23	100.11	2.7102
<b>P Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 20 September)	105.97	99.73	0.6878
2013	121.78	98.97	5.0065
2014	104.98	95.68	2.6120
<b>P Shares (Net Accumulation)****</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 1 October)	105.22	100.00	0.6834
2013 (to 26 July)	123.16	104.64	2.7612

\*\*\*\*P Shares (Net Accumulation) share class closed 26 July 2013

\*Distributions are shown in the year declared rather than paid.

**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>			
30/06/2012	884,043,315	Pence 164.78	536,506,491
30/06/2013	1,217,470,398	183.65	662,920,727
30/06/2014	779,782,245	173.26	450,074,320
<b>Institutional Shares (Income)</b>			
30/06/2012	785,835,020	Pence 170.33	461,363,300
30/06/2013	914,987,374	190.79	479,574,156
30/06/2014	651,583,258	180.82	360,356,575
<b>Institutional Shares (Accumulation)</b>			
30/06/2012	319,624,695	Pence 236.75	135,002,535
30/06/2013	707,806,322	278.62	254,038,063
30/06/2014	1,344,335,065	276.98	485,360,275
<b>X Shares (Net Income)</b>			
30/06/2012	78,690,706	Pence 173.05	45,472,142
30/06/2013	28,239,271	195.79	14,422,979
30/06/2014	72,024,809	187.25	38,464,004
<b>Institutional Shares (Accumulation) Euro</b>			
30/06/2012	6,975,188	Cents 107.47	8,048,862
30/06/2013	62,548,385	119.05	61,305,931
30/06/2014	44,172,846	126.65 **	43,556,621
<b>Institutional Shares (Income) Euro</b>			
30/06/2012	12,090	Cents 99.96	15,000
30/06/2013	3,109,241	105.34	3,443,968
30/06/2014	15,121,592	106.84 **	17,676,006
<b>Euro Accumulation Shares</b>			
30/06/2012	59,474	Cents 101.38	72,755
30/06/2013	16,818,987	111.70	17,569,652
30/06/2014	18,487,193	118.17 **	19,537,671
<b>Euro Income Shares</b>			
30/06/2012	12,071	Cents 99.79	15,000
30/06/2013	7,740,434	104.69	8,627,426
30/06/2014	8,858,348	105.70 **	10,466,297
**Euro/Sterling exchange rate at close of business 30 June 2014:			
		1.248841	
<b>Institutional Shares (Income) USD</b>			
30/06/2012	9,149	Cents 95.15	15,000
30/06/2013	11,719,106	103.62	17,153,636
30/06/2014	18,169,057	110.68 ***	28,068,809
<b>Institutional Shares (Accumulation) USD</b>			
30/06/2012	3,267,742	Cents 96.29	5,294,867
30/06/2013	13,840,588	110.14	19,059,423
30/06/2014	19,437,212	123.42 ***	26,927,066
<b>USD Income Shares</b>			
30/06/2012	9,138	Cents 95.04	15,000
30/06/2013	4,986,968	102.98	7,344,705
30/06/2014	5,059,900	109.50 ***	7,900,720
***USD/Sterling exchange rate at close of business 30 June 2014:			
		1.709850	

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>USD Accumulation Shares</b>			
		<b>Cents</b>	
30/06/2012	39,940	96.13	64,819
30/06/2013	21,444,155	109.40	29,728,773
30/06/2014	44,760,563	121.92 ***	62,774,498
<b>X Shares (Net Accumulation) USD</b>			
		<b>Cents</b>	
30/06/2014	63,461,959	108.01 ***	100,458,757
***USD/Sterling exchange rate at close of business 30 June 2014:		1.709850	
<b>Institutional Shares W (Net Income)</b>			
		<b>Pence</b>	
30/06/2013	762,537,337	109.19	698,383,952
30/06/2014	1,185,793,593	103.71	1,143,411,095
<b>Institutional Shares W (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2013	88,958,555	113.03	78,706,131
30/06/2014	299,874,433	112.64	266,222,550
<b>Retail Advised Shares B (Net Income)</b>			
		<b>Pence</b>	
30/06/2013	1,248,286	106.61	1,170,922
30/06/2014	1,970,701	101.02	1,950,736
<b>Retail Advised Shares B (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2013	851,793	109.94	774,781
30/06/2014	2,030,227	109.22	1,858,881
<b>P Shares (Net Income)</b>			
		<b>Pence</b>	
30/06/2013	404,982	107.37	377,201
30/06/2014	70,747	101.77	69,514
<b>P Shares (Net Accumulation)****</b>			
		<b>Pence</b>	
30/06/2013	150,128	109.96	136,526

\*\*\*\*P Shares (Net Accumulation) share class closed 26 July 2013

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.64	1.65
Institutional Shares (Income)	1.07	1.08
Institutional Shares (Accumulation)	1.07	1.08
X Shares (Net Income)	0.07	0.08
Institutional Shares (Accumulation) Euro	1.07	1.07
Institutional Shares (Income) Euro	1.07	1.07
Euro Accumulation Shares	1.64	1.64
Euro Income Shares	1.64	1.64
Institutional Shares (Income) USD	1.07	1.07
Institutional Shares (Accumulation) USD	1.07	1.07
USD Income Shares	1.64	1.64
USD Accumulation Shares	1.64	1.64
Institutional Shares W (Net Income)	0.82	0.82
Institutional Shares W (Net Accumulation)	0.82	0.82
Retail Advised Shares B (Net Income)	1.14	1.14
Retail Advised Shares B (Net Accumulation)	1.14	1.14
P Shares (Net Income)	1.07	1.08
X Shares (Net Accumulation) USD	0.07	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charge figure for X Shares (Net Accumulation) USD has been annualised as the share class launched during the year.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 3.64% (3.16%)</b>			
BHP Billiton	5,000,000	94,475,000	2.07
Standard Chartered	6,000,000	71,640,000	1.57
<b>Australia 34.18% (26.29%)</b>			
AGL Energy	7,000,000	59,815,519	1.31
Amcor	20,000,000	115,038,337	2.51
AMP	25,000,000	73,140,977	1.60
APA	15,000,000	57,049,962	1.25
Australia & New Zealand Bank	7,000,000	128,788,841	2.82
Dexus Property	70,000,000	42,890,973	0.94
IOOF	7,000,000	32,419,393	0.71
Orora	40,000,000	31,354,019	0.69
Scentre	64,260,000	113,155,661	2.47
Spotless	90,000,000	81,476,289	1.78
Suncorp	7,000,000	52,319,259	1.14
Sydney Airport	50,000,000	116,197,552	2.54
Telstra	50,000,000	143,797,921	3.14
Transurban	40,000,000	163,173,380	3.57
Wesfarmers	6,000,000	138,575,931	3.03
Westfield Retail Trust (Assented to Cash 30/06/2014)	70,000,000	11,012,547	0.24
Woodside Petroleum	6,000,000	136,025,657	2.97
WorleyParsons	7,000,000	67,234,498	1.47
<b>New Zealand 5.44% (3.29%)</b>			
Genesis Energy	20,000,000	18,434,246	0.40
Meridian Energy	170,000,000	107,942,753	2.36
Mighty River Power	30,000,000	34,333,784	0.75
Telecom Corp New Zealand	50,000,000	68,360,330	1.49
Z Energy	10,000,000	20,072,846	0.44
<b>China 3.86% (5.54%)</b>			
China Mobile (Hong Kong)	7,000,000	39,696,087	0.87
China Shenhua Energy	30,000,000	50,709,572	1.11
Hui Xian Real Estate Investment Trust	30,000,000	9,472,536	0.21
PetroChina	90,000,000	66,420,484	1.45
Yuexiu Trans Infrastructure	30,000,000	9,960,809	0.22
<b>Hong Kong 16.31% (17.91%)</b>			
Hopewell Highway Infrastructure	90,000,000	26,215,038	0.57
HSBC	20,000,000	118,548,716	2.59
Hutchison Port Holdings Trust	200,000,000	84,217,914	1.84
Link Real Estate Investment Trust	30,000,000	94,288,110	2.06
Man Wah	30,000,000	27,890,264	0.61
NWS	40,000,000	43,404,979	0.95
RREEF China Commercial Trust	5,000,000	0	0.00
Sands China	40,000,000	176,879,816	3.86
Television Broadcasts	10,000,000	37,956,718	0.83
Wynn Macau	60,000,000	137,413,884	3.00
<b>Indonesia 1.51% (2.10%)</b>			
Indo Tambangraya Megah	20,000,000	26,590,665	0.58
Telekomunikasi Indonesia	350,000,000	42,389,664	0.93
<b>South Korea 1.35% (1.53%)</b>			
MacQuarie Korea Infrastructure	17,000,000	61,808,311	1.35



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Malaysia 3.49% (4.93%)</b>			
Axiata	50,000,000	63,384,191	1.39
IGB Real Estate Investment Trust	140,000,000	30,854,259	0.67
KLCC Property	10,000,000	11,766,146	0.26
Pavilion Real Estate Investment Trust	90,000,000	21,801,976	0.48
Sunway Real Estate Investment Trust	120,000,000	31,473,529	0.69
<b>Philippines 3.30% (3.11%)</b>			
Manila Electric	9,000,000	30,822,020	0.67
Philippine Long Distance Telecom	3,000,000	120,104,584	2.63
<b>Singapore 14.76% (12.50%)</b>			
Cache Logistics Trust	50,000,000	28,030,785	0.61
Keppel	17,000,000	85,893,830	1.88
Keppel Infrastructure Trust	60,000,000	29,273,991	0.64
Keppel REIT	100,000,000	59,580,078	1.30
Mapletree Logistics Trust	100,000,000	54,419,599	1.19
Mapletree Industrial Trust	50,000,000	33,425,831	0.73
Mapletree Greater China Commercial	100,000,000	40,580,132	0.89
Mapletree Commercial Trust	50,000,000	32,018,428	0.70
Parkway Life REIT	60,000,000	66,147,960	1.45
Singapore Tech Engineering	23,000,000	40,894,452	0.89
Singapore Telecommunications	30,000,000	54,044,291	1.18
SPH REIT	50,000,000	23,925,858	0.52
Suntec REIT	50,000,000	42,339,386	0.93
United Overseas Bank	7,000,000	73,823,000	1.61
Venture	3,000,000	10,822,932	0.24
<b>Taiwan 4.82% (5.78%)</b>			
Taiwan Mobile	40,000,000	72,317,427	1.58
Taiwan Semiconductor Manufacturing	60,000,000	148,669,901	3.24
<b>Thailand 6.29% (10.95%)</b>			
Advanced Info Service	20,000,000	79,289,020	1.73
Bangkok Expressway	50,000,000	33,562,682	0.73
Bangkok Bank	10,000,000	34,869,148	0.76
BTS Rail Mass Transit Growth Infrastructure	70,000,000	12,614,162	0.28
Intouch NVDR	70,000,000	92,398,738	2.02
Tesco Lotus Retail GFLP Fund	150,000,000	35,139,452	0.77
<b>Portfolio of investments</b>		<b>4,526,877,030</b>	<b>98.95</b>
<b>Net current assets</b>		<b>48,116,718</b>	<b>1.05</b>
<b>Total Net Assets</b>		<b>4,574,993,748</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the India portfolio category, which, at 30 June 2013, represented 0.14% of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital (losses)/gains	1		(194,436,956)	274,109,728
Revenue	2	219,790,391	166,437,227	
Expenses	3	(48,060,887)	(38,333,965)	
Finance costs: Interest	5	(619)	(937)	
Net revenue before taxation		171,728,885	128,102,325	
Taxation	4	(13,176,709)	(10,037,089)	
Net revenue after taxation			158,552,176	118,065,236
<b>Total return before distributions</b>			<b>(35,884,780)</b>	<b>392,174,964</b>
Finance costs: Distributions	5		(199,291,155)	(151,466,497)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(235,175,935)</b>	<b>240,708,467</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		3,864,862,310	2,078,578,528
Amounts receivable on issue of shares	1,522,036,194	1,873,698,404	
Amounts payable on cancellation of shares	(648,219,457)	(361,582,422)	
		873,816,737	1,512,115,982
Dilution adjustment		722,868	1,128,264
Stamp Duty Reserve Tax		(190,594)	(153,343)
Change in net assets attributable to Shareholders from investment activities (see above)		(235,175,935)	240,708,467
Retained distributions on accumulation shares		70,954,652	32,479,970
Unclaimed distributions		3,710	4,442
<b>Closing net assets attributable to Shareholders</b>		<b>4,574,993,748</b>	<b>3,864,862,310</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets			4,526,877,030		3,757,722,671
Debtors	7	46,270,246		52,821,534	
Cash and bank balances	8	<u>44,046,968</u>		<u>130,075,616</u>	
Total other assets			<u>90,317,214</u>		<u>182,897,150</u>
Total assets			4,617,194,244		3,940,619,821
<b>LIABILITIES</b>					
Creditors	9	(6,919,741)		(38,642,621)	
Distribution payable on income shares		<u>(35,280,755)</u>		<u>(37,114,890)</u>	
Total other liabilities			<u>(42,200,496)</u>		<u>(75,757,511)</u>
Total liabilities			(42,200,496)		(75,757,511)
<b>Net assets attributable to Shareholders</b>			<u><b>4,574,993,748</b></u>		<u><b>3,864,862,310</b></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	2.4500	0.2450	2.2050	0.0000	2.2050	2.2872
Group 2	1.5409	0.1541	1.3868	0.8182	2.2050	2.2872
Institutional Shares (Income)						
Group 1	2.5993	0.2599	2.3394	0.0000	2.3394	2.4146
Group 2	1.1377	0.1138	1.0239	1.3155	2.3394	2.4146
Institutional Shares (Accumulation)						
Group 1	3.9308	0.3931	3.5377	0.0000	3.5377	3.4786
Group 2	1.8454	0.1845	1.6609	1.8768	3.5377	3.4786
X Shares (Net Income)						
Group 1	2.7012	0.2701	2.4311	0.0000	2.4311	2.4969
Group 2	1.7358	0.1736	1.5622	0.8689	2.4311	2.4969
Institutional Shares W (Net Income)						
Group 1	1.4923	0.1492	1.3431	0.0000	1.3431	1.3812
Group 2	0.9269	0.0927	0.8342	0.5089	1.3431	1.3812
Institutional Shares W (Net Accumulation)						
Group 1	1.6007	0.1601	1.4406	0.0000	1.4406	1.4075
Group 2	1.0369	0.1037	0.9332	0.5074	1.4406	1.4075
Retail Advised Shares B (Net Income)						
Group 1	1.4323	0.1432	1.2891	0.0000	1.2891	1.3239
Group 2	0.6413	0.0641	0.5772	0.7119	1.2891	1.3239
Retail Advised Shares B (Net Accumulation)						
Group 1	1.5294	0.1529	1.3765	0.0000	1.3765	1.3471
Group 2	0.5906	0.0591	0.5315	0.8450	1.3765	1.3471
P Shares (Net Income)						
Group 1	1.4654	0.1465	1.3189	0.0000	1.3189	1.3588
Group 2	0.6190	0.0619	0.5571	0.7618	1.3189	1.3588

**Final dividend distribution in cents per Share**

Institutional Shares (Accumulation) Euro						
Group 1	1.7972	0.1797	1.6175	0.0000	1.6175	1.4883
Group 2	1.1371	0.1137	1.0234	0.5941	1.6175	1.4883
Institutional Shares (Income) Euro						
Group 1	1.5360	0.1536	1.3824	0.0000	1.3824	1.3302
Group 2	0.7214	0.0721	0.6493	0.7331	1.3824	1.3302
Euro Accumulation Shares						
Group 1	1.6516	0.1652	1.4864	0.0000	1.4864	1.3712
Group 2	0.6613	0.0661	0.5952	0.8912	1.4864	1.3712

**Distribution Statements (continued)****Final dividend distribution in cents per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
						<b>Prior Period 30/06/2013</b>
Euro Income Shares						
Group 1	1.4960	0.1496	1.3464	0.0000	1.3464	1.3022
Group 2	1.1447	0.1145	1.0302	0.3162	1.3464	1.3022
Institutional Shares (Income) USD						
Group 1	1.5918	0.1592	1.4326	0.0000	1.4326	1.3112
Group 2	0.7828	0.0783	0.7045	0.7281	1.4326	1.3112
Institutional Shares (Accumulation) USD						
Group 1	1.7516	0.1752	1.5764	0.0000	1.5764	1.3760
Group 2	1.3389	0.1339	1.2050	0.3714	1.5764	1.3760
USD Income Shares						
Group 1	1.5496	0.1550	1.3946	0.0000	1.3946	1.2823
Group 2	0.3103	0.0310	0.2793	1.1153	1.3946	1.2823
USD Accumulation Shares						
Group 1	1.7041	0.1704	1.5337	0.0000	1.5337	1.3385
Group 2	1.0217	0.1022	0.9195	0.6142	1.5337	1.3385
X Shares (Net Accumulation) USD						
Group 1	1.5381	0.1538	1.3843	0.0000	1.3843	n/a
Group 2	1.5381	0.1538	1.3843	0.0000	1.3843	n/a

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
						<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	2.3718	0.2372	2.1346	0.0000	2.1346	2.3480
Group 2	1.4778	0.1478	1.3300	0.8046	2.1346	2.3480
Institutional Shares (Income)						
Group 1	2.5413	0.2541	2.2872	0.0000	2.2872	2.4668
Group 2	1.5226	0.1523	1.3703	0.9169	2.2872	2.4668
Institutional Shares (Accumulation)						
Group 1	3.8202	0.3820	3.4382	0.0000	3.4382	3.5264
Group 2	2.5994	0.2599	2.3395	1.0987	3.4382	3.5264
X Shares (Net Income)						
Group 1	2.7174	0.2717	2.4457	0.0000	2.4457	2.5099
Group 2	0.4749	0.0475	0.4274	2.0183	2.4457	2.5099

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Institutional Shares W (Net Income)						
Group 1	1.4757	0.1476	1.3281	0.0000	1.3281	1.4138
Group 2	0.8628	0.0863	0.7765	0.5516	1.3281	1.4138
Institutional Shares W (Net Accumulation)						
Group 1	1.5644	0.1564	1.4080	0.0000	1.4080	1.4296
Group 2	0.9060	0.0906	0.8154	0.5926	1.4080	1.4296
Retail Advised Shares B (Net Income)						
Group 1	1.4080	0.1408	1.2672	0.0000	1.2672	1.3832
Group 2	0.8051	0.0805	0.7246	0.5426	1.2672	1.3832
Retail Advised Shares B (Net Accumulation)						
Group 1	1.4819	0.1482	1.3337	0.0000	1.3337	1.4130
Group 2	1.1824	0.1182	1.0642	0.2695	1.3337	1.4130
P Shares (Net Income)						
Group 1	1.4368	0.1437	1.2931	0.0000	1.2931	1.3894
Group 2	0.5567	0.0557	0.5010	0.7921	1.2931	1.3894

**Interim dividend distribution in cents per Share**

Institutional Shares (Accumulation) Euro						
Group 1	1.6854	0.1685	1.5169	0.0000	1.5169	1.5243
Group 2	0.8258	0.0826	0.7432	0.7737	1.5169	1.5243
Institutional Shares (Income) Euro						
Group 1	1.4746	0.1475	1.3271	0.0000	1.3271	1.3917
Group 2	1.2127	0.1213	1.0914	0.2357	1.3271	1.3917
Euro Accumulation Shares						
Group 1	1.5296	0.1530	1.3766	0.0000	1.3766	1.4256
Group 2	0.9593	0.0959	0.8634	0.5132	1.3766	1.4256
Euro Income Shares						
Group 1	1.4014	0.1401	1.2613	0.0000	1.2613	1.3643
Group 2	1.3429	0.1343	1.2086	0.0527	1.2613	1.3643
Institutional Shares (Income) USD						
Group 1	1.5210	0.1521	1.3689	0.0000	1.3689	1.3449
Group 2	0.6352	0.0635	0.5717	0.7972	1.3689	1.3449
Institutional Shares (Accumulation) USD						
Group 1	1.6530	0.1653	1.4877	0.0000	1.4877	1.4045
Group 2	1.2620	0.1262	1.1358	0.3519	1.4877	1.4045
USD Income Shares						
Group 1	1.4621	0.1462	1.3159	0.0000	1.3159	1.3386
Group 2	1.3471	0.1347	1.2124	0.1035	1.3159	1.3386

**Distribution Statements (continued)****Interim dividend distribution in cents per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
USD Accumulation Shares						
Group 1	1.5982	0.1598	1.4384	0.0000	1.4384	1.3732
Group 2	0.8337	0.0834	0.7503	0.6881	1.4384	1.3732
X Shares (Net Accumulation) USD						
Group 1	1.4891	0.1489	1.3402	0.0000	1.3402	n/a
Group 2	1.4891	0.1489	1.3402	0.0000	1.3402	n/a

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.2366	0.1237	1.1129	0.0000	1.1129	1.1469
Group 2	0.7516	0.0752	0.6764	0.4365	1.1129	1.1469
Institutional Shares (Income)						
Group 1	1.3276	0.1328	1.1948	0.0000	1.1948	1.2229
Group 2	0.8590	0.0859	0.7731	0.4217	1.1948	1.2229
Institutional Shares (Accumulation)						
Group 1	1.9647	0.1965	1.7682	0.0000	1.7682	1.7282
Group 2	1.3140	0.1314	1.1826	0.5856	1.7682	1.7282
X Shares (Net Income)						
Group 1	1.3996	0.1400	1.2596	0.0000	1.2596	1.2575
Group 2	0.9889	0.0989	0.8900	0.3696	1.2596	1.2575
Institutional Shares W (Net Income)						
Group 1	0.7591	0.0759	0.6832	0.0000	0.6832	0.6962
Group 2	0.4064	0.0406	0.3658	0.3174	0.6832	0.6962
Institutional Shares W (Net Accumulation)						
Group 1	0.7999	0.0800	0.7199	0.0000	0.7199	0.6779
Group 2	0.4744	0.0474	0.4270	0.2929	0.7199	0.6779
Retail Advised Shares B (Net Income)						
Group 1	0.7210	0.0721	0.6489	0.0000	0.6489	0.6655
Group 2	0.5247	0.0525	0.4722	0.1767	0.6489	0.6655
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7550	0.0755	0.6795	0.0000	0.6795	0.6655
Group 2	0.4648	0.0465	0.4183	0.2612	0.6795	0.6655
P Shares (Net Income)						
Group 1	0.7177	0.0718	0.6459	0.0000	0.6459	0.6878
Group 2	0.7177	0.0718	0.6459	0.0000	0.6459	0.6878

**Distribution Statements (continued)****Interim dividend distribution in cents per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013 Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Institutional Shares (Accumulation) Euro						
Group 1	0.8644	0.0864	0.7780	0.0000	0.7780	0.7735
Group 2	0.5960	0.0596	0.5364	0.2416	0.7780	0.7735
Institutional Shares (Income) Euro						
Group 1	0.7563	0.0756	0.6807	0.0000	0.6807	0.7015
Group 2	0.2784	0.0278	0.2506	0.4301	0.6807	0.7015
Euro Accumulation Shares						
Group 1	0.7838	0.0784	0.7054	0.0000	0.7054	0.7077
Group 2	0.5748	0.0575	0.5173	0.1881	0.7054	0.7077
Euro Income Shares						
Group 1	0.7254	0.0725	0.6529	0.0000	0.6529	0.6733
Group 2	0.3954	0.0395	0.3559	0.2970	0.6529	0.6733
Institutional Shares (Income) USD						
Group 1	0.7880	0.0788	0.7092	0.0000	0.7092	0.6746
Group 2	0.4010	0.0401	0.3609	0.3483	0.7092	0.6746
Institutional Shares (Accumulation) USD						
Group 1	0.8471	0.0847	0.7624	0.0000	0.7624	0.7284
Group 2	0.6708	0.0671	0.6037	0.1587	0.7624	0.7284
USD Income Shares						
Group 1	0.7588	0.0759	0.6829	0.0000	0.6829	0.6814
Group 2	0.4652	0.0465	0.4187	0.2642	0.6829	0.6814
USD Accumulation Shares						
Group 1	0.8118	0.0812	0.7306	0.0000	0.7306	0.7016
Group 2	0.5810	0.0581	0.5229	0.2077	0.7306	0.7016
						Period
						Group 1: Shares purchased at launch 2 December 2013 Group 2: Shares purchased 3 December 2013 to 31 December 2013
X Shares (Net Accumulation) USD						
Group 1	0.7637	0.0764	0.6873	0.0000	0.6873	n/a
Group 2	0.1811	0.0181	0.1630	0.5243	0.6873	n/a

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013 Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	2.9967	0.2997	2.6970	0.0000	2.6970	3.1804
Group 2	1.5659	0.1566	1.4093	1.2877	2.6970	3.1804



**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Institutional Shares (Income)						
Group 1	3.1876	0.3188	2.8688	0.0000	2.8688	3.3183
Group 2	1.7487	0.1749	1.5738	1.2950	2.8688	3.3183
Institutional Shares (Accumulation)						
Group 1	4.6801	0.4680	4.2121	0.0000	4.2121	4.6164
Group 2	2.0042	0.2004	1.8038	2.4083	4.2121	4.6164
X Shares (Net Income)						
Group 1	3.3600	0.3360	3.0240	0.0000	3.0240	3.3627
Group 2	0.8518	0.0852	0.7666	2.2574	3.0240	3.3627
Institutional Shares W (Net Income)						
Group 1	1.8371	0.1837	1.6534	0.0000	1.6534	0.3437
Group 2	1.0476	0.1048	0.9428	0.7106	1.6534	0.3437
Institutional Shares W (Net Accumulation)						
Group 1	1.9093	0.1909	1.7184	0.0000	1.7184	0.3446
Group 2	1.0746	0.1075	0.9671	0.7513	1.7184	0.3446
Retail Advised Shares B (Net Income)						
Group 1	1.7658	0.1766	1.5892	0.0000	1.5892	n/a
Group 2	0.6801	0.0680	0.6121	0.9771	1.5892	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	1.8274	0.1827	1.6447	0.0000	1.6447	n/a
Group 2	0.7642	0.0764	0.6878	0.9569	1.6447	n/a
P Shares (Net Income)						
Group 1	1.7916	0.1792	1.6124	0.0000	1.6124	n/a
Group 2	0.4737	0.0474	0.4263	1.1861	1.6124	n/a

**Interim dividend distribution in cents per Share**

Institutional Shares (Accumulation) Euro						
Group 1	2.0406	0.2041	1.8365	0.0000	1.8365	2.1369
Group 2	1.4151	0.1415	1.2736	0.5629	1.8365	2.1369
Institutional Shares (Income) Euro						
Group 1	1.7971	0.1797	1.6174	0.0000	1.6174	1.9647
Group 2	0.0099	0.0010	0.0089	1.6085	1.6174	1.9647
Euro Accumulation Shares						
Group 1	1.8702	0.1870	1.6832	0.0000	1.6832	2.0346
Group 2	0.9317	0.0932	0.8385	0.8447	1.6832	2.0346
Euro Income Shares						
Group 1	1.7532	0.1753	1.5779	0.0000	1.5779	1.9530
Group 2	0.9098	0.0910	0.8188	0.7591	1.5779	1.9530
Institutional Shares (Income) USD						
Group 1	1.8636	0.1864	1.6772	0.0000	1.6772	1.9164
Group 2	0.8174	0.0817	0.7357	0.9415	1.6772	1.9164

**Distribution Statements (continued)****Interim dividend distribution in cents per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
						<b>Prior Period 30/09/2012</b>
Institutional Shares (Accumulation) USD						
Group 1	1.9587	0.1959	1.7628	0.0000	1.7628	1.9492
Group 2	1.0938	0.1094	0.9844	0.7784	1.7628	1.9492
USD Income Shares						
Group 1	1.8062	0.1806	1.6256	0.0000	1.6256	1.9625
Group 2	0.8510	0.0851	0.7659	0.8597	1.6256	1.9625
USD Accumulation Shares						
Group 1	1.9234	0.1923	1.7311	0.0000	1.7311	1.9617
Group 2	0.7066	0.0707	0.6359	1.0952	1.7311	1.9617

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital (losses)/gains

	30/06/2014	30/06/2013
	£	£
The net capital (losses)/gains on investments during the year comprise		
(Losses)/gains on non-derivative securities	(195,442,736)	275,200,913
Currency exchange gains/(losses)	1,082,935	(914,047)
Activity charges	(38,143)	(120,246)
Overseas transaction tax	(39,012)	(56,892)
<b>Net capital (losses)/gains</b>	<b>(194,436,956)</b>	<b>274,109,728</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	6,014,869	2,756,205
Overseas dividends	212,989,449	163,457,587
Bank interest	210,759	128,732
Stock lending	575,314	94,703
<b>Total revenue</b>	<b>219,790,391</b>	<b>166,437,227</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	44,410,887	35,288,776
Administration fees	2,058,352	1,716,101
Collection charges	-	2,295
Registrar's disbursement fees	25,205	44,933
Safe custody charges	1,491,481	1,210,334
	<b>47,985,925</b>	<b>38,262,439</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	4,641	1,440
	<b>64,041</b>	<b>60,758</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,800	7,620
- Non-audit services (tax compliance fee)†	2,832	2,862
Financial Conduct Authority fee	289	286
	<b>10,921</b>	<b>10,768</b>
<b>Total expenses</b>	<b>48,060,887</b>	<b>38,333,965</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,500 (2013: £6,350) and £2,360 (2013: £2,295) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013 £
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	13,176,709	10,042,986
Prior year adjustment	-	(5,897)
<b>Total tax charge (see note 4b)</b>	<b><u>13,176,709</u></b>	<b><u>10,037,089</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>171,728,885</u>	<u>128,102,325</u>
<b>Corporation tax @ 20%</b>	34,345,777	25,620,465
Effects of:		
Dividends not subject to corporation tax	(37,193,889)	(29,784,596)
Excess management expenses	2,848,112	4,164,131
Overseas tax withheld	13,176,709	10,042,986
Prior year adjustment	-	(5,897)
<b>Total tax charge (see note 4a)</b>	<b><u>13,176,709</u></b>	<b><u>10,037,089</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £49,212,261 (30/06/13: £34,971,703), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £9,842,453 (30/06/13: £6,994,341).

## Notes to the Financial Statements (continued)

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 30 September - Sterling Income Shares	18,214,064	19,384,543
Interim dividend 30 September - Institutional Shares (Income)	13,610,716	17,840,405
Interim dividend 30 September - Institutional Shares (Accumulation)	13,598,188	7,033,242
Interim dividend 30 September - X Shares (Net Income)	897,086	1,334,287
Interim dividend 30 September - Institutional Shares (Accumulation) Euro	1,022,225	306,663
Interim dividend 30 September - Institutional Shares (Income) Euro	74,544	235
Interim dividend 30 September - Euro Accumulation Shares	263,459	39,520
Interim dividend 30 September - Euro Income Shares	120,616	315
Interim dividend 30 September - Institutional Shares (Income) USD	285,691	1,753
Interim dividend 30 September - Institutional Shares (Accumulation) USD	250,278	129,190
Interim dividend 30 September - USD Income Shares	91,399	5,940
Interim dividend 30 September - USD Accumulation Shares	447,825	20,015
Interim dividend 30 September - Institutional Shares W (Net Income)	12,195,856	1,049
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	1,937,990	17
Interim dividend 30 September - Retail Advised Shares B (Net Income)	22,473	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	18,364	-
Interim dividend 30 September - P Shares (Net Income)	1,997	-
Interim dividend 31 December - Sterling Income Shares	6,694,996	6,452,952
Interim dividend 31 December - Institutional Shares (Income)	5,566,996	7,118,041
Interim dividend 31 December - Institutional Shares (Accumulation)	6,671,133	3,217,775
Interim dividend 31 December - X Shares (Net Income)	207,073	283,434
Interim dividend 31 December - Institutional Shares (Accumulation) Euro	308,574	274,632
Interim dividend 31 December - Institutional Shares (Income) Euro	27,562	7,097
Interim dividend 31 December - Euro Accumulation Shares	113,293	28,775
Interim dividend 31 December - Euro Income Shares	50,467	1,205
Interim dividend 31 December - Institutional Shares (Income) USD	116,999	34,888
Interim dividend 31 December - Institutional Shares (Accumulation) USD	125,317	40,894
Interim dividend 31 December - USD Income Shares	32,993	5,083
Interim dividend 31 December - USD Accumulation Shares	204,630	19,964
Interim dividend 31 December - Institutional Shares W (Net Income)	6,261,540	2,045,347
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	1,075,746	236,686
Interim dividend 31 December - Retail Advised Shares B (Net Income)	10,980	33
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	12,409	33
Interim dividend 31 December - P Shares (Net Income)	205	2,360
Interim dividend 31 December - P Shares (Net Accumulation)	-	933
Interim dividend 31 December - X Shares (Net Accumulation) USD	416,877	-
Interim dividend 31 March - Sterling Income Shares	11,568,778	14,558,384
Interim dividend 31 March - Institutional Shares (Income)	8,027,580	12,515,267
Interim dividend 31 March - Institutional Shares (Accumulation)	15,983,151	8,106,914
Interim dividend 31 March - X Shares (Net Income)	560,319	822,086
Interim dividend 31 March - Institutional Shares (Accumulation) Euro	532,328	757,964
Interim dividend 31 March - Institutional Shares (Income) Euro	178,155	26,584
Interim dividend 31 March - Euro Accumulation Shares	203,809	144,020
Interim dividend 31 March - Euro Income Shares	91,820	74,426
Interim dividend 31 March - Institutional Shares (Income) USD	189,000	120,002
Interim dividend 31 March - Institutional Shares (Accumulation) USD	220,319	162,021
Interim dividend 31 March - USD Income Shares	60,258	48,159
Interim dividend 31 March - USD Accumulation Shares	482,882	79,240
Interim dividend 31 March - Institutional Shares W (Net Income)	13,116,030	7,928,191
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	2,783,167	494,423
Interim dividend 31 March - Retail Advised Shares B (Net Income)	21,713	8,173
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	22,400	4,380

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 March - P Shares (Net Income)	413	4,916
Interim dividend 31 March - P Shares (Net Accumulation)	-	1,893
Interim dividend 31 March - X Shares (Net Accumulation) USD	807,575	-
Final dividend 30 June - Sterling Income Shares	9,924,139	15,162,323
Final dividend 30 June - Institutional Shares (Income)	8,430,182	11,579,797
Final dividend 30 June - Institutional Shares (Accumulation)	17,170,590	8,836,968
Final dividend 30 June - X Shares (Net Income)	935,098	360,127
Final dividend 30 June - Institutional Shares (Accumulation) Euro	564,146	781,964
Final dividend 30 June - Institutional Shares (Income) Euro	195,664	39,262
Final dividend 30 June - Euro Accumulation Shares	232,542	206,470
Final dividend 30 June - Euro Income Shares	112,839	96,284
Final dividend 30 June - Institutional Shares (Income) USD	235,175	148,295
Final dividend 30 June - Institutional Shares (Accumulation) USD	248,255	172,913
Final dividend 30 June - USD Income Shares	64,440	62,096
Final dividend 30 June - USD Accumulation Shares	563,074	262,359
Final dividend 30 June - Institutional Shares W (Net Income)	15,357,154	9,646,079
Final dividend 30 June - Institutional Shares W (Net Accumulation)	3,835,202	1,107,789
Final dividend 30 June - Retail Advised Shares B (Net Income)	25,147	15,502
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	25,587	10,437
Final dividend 30 June - P Shares (Net Income)	917	5,125
Final dividend 30 June - P Shares (Net Accumulation)	-	1,876
Final dividend 30 June - X Shares (Net Accumulation) USD	813,317	-
	<b>204,533,726</b>	<b>160,220,015</b>
Amounts added on issue of shares	(8,117,626)	(10,028,284)
Amounts deducted on cancellation of shares	2,875,055	1,274,766
<b>Net distributions for the year</b>	<b>199,291,155</b>	<b>151,466,497</b>
Interest	619	937
<b>Total finance costs</b>	<b>199,291,774</b>	<b>151,467,434</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	158,552,176	118,065,236
ACD's periodic charge less tax relief paid from capital	40,710,962	33,396,665
Equalisation on conversions	28,454	4,822
Transfer from capital for deficit on P Income share class net expenses	-	4
Undistributed revenue brought forward	1,051	821
Undistributed revenue carried forward	(1,488)	(1,051)
	<b>199,291,155</b>	<b>151,466,497</b>

## Notes to the Financial Statements (continued)

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	27,325,671	17,539,991
Amount receivable for issue of shares	18,196,033	16,992,337
Sales awaiting settlement	748,542	18,289,206
	<b>46,270,246</b>	<b>52,821,534</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	32,132,067	31,504,341
Cash held in BNY Mellon Sterling Liquidity Fund	11,914,901	98,571,275
	<b>44,046,968</b>	<b>130,075,616</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	4,319,130	3,954,474
Amount payable for cancellation of shares	1,855,222	6,772,189
Purchases awaiting settlement	745,389	27,915,958
	<b>6,919,741</b>	<b>38,642,621</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, collection charges, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £12,038,115 (30/06/13: £6,298,834).

### 11 Financial instruments

#### 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.

**Notes to the Financial Statements (continued)****11 Financial instruments (continued)****Foreign currency risk**

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	166,115,000	20,140,556	186,255,556	210,802,652
Australia	1,563,466,717	17,109,901	1,580,576,618	1,025,480,047
China	9,472,536	-	9,472,536	12,633,074
Europe	-	464,751	464,751	(991,754)
Hong Kong	829,384,476	4,912,698	834,297,174	806,626,749
India	-	-	-	5,281,266
Indonesia	68,980,328	-	68,980,328	80,945,989
Malaysia	159,280,101	164,781	159,444,882	190,458,334
New Zealand	249,143,960	-	249,143,960	127,248,489
Philippines	150,926,604	-	150,926,604	120,327,026
Singapore	675,220,552	-	675,220,552	501,747,148
South Korea	61,808,311	1,613,699	63,422,010	60,744,843
Taiwan	220,987,329	3,632,118	224,619,447	223,401,094
Thailand	287,873,202	87,848	287,961,050	403,775,134
United States of America	84,217,914	(9,634)	84,208,280	96,382,219
<b>Total</b>	<b>4,526,877,030</b>	<b>48,116,718</b>	<b>4,574,993,748</b>	<b>3,864,862,310</b>

**12 Portfolio transaction costs**

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	1,257,526,413	1,577,896,187
Commissions	2,163,270	3,711,924
Taxes	450,947	1,009,019
Total purchase costs	2,614,217	4,720,943
<b>Gross purchases total</b>	<b>1,260,140,630</b>	<b>1,582,617,130</b>
Analysis of total sales proceeds:		
Sales before transaction costs	296,211,212	150,803,133
Commissions	(510,465)	(292,805)
Taxes	(167,918)	(383,922)
Total sales costs	(678,383)	(676,727)
<b>Total sales net of transaction costs</b>	<b>295,532,829</b>	<b>150,126,406</b>

**13 Contingent liabilities**

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).



## Notes to the Financial Statements (continued)

### 14 Stock lending

As at 30 June 2014, £12,698,374 of investments was subject to stock lending agreements and the Fund held £13,906,617 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £5,327,135 of investments was subject to stock lending agreements and the Fund held £5,617,872 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £719,143 (30/06/13: £118,379) and £143,829 (30/06/13: £23,676).

### 15 Shareholders' funds

The Fund currently has eighteen share classes; Sterling Income Shares, Institutional Shares (Income), Institutional Shares (Accumulation), X Shares (Net Income), Euro Institutional Accumulation Shares, Euro Institutional Income Shares, Euro Accumulation Shares, Euro Income Shares, USD Institutional Income Shares, USD Institutional Accumulation Shares, USD Income Shares, USD Accumulation Shares, Institutional W Net Income, Institutional W Net Accumulation, Retail Advised B Net Income, Retail Advised B Net Accumulation, P Shares (Income) and P Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Income)	1.00%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Institutional Shares (Accumulation) Euro	1.00%	0.03%
Institutional Shares (Income) Euro	1.00%	0.03%
Euro Accumulation Shares	1.50%	0.10%
Euro Income Shares	1.50%	0.10%
Institutional Shares (Income) USD	1.00%	0.03%
Institutional Shares (Accumulation) USD	1.00%	0.03%
USD Income Shares	1.50%	0.10%
USD Accumulation Shares	1.50%	0.10%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%
P Shares (Net Income)	1.00%	0.03%
X Shares (Net Accumulation) USD	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 178 to 179. The distributions are given in the distribution statements on pages 185 to 191. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON BALANCED FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £2,815.65m

Comparative Index: IMA Mixed Investment 40-85% Shares

Sector: IMA Mixed Investment 40-85% Shares

Yield as at 30 June 2014:

Sterling Income Shares	2.54%
Institutional Shares (Accumulation)	2.59%
Institutional Shares W (Net Income)	2.67%
Institutional Shares W (Net Accumulation)	2.63%
Retail Advised Shares B (Net Income)	2.60%
Retail Advised Shares B (Net Accumulation)	2.56%

Key Dates: Fund Launch 04 November 1986 (managed by Newton since July 1997)

**Investment Objective**

To achieve a balance between capital growth and income predominantly from a portfolio of UK and international securities. The Fund may also invest in derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	4.67%	11.62%	-4.55%	14.26%	14.68%
Institutional Shares (Accumulation)	5.27%	12.28%	-3.99%	14.92%	15.32%
Institutional Shares W (Net Income)*	5.53%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	5.54%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	5.19%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	5.20%	n/a	n/a	n/a	n/a
IMA Mixed Investment 40-85% Shares	8.03%	14.98%	-3.70%	14.62%	16.75%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +4.67% against +8.03% for the IMA Mixed Investment 40-85% Shares.

The Fund delivered a positive return but underperformed the IMA Mixed Investment 40-85% Shares over the 12-month period. Our equity holdings were the principal reason for this underperformance, while bond holdings and cash proved positive. At the sector level, healthcare, technology and financials detracted, while oil and gas and telecommunications performed solidly. At the stock level, pharmaceutical groups GlaxoSmithKline of the UK and Sanofi of France were negatively affected by emerging-market concerns. Meanwhile, not holding UK-listed healthcare companies AstraZeneca and Shire also detracted as these companies rallied on becoming the subjects of takeover bids. The overweight stance in Vodafone Group knocked relative returns as takeover speculation subsided, and the company's near-term profitability was subdued. Positioning within fixed income was beneficial, including the holdings in Australian government bonds. The decision to hedge – protect against financial loss – the Australian-dollar exposure relating to these positions also proved to be an advantage. In a similar vein, hedging most of our euro-related exposure was a positive move as the continued improvements in UK economic data, along with the European Central Bank's actions, ensured sterling remained strong. Associated British Foods was a strong holding as its retail investment in Primark has performed well.

Additions to the equity holdings included UK telecommunications company Vodafone, which was included because of our expectation for it to benefit from the future competitive landscape. Another new investment was Wolters Kluwer, the Dutch information-services group, which is set to gain from further migration of its business to digital platforms. After advantageously selling the Japanese e-commerce company Softbank in 2013, we once more added the stock after its price fell back during first quarter of 2014. Within fixed interest, the largest new position was the addition of a UK government bond that is due for repayment in 2018. In addition, the manager adjusted the positioning in Australian government bonds, switching out of the 3.25% Australia 2025 bond and into 4.5% Australia 2033 bond in order to benefit from an increase in income. Our most significant equity sale was that of Swiss crop-sciences group Syngenta, as we felt that the near-term outlook would be hindered if our expectations of weaker grain prices and higher cost-burdens played out.

The table below shows the top ten purchases and sales (excluding any derivative and short term cash transactions) for the year

Purchases	Sales
UK Treasury Gilt 1.25% 2018	Sprint Nextel
Vodafone	Syngenta
Wolters Kluwer	Softbank
Australia 4.50% Bonds 2033	Bayer
Softbank	SSE
Citigroup	EMC
Dollar General	Cisco Systems
British American Tobacco	BB Biotech
eBay	Altria
Credit Suisse	Australia 3.25% Bonds 2025

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	170.38	146.93	4.9022
2011	171.47	148.82	4.7051
2012	163.19	151.96	4.5095
2013	180.98	159.55	4.4065
2014	175.46	166.54	2.7609
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	200.87	172.70	5.8070
2011	205.19	181.15	5.7942
2012	205.61	187.76	5.7520
2013	231.45	203.60	5.9267
2014	231.66	219.46	3.7880
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 31 August)	102.07	98.47	0.7358
2013	114.23	100.39	2.9503
2014	111.53	105.56	1.8486
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 31 August)	102.07	98.47	0.7342
2013	115.07	101.14	2.9989
2014	115.48	109.30	1.9153
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 28 September)	100.44	96.87	1.1239
2013	111.74	98.32	2.7977
2014	108.82	103.12	1.7532
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 28 September)	100.44	96.87	1.1225
2013	113.03	99.45	2.8624
2014	113.04	107.12	1.8271

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	1,193,485,755	153.89	775,545,628
30/06/2013	1,297,157,885	167.28	775,419,689
30/06/2014	1,177,997,355	170.46	691,067,222
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	1,575,912,163	193.62	813,916,116
30/06/2013	1,662,897,098	217.58	764,276,168
30/06/2014	1,534,957,870	228.78	670,926,552
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,363,112	105.61	5,078,020
30/06/2014	36,013,290	108.31	33,250,156

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	3,195,942	108.20	2,953,642
30/06/2014	48,201,649	114.06	42,259,550
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,271,852	103.32	4,134,723
30/06/2014	18,301,632	105.71	17,312,484
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	8,528	106.25	8,027
30/06/2014	173,588	111.64	155,494

**Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014 %</b>	<b>30/06/2013 %</b>
Sterling Income Shares	1.61	1.61
Institutional Shares (Accumulation)	1.04	1.04
Institutional Shares W (Net Income)	0.79	0.79
Institutional Shares W (Net Accumulation)	0.79	0.79
Retail Advised Shares B (Net Income)	1.11	1.11
Retail Advised Shares B (Net Accumulation)	1.11	1.11

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 2.15% (0.00%)</b>			
UK Treasury Gilt 1.25% 2018	£62,000,000	60,663,900	2.15
<b>Overseas Government Bonds 10.34% (10.71%)</b>			
Australia 4.75% Bonds 2027	AUD51,890,000	31,530,085	1.12
Australia 4.50% Bonds 2033	AUD85,810,000	50,164,345	1.78
New Zealand Government 5.50% Bonds 2023	NZD42,770,000	23,583,090	0.84
New Zealand Government 6.00% Bonds 2021	NZD45,850,000	25,837,719	0.92
New Zealand Government 2.00% Index Linked Bonds 2025	NZD34,000,000	16,891,754	0.60
Norway 3.75% Bonds 2021	NOK627,140,000	66,176,889	2.35
USA Treasury Bonds 4.375% 2039	USD110,000,000	76,727,308	2.73
<b>Sterling Denominated Corporate Bonds 2.60% (2.88%)</b>			
Boparan 9.875% Bonds 2018	£5,400,000	5,812,074	0.21
British Telecommunications 3.50% Index Linked 2025	£5,890,000	10,938,437	0.39
Crown Newco 3 7.00% Bonds 2018	£7,680,000	8,084,659	0.29
EDF Energy Networks 3.125% Index Linked 2032	£833,000	1,555,628	0.06
Firstgroup 8.75% Bonds 2021	£2,073,000	2,627,496	0.09
Imperial Tobacco Finance 8.125% Notes 2024	£2,650,000	3,475,859	0.12
Juturna 5.0636% Bonds 2033	£3,707,000	3,931,342	0.14
Lloyds Banking Group 7.625% Bonds 2049	£4,568,000	4,860,352	0.17
Tesco 1.982% Index Linked 2036	£3,267,000	4,401,400	0.16
Tesco Property Finance 3 5.744% Bonds 2040	£8,100,000	8,706,802	0.31
Thames Water Utilities Finance 3.375% Index Linked Notes 2021	£5,531,000	9,446,948	0.34
Transport for London 3.625% Bonds 2045	£9,610,000	9,017,138	0.32
<b>Non-Sterling Denominated Corporate Bonds 3.46% (3.58%)</b>			
Aguila 3 7.875% Bonds 2018	CHF10,600,000	7,385,071	0.26
Altria 10.20% Bonds 2039	USD5,596,000	5,512,937	0.20
BAT International Finance 9.50% Bonds 2018	USD4,477,000	3,402,785	0.12
JBS Investments 7.75% Bonds 2020	USD17,000,000	10,633,985	0.38
Matterhorn Mobile 6.75% Bonds 2019	CHF10,000,000	7,030,228	0.25
New South Wales Treasury 2.75% Index Linked Bonds 2025	AUD16,960,000	12,731,997	0.45
Prudential 11.75% FRN 2049	USD7,130,000	4,356,979	0.15
Smiths 7.20% Bonds 2019	USD3,243,000	2,226,847	0.08
Sprint Capital 8.75% Bonds 2032	USD18,463,000	12,456,924	0.44
Sunrise Communications International 7.00% Bonds 2017	EUR4,400,000	3,703,585	0.13
Sunrise Communications International 7.00% Bonds 2017	CHF4,211,000	2,917,383	0.10
Treasury Corporation of Victoria 5.50% Bonds 2026	AUD20,360,000	12,777,921	0.45
Unitymedia 7.50% Bonds 2019	EUR6,100,000	5,216,135	0.19
Ziggo 8.00% Bonds 2018	EUR8,305,000	7,377,224	0.26
<b>United Kingdom 27.26% (27.43%)</b>			
Associated British Foods	716,562	21,840,810	0.78
BAE Systems	5,283,396	22,861,254	0.81
Barclays	8,067,363	17,159,281	0.61
BHP Billiton	2,185,514	41,295,287	1.47
BP	11,197,060	57,653,662	2.05
British American Tobacco	1,718,771	59,778,855	2.12
Bunzl	1,482,170	24,025,976	0.85
Cable & Wireless Communications	11,779,443	5,800,198	0.21
Centrica	13,429,774	41,968,044	1.49
Dixons	20,201,415	10,058,285	0.36
GlaxoSmithKline	7,070,397	110,545,657	3.93
Johnson Matthey	743,907	23,061,117	0.82
Mitchells & Butlers	4,374,223	17,037,599	0.61
Prudential	2,328,281	31,222,248	1.11
Royal Dutch Shell	3,371,930	85,731,320	3.04

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom (continued)</b>			
Severn Trent	693,324	13,395,020	0.47
Smith & Nephew	2,199,944	22,835,419	0.81
Smiths	1,714,887	22,224,936	0.79
Standard Chartered	1,609,785	19,220,833	0.68
Standard Life	2,974,059	11,122,981	0.40
Vodafone	35,352,476	68,919,652	2.45
Wolseley	713,633	22,857,665	0.81
Wood (John)	2,063,530	16,632,052	0.59
<b>Commodities 2.02% (1.98%)</b>			
ETFS Physical Gold 0.00% Secured Note (AUD)	217,558	16,073,330	0.57
ETFS Physical Gold 0.00% Secured Note (GBP)	544,575	40,788,668	1.45
<b>Canada 1.80% (1.85%)</b>			
Barrick Gold	2,309,653	24,719,508	0.88
Eldorado Gold	1,551,837	6,952,923	0.25
Yamana Gold	3,936,712	18,956,772	0.67
<b>United States of America 15.94% (14.05%)</b>			
Abbott Laboratories	640,928	15,323,646	0.54
Accenture	831,615	39,303,335	1.40
Citigroup	1,874,024	51,611,422	1.83
Dollar General	1,452,386	48,714,412	1.73
Dun & Bradstreet	113,994	7,345,591	0.26
eBay	1,287,429	37,692,602	1.34
Express Scripts	450,023	18,244,638	0.65
Kraft Foods	553,837	19,418,386	0.69
Marathon Oil	892,917	20,841,780	0.74
Mattel	1,136,794	25,909,210	0.92
Medtronic	613,874	22,894,842	0.81
Microsoft	2,206,138	53,803,523	1.91
PNC Financial	401,265	20,895,772	0.74
Principal Financial	859,933	25,382,822	0.90
Sprint	3,557,618	17,727,231	0.63
Sysco	1,090,458	23,883,763	0.85
<b>Australia 1.00% (0.97%)</b>			
Newcrest Mining	4,856,503	28,202,284	1.00
<b>Hong Kong 1.34% (0.88%)</b>			
AIA	12,818,800	37,725,295	1.34
<b>Japan 4.41% (3.97%)</b>			
Don Quijote	246,600	8,043,640	0.28
Japan Tobacco	1,153,100	24,584,274	0.87
Sawai Pharmaceutical	455,600	15,702,513	0.55
Softbank	967,700	42,140,138	1.50
Sugi Holdings	709,500	18,923,675	0.67
Toyota Motor	433,100	15,212,076	0.54
<b>Belgium 0.53% (0.44%)</b>			
Anheuser-Busch	222,760	14,963,732	0.53
<b>France 4.72% (4.10%)</b>			
Air Liquide	465,972	36,786,222	1.31
L'Oreal	142,307	14,329,359	0.51
Sanofi	839,830	52,171,541	1.85
Total	701,540	29,621,204	1.05



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Germany 2.90% (2.80%)</b>			
Bayer	530,429	43,896,534	1.55
Deutsche Telekom	1,125,864	11,571,091	0.41
MTU Aero Engines	333,336	17,888,715	0.63
SAP	189,971	8,599,215	0.31
<b>Ireland 0.46% (0.00%)</b>	860,727	12,910,905	0.46
CRH			
<b>Israel 0.58% (0.00%)</b>			
Teva Pharmaceutical ADR	533,376	16,348,941	0.58
<b>Netherlands 3.18% (0.98%)</b>			
Reed Elsevier	2,431,319	32,600,150	1.16
Wolters Kluwer	3,281,292	56,792,712	2.02
<b>Norway 0.82% (0.66%)</b>			
DNB	2,151,186	22,983,648	0.82
<b>Sweden 2.28% (1.86%)</b>			
Ericsson	2,851,764	20,132,835	0.72
Millicom International Cellular	443,563	23,689,659	0.84
TeliaSonera	477,1285	20,373,329	0.72
<b>Switzerland 5.60% (6.18%)</b>			
BB Biotech	2,238	232,169	0.01
Credit Suisse	1,356,322	22,675,510	0.81
Nestle	1,116,590	50,590,243	1.80
Novartis	686,845	36,351,311	1.29
Roche	273,148	47,647,487	1.69
<b>Derivatives 0.31% (0.51%)</b>			
<b>AUD Forward Foreign Currency Contracts 0.04% (0.36%)</b>			
Forward Foreign Currency Contracts 11/07/2014	AUD(234,269,560)	(129,318,525)	(4.59)
Forward Foreign Currency Contracts 11/07/2014	£130,356,878	130,356,878	4.63
<b>EUR Forward Foreign Currency Contracts 0.27% (-0.20%)</b>			
Forward Foreign Currency Contracts 14/08/2014	EUR(356,055,000)	(285,215,693)	(10.13)
Forward Foreign Currency Contracts 14/08/2014	£292,851,677	292,851,677	10.40
<b>Portfolio of investments*</b>		<b>2,638,260,297</b>	<b>93.70</b>
<b>Net current assets</b>		<b>177,385,087</b>	<b>6.30</b>
<b>Total Net Assets</b>		<b>2,815,645,384</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Investment Trusts, Collective Investment Schemes, Brazil, China and South Africa portfolio categories, which, at 30 June 2013, represented 0.53%, 1.11%, 0.36%, 0.39% and 0.70% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		96,299,448	284,612,637
Revenue	2	86,033,198	94,699,662	
Expenses	3	(37,914,700)	(38,577,132)	
Finance costs: Interest	5	-	(9)	
Net revenue before taxation		48,118,498	56,122,521	
Taxation	4	(2,052,626)	(4,235,794)	
Net revenue after taxation			46,065,872	51,886,727
<b>Total return before distributions</b>			<b>142,365,320</b>	<b>336,499,364</b>
Finance costs: Distributions	5		(77,623,944)	(83,566,181)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>64,741,376</b>	<b>252,933,183</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		2,972,894,417	2,769,397,918
Amounts receivable on issue of shares	91,336,886	150,658,415	
Amounts payable on cancellation of shares	(356,239,074)	(246,262,707)	
		(264,902,188)	(95,604,292)
Stamp Duty Reserve Tax		(200,672)	(330,481)
Change in net assets attributable to Shareholders from investment activities (see above)		64,741,376	252,933,183
Retained distributions on accumulation shares		43,109,669	46,480,749
Unclaimed distributions		2,782	17,340
<b>Closing net assets attributable to Shareholders</b>		<b>2,815,645,384</b>	<b>2,972,894,417</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			2,638,260,297		2,650,561,344
Debtors	7	15,345,898		32,622,840	
Cash and bank balances	8	<u>194,684,911</u>		<u>352,854,698</u>	
Total other assets			<u>210,030,809</u>		<u>385,477,538</u>
Total assets			2,848,291,106		3,036,038,882
<b>LIABILITIES</b>					
Investment liabilities			-		(7,135,962)
Creditors	9	(12,647,863)		(34,553,787)	
Distribution payable on income shares		<u>(19,997,859)</u>		<u>(21,454,716)</u>	
Total other liabilities			<u>(32,645,722)</u>		<u>(56,008,503)</u>
Total liabilities			(32,645,722)		(63,144,465)
<b>Net assets attributable to Shareholders</b>			<u><b>2,815,645,384</b></u>		<u><b>2,972,894,417</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	3.0677	0.3068	2.7609	0.0000	2.7609	2.7459
Group 2	1.9967	0.1997	1.7970	0.9639	2.7609	2.7459
Institutional Shares (Accumulation)						
Group 1	4.2089	0.4209	3.7880	0.0000	3.7880	3.6185
Group 2	2.9657	0.2966	2.6691	1.1189	3.7880	3.6185
Institutional Shares W (Net Income)						
Group 1	2.0540	0.2054	1.8486	0.0000	1.8486	1.7977
Group 2	1.0609	0.1061	0.9548	0.8938	1.8486	1.7977
Institutional Shares W (Net Accumulation)						
Group 1	2.1281	0.2128	1.9153	0.0000	1.9153	1.8118
Group 2	1.3803	0.1380	1.2423	0.6730	1.9153	1.8118
Retail Advised Shares B (Net Income)						
Group 1	1.9480	0.1948	1.7532	0.0000	1.7532	1.7215
Group 2	0.6907	0.0691	0.6216	1.1316	1.7532	1.7215
Retail Advised Shares B (Net Accumulation)						
Group 1	2.0301	0.2030	1.8271	0.0000	1.8271	1.7323
Group 2	1.7846	0.1785	1.6061	0.2210	1.8271	1.7323

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.8451	0.1845	1.6606	0.0000	1.6606	1.8050
Group 2	1.0346	0.1035	0.9311	0.7295	1.6606	1.8050
Institutional Shares (Accumulation)						
Group 1	2.5647	0.2565	2.3082	0.0000	2.3082	2.3441
Group 2	1.1718	0.1172	1.0546	1.2536	2.3082	2.3441
Institutional Shares W (Net Income)						
Group 1	1.2807	0.1281	1.1526	0.0000	1.1526	0.7358
Group 2	0.4080	0.0408	0.3672	0.7854	1.1526	0.7358
Institutional Shares W (Net Accumulation)						
Group 1	1.3190	0.1319	1.1871	0.0000	1.1871	0.7342
Group 2	0.5032	0.0503	0.4529	0.7342	1.1871	0.7342

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
						<b>Prior Period 31/12/2012</b>
Retail Advised Shares B (Net Income)						
Group 1	1.1958	0.1196	1.0762	0.0000	1.0762	1.1239
Group 2	0.5362	0.0536	0.4826	0.5936	1.0762	1.1239
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2557	0.1256	1.1301	0.0000	1.1301	1.1225
Group 2	0.2510	0.0251	0.2259	0.9042	1.1301	1.1225

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	70,026,453	275,555,775
Gains on derivative contracts	-	9,228,099
Gains/(losses) on forward currency contracts	26,455,120	(74,787)
Currency exchange losses	(164,881)	(79,805)
Activity charges	(17,244)	(16,645)
<b>Net capital gains</b>	<b>96,299,448</b>	<b>284,612,637</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	34,054,033	32,048,806
Overseas dividends	28,758,623	37,239,327
Bank interest	691,939	493,850
Collective investment scheme distributions	286,996	366,057
Interest on debt securities	21,868,436	24,237,461
Stock lending	373,171	314,161
<b>Total revenue</b>	<b>86,033,198</b>	<b>94,699,662</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	35,774,279	36,370,075
Administration fees	1,785,128	1,811,372
Collection charges	11,073	36,673
Registrar's disbursement fees	1,523	13,651
Safe custody charges	237,312	275,649
	<b>37,809,315</b>	<b>38,507,420</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	312	428
	<b>59,712</b>	<b>59,746</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,840	6,660
- Non-audit services (tax compliance fee)†	2,460	3,020
Financial Conduct Authority fee	287	286
Expenses associated with making tax reclaims	36,086	-
	<b>45,673</b>	<b>9,966</b>
<b>Total expenses</b>	<b>37,914,700</b>	<b>38,577,132</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,700 (2013: £5,550) and £2,050 (2013: £2,050) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
Overseas tax withheld	2,059,259	4,210,647
Prior year adjustment	44,196	25,147
Repayment of French withholding tax	(50,829)	-
<b>Total tax charge (see note 4b)</b>	<b>2,052,626</b>	<b>4,235,794</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	48,118,498	56,122,521
<b>Corporation tax @ 20%</b>	<b>9,623,700</b>	<b>11,224,504</b>
Effects of:		
Dividends not subject to corporation tax	(12,523,053)	(13,614,407)
Excess management expenses	2,899,353	2,389,903
Repayment of French withholding tax	(50,829)	-
Overseas tax withheld	2,059,259	4,210,647
Prior year adjustment	44,196	25,147
<b>Total tax charge (see note 4a)</b>	<b>2,052,626</b>	<b>4,235,794</b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £41,835,123 (30/06/13: £27,338,360), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £8,367,025 (30/06/13: £5,467,672). The prior year figures for excess management expenses and deferred tax asset not recognised have been updated, this is only a disclosure change and has no impact on the NAV/Distributions.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Sterling Income Shares	12,345,096	14,501,741
Interim dividend 31 December - Institutional Shares (Accumulation)	16,627,553	18,771,317
Interim dividend 31 December - Institutional Shares W (Net Income)	210,698	716
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	254,544	356
Interim dividend 31 December - Retail Advised Shares B (Net Income)	121,220	12,555
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	636	90
Final dividend 30 June - Sterling Income Shares	19,079,675	21,292,249
Final dividend 30 June - Institutional Shares (Accumulation)	25,414,698	27,655,333
Final dividend 30 June - Institutional Shares W (Net Income)	614,662	91,288
Final dividend 30 June - Institutional Shares W (Net Accumulation)	809,397	53,514
Final dividend 30 June - Retail Advised Shares B (Net Income)	303,522	71,179
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	2,841	139
	<b>75,784,542</b>	<b>82,450,477</b>

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Amounts added on issue of shares	(502,616)	(877,193)
Amounts deducted on cancellation of shares	2,342,018	1,992,897
<b>Net distributions for the year</b>	<b>77,623,944</b>	<b>83,566,181</b>
Interest	-	9
<b>Total finance costs</b>	<b>77,623,944</b>	<b>83,566,190</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	46,065,872	51,886,727
ACD's periodic charge less tax relief paid from capital	31,547,193	31,684,192
Equalisation on conversions	10,700	(5,259)
Undistributed revenue brought forward	795	1,316
Undistributed revenue carried forward	(616)	(795)
	<b>77,623,944</b>	<b>83,566,181</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	10,370,155	10,433,617
Amount receivable for issue of shares	345,096	231,761
Overseas tax recoverable	2,747,771	2,111,131
Sales awaiting settlement	1,882,876	19,846,331
	<b>15,345,898</b>	<b>32,622,840</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	35,482,299	117,834,502
Cash held in BNY Mellon Sterling Liquidity Fund	159,202,612	235,020,196
	<b>194,684,911</b>	<b>352,854,698</b>



## Notes to the Financial Statements (continued)

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	3,130,282	3,262,314
Amount payable for cancellation of shares	5,511,830	8,954,819
Corporation tax payable	44,196	-
Purchases awaiting settlement	3,961,555	22,336,654
	<b>12,647,863</b>	<b>34,553,787</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, collection charges, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD as at 30 June 2014 in respect of these transactions was £8,241,194 (30/06/13: £11,917,656).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	221,026,206	107,179,622	1,251,380,607	1,579,586,435	3.55	9.10
Australia	12,731,997	94,472,351	45,052,038	152,256,386	4.72	16.05
Canada	-	-	25,983,482	25,983,482		
Europe	-	16,296,944	320,971,020	337,267,964	7.61	4.09
Hong Kong	-	-	37,725,295	37,725,295		
Japan	-	-	124,635,842	124,635,842		
New Zealand	16,891,754	49,420,809	435,918	66,748,481	5.76	7.95
Norway	-	66,176,889	23,204,724	89,381,613	3.75	7.00
Sweden	-	-	64,195,823	64,195,823		
Switzerland	-	17,332,682	160,234,593	177,567,275	7.27	4.24
Taiwan	1,119	-	-	1,119		
United States of America	4,356,979	110,960,786	492,157,845	607,475,610	5.69	21.35
	<b>255,008,055</b>	<b>461,840,083</b>	<b>2,545,977,187</b>	<b>3,262,825,325</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(30,897,554)	(30,897,554)		
Australia	-	-	(129,318,525)	(129,318,525)		
Europe	-	-	(285,215,693)	(285,215,693)		
Switzerland	-	-	(359,077)	(359,077)		
United States of America	-	-	(1,389,092)	(1,389,092)		
	<b>-</b>	<b>-</b>	<b>(447,179,941)</b>	<b>(447,179,941)</b>		
<b>Total</b>	<b>255,008,055</b>	<b>461,840,083</b>	<b>2,098,797,246</b>	<b>2,815,645,384</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	378,490,087	59,749,313	1,767,632,905	2,205,872,305	6.98	14.84
Australia	12,673,004	69,815,826	74,997,431	157,486,261	4.37	14.11
Canada	-	-	31,006,309	31,006,309		
Europe	5,734,306	56,387,654	323,207,223	385,329,183	7.32	7.20
Hong Kong	-	-	26,101,325	26,101,325		
Japan	-	-	214,231,761	214,231,761		
New Zealand	17,234,138	50,644,322	417,313	68,295,773	5.76	9.95
Norway	-	91,143,499	19,790,673	110,934,172	3.75	9.00
South Africa	-	-	20,715,499	20,715,499		
Sweden	-	-	55,244,922	55,244,922		
Switzerland	-	17,738,293	189,395,162	207,133,455	7.27	6.22
Taiwan	1,257	-	-	1,257		
United States of America	5,263,846	98,639,390	630,509,461	734,412,697	5.65	23.40
	419,396,638	444,118,297	3,353,249,984	4,216,764,919		
<b>Liabilities</b>						
United Kingdom	-	-	(392,412,277)	(392,412,277)		
Australia	-	-	(155,979,486)	(155,979,486)		
Europe	-	-	(380,647,403)	(380,647,403)		
Japan	-	-	(95,821,178)	(95,821,178)		
New Zealand	-	-	(42,866,581)	(42,866,581)		
Switzerland	-	-	(3,147,383)	(3,147,383)		
United States of America	-	-	(172,996,194)	(172,996,194)		
	-	-	(1,243,870,502)	(1,243,870,502)		
<b>Total</b>	<b>419,396,638</b>	<b>444,118,297</b>	<b>2,109,379,482</b>	<b>2,972,894,417</b>		

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Royal Bank of Scotland	7,635,984	7,635,984
JP Morgan	1,038,353	1,038,353
	<b>8,674,337</b>	<b>8,674,337</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	1,377,678,314	171,010,567	1,548,688,881	1,813,460,028
Australia	22,161,437	776,424	22,937,861	1,506,775
Canada	25,909,695	73,787	25,983,482	31,006,309
Europe	50,301,726	1,750,545	52,052,271	4,681,780
Hong Kong	37,725,295	-	37,725,295	26,101,325
Japan	124,606,316	29,526	124,635,842	118,410,583
New Zealand	66,312,563	435,918	66,748,481	25,429,192
Norway	89,160,537	221,076	89,381,613	110,934,172
South Africa	-	-	-	20,715,499
Sweden	64,195,823	-	64,195,823	55,244,922
Switzerland	174,829,402	2,378,796	177,208,198	203,986,072
Taiwan	-	1,119	1,119	1,257
United States of America	605,379,189	707,329	606,086,518	561,416,503
<b>Total</b>	<b>2,638,260,297</b>	<b>177,385,087</b>	<b>2,815,645,384</b>	<b>2,972,894,417</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	839,998,712	1,130,423,470
Commissions	462,818	559,458
Taxes	1,252,707	893,868
Total purchase costs	1,715,525	1,453,326
<b>Gross purchases total</b>	<b>841,714,237</b>	<b>1,131,876,796</b>
Analysis of total sales proceeds:		
Sales before transaction costs	908,768,374	1,357,009,643
Commissions	(534,010)	(531,037)
Taxes	(11,717)	(39,435)
Total sales costs	(545,727)	(570,472)
<b>Total sales net of transaction costs</b>	<b>908,222,647</b>	<b>1,356,439,171</b>

## Notes to the Financial Statements (continued)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £81,622,199 of investments were subject to stock lending agreements and the Fund held £83,438,052 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £27,482,573 of investments were subject to stock lending agreements and the Fund held £28,887,220 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £466,464 (30/06/13: £402,733) and £93,293 (30/06/13: £88,572).

### 15 Shareholders' funds

The Fund currently has six share classes; Sterling Income Shares, Institutional Shares (Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Accumulation)	1.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 202 to 203. The distributions are given in the distribution statements on pages 209 to 210. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON CONTINENTAL EUROPEAN FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £177.49m

Comparative Index: FTSE Europe ex UK TR GBP

Sector: IMA Europe Excluding UK

Yield as at 30 June 2014:

Sterling Income Shares	1.13%
Euro Accumulation Shares	0.24%
Exempt Shares 1 (Net Accumulation)	2.00%
Institutional Shares W (Net Income)	1.83%
Institutional Shares W (Net Accumulation)	1.79%
Retail Advised Shares B (Net Income)	1.58%
Retail Advised Shares B (Net Accumulation)	1.55%

Key Dates: Fund Launch 01 June 1987 (managed by Newton since November 1994)

**Investment Objective**

To achieve capital growth from a portfolio of predominantly European securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	13.18%	25.56%	-15.17%	18.61%	8.01%
Euro Accumulation Shares	12.67%	24.32%	-15.19%	17.70%	7.73%
Exempt Shares 1 (Net Accumulation)	14.40%	26.91%	-14.27%	19.88%	9.20%
Institutional Shares W (Net Income)*	14.10%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	14.11%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	13.74%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	13.76%	n/a	n/a	n/a	n/a
FTSE Europe ex UK TR GBP	16.38%	27.85%	-20.03%	29.56%	15.86%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +13.18% against +16.38% for the FTSE World Europe Ex UK Index.

The Fund posted a strong, positive absolute return over the review period, but underperformed its comparative index. At the sector level, financials were weak with our exposure to core eurozone banks proving negative as investor attention shifted toward banks in peripheral Europe. Elsewhere, technology and consumer services were also poor performers. On a positive note, industrials, consumer goods and oil & gas added value. At the individual stock level, not holding Santander was disappointing when market’s focus shifted towards peripheral banks. Italy’s Unicredit suffered the same fate and a new holding in Commerzbank of Germany also hurt returns. Danish conglomerate A P Moeller-Maersk performed strongly, helped by good results, a change to the competitive environment and improvements in the global economy. Automotive parts companies Valeo in France and Continental in Germany were helped by a recovering European car market.

We established new positions in Italy’s UniCredit and Germany’s Commerzbank, given their attractive valuations. That said, we remain cautious in our overall approach to banks. We also increased the Fund’s exposure to technology company Nokia after it sold its communication devices business to Microsoft. Nokia achieved a good price for the sale, and it now appears a less risky investment with good growth prospects over the longer term. Italian utility Enel was another sizable purchase during the review period. The French bank BNP Paribas was sold when it became apparent that fines imposed in the US for breaching sanctions might be greater than expected. We also removed Dutch insurer Aegon from the Fund, as our original investment case had played out. In Germany, we eliminated insurance firm Allianz whose bond management franchise PIMCO – which has boosted growth in recent years – is expected to become a drag on earnings if investors shift their focus away from bonds towards equities and other assets. Other sales included Spanish telecommunications company Telefonica.

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Enel	BNP Paribas
UniCredit	Allianz
Nokia	UBS
Commerzbank	AXA
Nestle	ASML
Ahold	Telefonica
Total	Aegon
BNP Paribas	Deutsche Telekom
Galp Energia	Continental
Zurich Insurance	Christian Dior

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	174.38	141.46	1.9553
2011	176.41	125.03	2.3903
2012	162.25	135.66	3.0310
2013	198.42	162.75	2.2286
2014	204.31	189.86	2.3222
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2010	100.08	84.11	0.7392
2011	103.00	72.58	0.7584
2012	101.94	84.42	1.3424
2013	122.68	101.13	0.3084
2014	130.75	118.67	1.2750
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	157.09	129.56	3.3519
2011	163.03	117.65	3.8922
2012	157.99	129.06	4.3313
2013	197.46	158.50	3.9450
2014	204.65	189.47	4.4445
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 20 June)	116.49	97.00	0.0458
2013 (to 23 September)	136.16	116.86	2.3481
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	110.77	100.00	N/A
2013	135.17	111.13	2.6289
2014	139.88	129.62	2.7523
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	110.77	100.00	N/A
2013	138.18	111.13	2.6332
2014	142.99	132.50	2.8052
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	107.30	98.19	N/A
2013	130.82	107.64	2.3250
2014	135.11	125.34	2.1814
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	107.30	98.19	N/A
2013	133.48	107.64	2.1697
2014	137.86	127.89	2.2544

\*Distributions are shown in the year declared rather than paid



**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>			
		<b>Pence</b>	
30/06/2012	154,806,391	140.14	110,466,430
30/06/2013	165,581,648	173.27	95,564,051
30/06/2014	164,407,252	194.79	84,400,630
<b>Euro Accumulation Shares</b>			
		<b>Cents</b>	
30/06/2012	1,399,223	89.57	1,937,381
30/06/2013	1,126,989	104.93	1,253,235
30/06/2014	2,560,677	127.12 **	2,515,555
**Euro/Sterling exchange rate at close of business 30 June 2014: 1.248841			
<b>Exempt Shares 1 (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2012	1,542,058	135.79	1,135,596
30/06/2013	1,768,497	171.81	1,029,317
30/06/2014	1,357,619	197.56	687,188
<b>P Shares (Net Income)***</b>			
		<b>Pence</b>	
30/06/2012	15,055	100.37	15,000
30/06/2013	39,465	124.03	31,820
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>			
		<b>Pence</b>	
30/06/2013	1,243,454	117.71	1,056,361
30/06/2014	5,781,679	132.27	4,371,246
<b>Institutional Shares W (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2013	211,619	120.33	175,869
30/06/2014	1,130,260	138.02	818,930
<b>Retail Advised Shares B (Net Income)</b>			
		<b>Pence</b>	
30/06/2013	2,384,540	114.04	2,090,889
30/06/2014	2,245,936	128.21	1,751,764
<b>Retail Advised Shares B (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2013	5,818	116.34	5,001
30/06/2014	6,652	133.04	5,000

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.65	1.64
Euro Accumulation Shares	2.15	2.14
Exempt Shares 1 (Net Accumulation)	0.58	0.57
Institutional Shares W (Net Income)	0.83	0.82
Institutional Shares W (Net Accumulation)	0.83	0.83
Retail Advised Shares B (Net Income)	1.15	1.14
Retail Advised Shares B (Net Accumulation)	1.15	1.14

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Belgium 2.03% (1.57%)</b>			
Anheuser-Busch InBev	53,700	3,607,256	2.03
<b>Denmark 5.13% (4.23%)</b>			
A P Moller-Maersk	4,395	6,382,102	3.60
Novo Nordisk	100,990	2,717,154	1.53
<b>Finland 3.28% (0.00%)</b>			
Nokia	1,315,427	5,824,845	3.28
<b>France 16.00% (24.82%)</b>			
Air Liquide	36,976	2,919,075	1.64
Nexans	124,546	3,807,162	2.14
Sanofi	58,376	3,626,408	2.04
Total	201,629	8,513,405	4.80
Valeo	25,113	1,972,495	1.11
Vinci	122,643	5,359,067	3.02
Worldline	168,792	2,219,308	1.25
<b>Germany 16.67% (22.62%)</b>			
Bayer	98,331	8,137,545	4.58
Brenntag	22,132	2,316,268	1.31
Commerzbank	543,281	5,007,170	2.82
Continental	15,788	2,141,574	1.21
Deutsche Telekom	296,725	3,049,597	1.72
LEG Immobilien	124,951	4,928,635	2.78
MTU Aero Engines	36,424	1,954,720	1.10
Wacker Chemie	30,157	2,033,259	1.15
<b>Ireland 1.20% (0.00%)</b>			
CRH	141,388	2,126,749	1.20
<b>Italy 11.74% (2.07%)</b>			
Atlantia	271,495	4,526,214	2.55
Enel	1,828,016	6,226,872	3.51
Pirelli	404,362	3,794,814	2.14
UniCredit	1,065,225	5,215,913	2.94
Yoox	67,875	1,069,615	0.60
<b>Netherlands 7.54% (9.92%)</b>			
Ahold	428,374	4,701,048	2.65
Reed Elsevier	305,966	4,102,521	2.31
Wolters Kluwer	264,927	4,585,366	2.58
<b>Norway 3.74% (4.61%)</b>			
DNB	397,716	4,249,267	2.39
Schibsted	78,900	2,401,858	1.35
<b>Portugal 2.67% (0.00%)</b>			
Galp Energia	443,943	4,736,821	2.67
<b>Spain 2.56% (4.13%)</b>			
Inditex	50,552	4,549,851	2.56
<b>Sweden 4.76% (5.16%)</b>			
Ericsson	407,567	2,877,335	1.62
Millicom International Cellular	34,147	1,823,711	1.03
Skandinaviska Enskilda Banken	340,896	2,663,123	1.50
TeliaSonera	251,749	1,074,965	0.61

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Switzerland 21.97% (18.97%)</b>			
Credit Suisse	121,491	2,031,133	1.14
Nestle	189,474	8,584,651	4.84
Novartis	166,944	8,835,521	4.98
Roche	61,755	10,772,439	6.07
Swisscom	7,243	2,462,427	1.39
Zurich Insurance	35,750	6,297,472	3.55
<b>Portfolio of investments</b>		<b>176,226,731</b>	<b>99.29</b>
<b>Net current assets</b>		<b>1,263,344</b>	<b>0.71</b>
<b>Total Net Assets</b>		<b>177,490,075</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		21,264,277	36,000,860
Revenue	2	5,350,116		5,661,726
Expenses	3	(2,982,053)		(2,809,978)
Finance costs: Interest	5	-		(903)
Net revenue before taxation		2,368,063		2,850,845
Taxation	4	(142,647)		(554,162)
Net revenue after taxation			2,225,416	2,296,683
<b>Total return before distributions</b>			<b>23,489,693</b>	<b>38,297,543</b>
Finance costs: Distributions	5		(2,235,068)	(2,301,275)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>21,254,625</b>	<b>35,996,268</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		172,362,030	157,762,727
Amounts receivable on issue of shares	5,040,213		6,811,115
Amounts payable on cancellation of shares	(21,250,906)		(28,267,710)
		(16,210,693)	(21,456,595)
Dilution adjustment		-	7,779
Change in net assets attributable to Shareholders from investment activities (see above)		21,254,625	35,996,268
Retained distributions on accumulation shares		79,310	48,659
Unclaimed distributions		4,803	3,192
<b>Closing net assets attributable to Shareholders</b>		<b>177,490,075</b>	<b>172,362,030</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			176,226,731	169,094,343
Debtors	7	7,996,646		4,549,968
Cash and bank balances	8	<u>2,623,092</u>	<u>2,348,666</u>	
Total other assets			<u>10,619,738</u>	<u>6,898,634</u>
Total assets			186,846,469	175,992,977
<b>LIABILITIES</b>				
Creditors	9	(7,237,920)		(1,424,076)
Distribution payable on income shares		<u>(2,118,474)</u>	<u>(2,206,871)</u>	
Total other liabilities			<u>(9,356,394)</u>	<u>(3,630,947)</u>
Total liabilities			(9,356,394)	(3,630,947)
<b>Net assets attributable to Shareholders</b>			<u><b>177,490,075</b></u>	<u><b>172,362,030</b></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	2.5802	0.2580	2.3222	0.0000	2.3222	2.2286
Group 2	2.4612	0.2461	2.2151	0.1071	2.3222	2.2286
Exempt Shares 1 (Net Accumulation)						
Group 1	4.9383	0.4938	4.4445	0.0000	4.4445	3.9450
Group 2	3.8384	0.3838	3.4546	0.9899	4.4445	3.9450
Institutional Shares W (Net Income)						
Group 1	3.0581	0.3058	2.7523	0.0000	2.7523	2.6289
Group 2	2.0894	0.2089	1.8805	0.8718	2.7523	2.6289
Institutional Shares W (Net Accumulation)						
Group 1	3.1169	0.3117	2.8052	0.0000	2.8052	2.6332
Group 2	2.8181	0.2818	2.5363	0.2689	2.8052	2.6332
Retail Advised Shares B (Net Income)						
Group 1	2.4238	0.2424	2.1814	0.0000	2.1814	2.3250
Group 2	2.4238	0.2424	2.1814	0.0000	2.1814	2.3250
Retail Advised Shares B (Net Accumulation)						
Group 1	2.5049	0.2505	2.2544	0.0000	2.2544	2.1697
Group 2	2.5049	0.2505	2.2544	0.0000	2.2544	2.1697

**Final dividend distribution in cents per Share**

Euro Accumulation Shares						
Group 1	1.4167	0.1417	1.2750	0.0000	1.2750	0.3084
Group 2	1.2722	0.1272	1.1450	0.1300	1.2750	0.3084

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

	30/06/2014	30/06/2013
	£	£
The net capital gains on investments during the year comprise:		
Gains on non-derivative securities	21,240,047	36,115,316
Currency exchange gains/(losses)	34,463	(105,733)
Activity charges	(10,233)	(8,723)
<b>Net capital gains</b>	<b>21,264,277</b>	<b>36,000,860</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
Overseas dividends	5,257,840	5,523,399
Bank interest	20,968	14,527
Stock lending	71,308	123,800
<b>Total revenue</b>	<b>5,350,116</b>	<b>5,661,726</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	2,723,746	2,571,104
Administration fees	180,854	171,164
Registrar's disbursement fees	64	7,020
Safe custody charges	26,903	25,131
	<b>2,931,567</b>	<b>2,774,419</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	25,491	24,711
Distribution reconciliation service	420	995
	<b>25,911</b>	<b>25,706</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,840	6,660
- Non-audit services (tax compliance fee)†	2,940	2,907
Financial Conduct Authority fee	277	286
Expenses associated with making tax reclaims	14,518	-
	<b>24,575</b>	<b>9,853</b>
<b>Total expenses</b>	<b>2,982,053</b>	<b>2,809,978</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,700 (2013: £5,550) and £2,450 (2013: £2,390) respectively.



## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
Overseas tax withheld	163,097	554,162
Repayment of French withholding tax	(20,450)	-
<b>Total tax charge (see note 4b)</b>	<b>142,647</b>	<b>554,162</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	2,368,063	2,850,845
<b>Corporation tax @ 20%</b>	<b>473,613</b>	<b>570,169</b>
Effects of:		
Dividends not subject to corporation tax	(1,046,370)	(1,104,680)
Excess management expenses	572,757	534,511
Repayment of French withholding tax	(20,450)	-
Overseas tax withheld	163,097	554,162
<b>Total tax charge (see note 4a)</b>	<b>142,647</b>	<b>554,162</b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £24,599,985 (30/06/13: £21,736,198), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £4,919,997 (30/06/13: £4,347,240).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Final dividend 30 June - Sterling Income Shares	1,959,951	2,129,740
Final dividend 30 June - Euro Accumulation Shares	25,682	3,312
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	30,542	40,607
Final dividend 30 June - P Shares (Net Income)	-	747
Final dividend 30 June - Institutional Shares W (Net Income)	120,310	27,771
Final dividend 30 June - Institutional Shares W (Net Accumulation)	22,973	4,631
Final dividend 30 June - Retail Advised Shares B (Net Income)	38,213	48,613
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	113	109
	<b>2,197,784</b>	<b>2,255,530</b>
Amounts added on issue of shares	(6,160)	(2,933)
Amounts deducted on cancellation of shares	43,444	48,678
<b>Net distributions for the year</b>	<b>2,235,068</b>	<b>2,301,275</b>
Interest	-	903
<b>Total finance costs</b>	<b>2,235,068</b>	<b>2,302,178</b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	2,225,416	2,296,683
Equalisation on conversions	9,616	4,560
Undistributed revenue brought forward	53	85
Undistributed revenue carried forward	(17)	(53)
	<b>2,235,068</b>	<b>2,301,275</b>

**7 Debtors**

	30/06/2014	30/06/2013
	£	£
Accrued revenue	278,250	179,938
Amount receivable for issue of shares	138,131	47,805
Capital dividend accrued	245,877	-
Overseas tax recoverable	671,792	526,117
Sales awaiting settlement	6,662,596	3,796,108
	<b>7,996,646</b>	<b>4,549,968</b>

**8 Cash & bank balances**

	30/06/2014	30/06/2013
	£	£
Cash held at bank	1,508,594	2,348,666
Cash held in BNY Mellon Sterling Liquidity Fund	1,114,498	-
	<b>2,623,092</b>	<b>2,348,666</b>

**9 Creditors**

	30/06/2014	30/06/2013
	£	£
Accrued expenses	258,414	244,141
Amount payable for cancellation of shares	656,832	339,875
Purchases awaiting settlement	6,322,674	840,060
	<b>7,237,920</b>	<b>1,424,076</b>

**10 Related party transactions**

ACD's periodic charge, administration fees, collection charges, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, details of shares issued and cancelled by the ACD are shown in the Statement of Changes in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £766,546 (30/06/13: £525,633).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	-	(683,812)	(683,812)	(1,232,771)
Denmark	9,099,256	-	9,099,256	7,297,528
Europe	113,053,571	1,572,173	114,625,744	116,148,461
Norway	6,651,125	-	6,651,125	7,948,341
Poland	-	47,428	47,428	48,732
Sweden	8,439,134	-	8,439,134	9,095,372
Switzerland	38,983,645	327,555	39,311,200	33,056,367
<b>Total</b>	<b>176,226,731</b>	<b>1,263,344</b>	<b>177,490,075</b>	<b>172,362,030</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	131,866,093	112,250,334
Commissions	64,361	66,950
Taxes	105,445	47,405
Total purchase costs	169,806	114,355
<b>Gross purchases total</b>	<b>132,035,899</b>	<b>112,364,689</b>
Analysis of total sales proceeds:		
Sales before transaction costs	146,221,528	136,201,359
Commissions	(77,548)	(95,704)
Taxes	(518)	(48)
Total sales costs	(78,066)	(95,752)
<b>Total sales net of transaction costs</b>	<b>146,143,462</b>	<b>136,105,607</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

## Notes to the Financial Statements (continued)

### 14 Stock lending

As at 30 June 2014 £6,030,566 of investments were subject to stock lending agreements and the Fund held £6,720,570 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £3,551,929 of investments were subject to stock lending agreements and the Fund held £3,858,337 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £89,135 (30/06/13: £156,040) and £17,827 (30/06/13: £32,240).

### 15 Shareholders' funds

The Fund currently has seven share classes; Sterling Income Shares, Euro Accumulation Shares, Exempt Shares 1 (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Euro Accumulation Shares	2.00%	0.10%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 222. The distribution is given in the distribution statement on page 228. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON CORPORATE BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£57.31m
Comparative Index:	75% BofA Merrill Lynch Non-Gilt/25% Euro High Yield (100% hedged to Sterling)
Sector:	IMA £ Corporate Bond

Distribution Yield as at 30 June 2014:

Sterling Income Shares	3.75%
Institutional Shares W (Net Income)	3.82%
Institutional Shares W (Net Accumulation)	3.81%
Retail Advised Shares B (Net Income)	3.75%
Retail Advised Shares B (Net Accumulation)	3.75%
P Shares (Net Accumulation)	3.81%

Key Dates: Fund Launch 03 November 1997

**Investment Objective**

To provide a high yield through a flexible allocation between investment grade and sub-investment grade corporate bonds and other predominantly fixed interest securities. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	5.59%	7.40%	6.20%	4.76%	21.20%
Institutional Shares W (Net Income)*	6.19%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	6.19%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	5.86%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	5.85%	n/a	n/a	n/a	n/a
P Shares (Net Accumulation)*	5.65%	n/a	n/a	n/a	n/a
75% BofA Merrill Lynch Non-Gilt/ 25% Euro High Yield (100% hedged to Sterling)	6.75%	10.56%	5.26%	10.19%	15.47%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +5.59% against +6.75% for the IMA £ Corporate Bond Sector.

Over the 12 months, the Fund generated a positive return. Over the first half of the period, strong demand for corporate debt globally was exemplified by the performance of the record-breaking US\$49bn issuance by Verizon (three times larger than the previous largest issuance). The longer the maturity and the lower the credit rating, the greater were the returns for corporate bonds as sub-investment grade bonds – debt issued by companies that are rated below BBB- by the credit rating agency Standard & Poor's – outperformed higher rated bonds throughout the period. Stronger economic data, political progress with the US avoiding its 'fiscal cliff', and further improvements in the eurozone conspired to create a difficult environment for bonds over the turn of the year but this eased somewhat through the first half of 2014. Although the Fund delivered a positive return, its more 'defensive' stance (owning more UK Gilts and fewer sub-investment-grade bonds) led to slightly lower returns than the sector average. The position in Chorus, a New Zealand telecoms company, performed poorly following an adverse regulatory review.

During the period, the manager built new exposure to several investment-grade issuers (including Dong Energy and BHP Billiton Finance). A position was also initiated in 1.50% European Investment Bank 2019. In terms of UK Gilt exposure, the Fund exited from bonds maturing in 2028 and 2014 and added a position in 2.75% UK Treasury 2015.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

#### Purchases

UK Treasury Gilt 1.25% 2018  
 UK Treasury Gilt 3.75% 2019  
 UK Treasury Gilt 4.5% 2042  
 UK Treasury Gilt 2.75% 2015  
 UK Treasury Stock 2.00% Index-Linked 2035  
 UK Treasury Stock 1.00% 2017  
 BHP Billiton Finance 3.25% Bonds 2024  
 Dong Energy 4.875% Bonds 2032  
 European Investment Bank 1.50% Bonds 2019  
 Digital Stout 4.75% Bonds 2023

#### Sales

UK Treasury Stock 6.00% 2028  
 UK Treasury Gilt 2.25% 2014  
 UK Treasury Gilt 1.25% 2018  
 UK Treasury Gilt 3.75% 2019  
 UK Treasury Gilt 4.25% 2049  
 UK Treasury Gilt 4.50% 2042  
 UK Treasury Gilt 3.25% 2044  
 F&C Commercial Property 5.23% FRN 2017  
 UK Treasury Stock 2.00% Index-Linked 2035  
 UBS AG Jersey 5.25% EMTN 2021

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	81.00	74.66	3.3988
2011	79.20	75.55	3.3168
2012	84.54	76.93	3.3529
2013	86.65	81.49	2.7549
2014	84.67	82.11	1.2252
<b>X Shares (Net Accumulation)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	95.40	84.42	3.9923
2011 (to 3 February)	92.56	91.70	0.3702
**X Shares (Net Accumulation) share class closed on 03 February 2011			
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 20 June)	106.40	99.98	2.2484
2013	109.06	102.57	2.3541
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	103.05	99.66	1.3353
2013	105.80	99.67	3.4239
2014	103.93	100.59	1.5313
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	104.07	99.66	1.3419
2013	108.35	102.69	3.5227
2014	109.94	105.39	1.6145
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	101.92	99.85	0.9475
2013	104.55	98.41	3.3246
2014	102.43	99.24	1.4819
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	102.55	99.85	0.9506
2013	106.65	101.03	3.4083
2014	107.85	103.52	1.5556
<b>P Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 12 October)	102.38	100.00	0.8774
2013	106.41	100.78	3.4565
2014	107.39	103.16	1.5784

\*Distributions are shown in the year declared rather than paid



## Statistics

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>			
30/06/2012	51,105,732	Pence 78.86	64,806,071
30/06/2013	80,667,928	81.64	98,811,501
30/06/2014	49,167,574	83.76	58,702,957
<b>P Shares (Net Income)***</b>			
30/06/2012	14,887	Pence 99.25	15,000
30/06/2013	324,865	102.75	316,182
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	399,912	Pence 99.75	400,898
30/06/2014	7,734,664	102.85	7,520,043
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	24,493	Pence 102.73	23,842
30/06/2014	347,998	109.38	318,143
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	5,043	Pence 98.54	5,118
30/06/2014	5,354	101.35	5,283
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	8,447	Pence 101.07	8,358
30/06/2014	3,626	107.28	3,380
<b>P Shares (Net Accumulation)</b>			
30/06/2013	85,108	Pence 100.82	84,420
30/06/2014	48,417	106.81	45,331

### Ongoing Charges

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.17	1.17
Institutional Shares W (Net Income)	0.62	0.59
Institutional Shares W (Net Accumulation)	0.61	0.59
Retail Advised Shares B (Net Income)	0.93	0.93
Retail Advised Shares B (Net Accumulation)	0.92	0.93
P Shares (Net Accumulation)	1.10	1.11

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Stocks 1.15% (9.70%)</b>			
UK Treasury Gilt 2.75% 2015	£650,000	658,151	1.15
<b>Sterling Denominated Corporate Bonds 83.52% (74.54%)</b>			
AA Bond 4.2487% Bonds 2020	£800,000	822,856	1.44
Abbey National Treasury Services 5.125% Bonds 2021	£500,000	567,138	0.99
Affinity Sutton 4.25% Bonds 2042	£490,000	488,873	0.85
Anglo American Capital 6.875% Bonds 2018	£450,000	512,051	0.89
Annington Finance No.4 0.00% 2023	£1,500,000	1,098,600	1.92
Arsenal Securities 5.1418% Bonds 2029	£840,000	684,183	1.19
Artesian Finance II 6.00% Bonds 2033	£350,000	416,780	0.73
Asciano Finance 5.00% Bonds 2023	£600,000	628,260	1.10
Barclays Bank 10.00% Bonds 2021	£450,000	596,467	1.04
BAT International Finance 5.75% Bonds 2040	£670,000	798,307	1.39
BG Energy Capital 5.125% 2025	£680,000	752,672	1.31
BHP Billiton Finance 3.25% Bonds 2024	£650,000	626,606	1.09
BP Capital Markets 4.325% Bonds 2018	£600,000	649,143	1.13
BUPA Finance 6.125% Perp 2049	£850,000	909,500	1.59
Centrica 6.375% Bonds 2022	£450,000	532,646	0.93
Chorus 6.75% Bonds 2020	£500,000	542,153	0.95
Close Brothers 3.875% Bonds 2021	£300,000	302,340	0.53
Close Brothers 6.50% Bonds 2017	£350,000	383,250	0.67
Compass 7.00% Bonds 2014	£800,000	820,592	1.43
Coventry Building Society 5.875% Bonds 2022	£500,000	579,509	1.01
Crown Newco 3 7.00% Bonds 2018	£300,000	315,807	0.55
Danske Bank 5.375% FRN 2021	£550,000	585,750	1.02
Direct Line Insurance 9.25% FRN 2042	£435,000	548,970	0.96
Dong Energy 4.875% Bonds 2032	£650,000	681,878	1.19
E.ON International Finance 6.375% EMTN 2032	£400,000	489,850	0.85
Electricite de France 5.50% Bonds 2041	£700,000	789,250	1.38
Electricite de France 6.00% Bonds 2049	£500,000	532,095	0.93
Enel-Societa per Azioni 5.75% Bonds 2037	£380,000	411,795	0.72
Enterprise Inns 6.50% Bonds 2018	£600,000	648,876	1.13
ENW Capital Finance 6.75% Bonds 2015	£480,000	503,524	0.88
European Investment Bank 0.00% Bonds 2028	£400,000	234,708	0.41
Firstgroup 6.125% Bonds 2019	£700,000	771,498	1.35
Fosse Master Issuer FRN 2054	£500,000	316,000	0.55
Gala Group Finance 8.875% Bonds 2018	£400,000	382,691	0.67
General Electric Capital 6.44% Bonds 2022	£3,935,000	1,371,966	2.39
GlaxoSmithKline Capital 5.25% Gtd MTN 2033	£600,000	692,966	1.21
HBOS Treasury Services 4.875% EMTN 2024	£600,000	680,112	1.19
Health Care REIT 4.80% Bonds 2028	£500,000	514,500	0.90
Heathrow Funding 5.225% Bonds 2025	£600,000	665,684	1.16
High Speed Rail Finance 1 4.375% Bonds 2038	£310,000	321,882	0.56
HSBC Bank 5.00% FRN 2023	£600,000	635,400	1.11
HSBC 6.75% Unsub Notes 2028	£500,000	599,889	1.05
Hutchison Ports UK Finance 6.75% Bonds 2015	£500,000	535,656	0.93
Intercontinental Hotels 6.00% Bonds 2016	£757,000	826,871	1.44
John Lewis 8.375% Bonds 2019	£650,000	798,102	1.39
Koninklijke 5.75% Bonds 2029	£600,000	666,240	1.16
LBG Capital No.2 15.00% Bonds 2019	£490,000	711,107	1.24
Manchester Airport 4.75% Bonds 2034	£620,000	637,601	1.11
Mitchells & Butlers Finance 6.013% Bonds 2028	£429,000	490,403	0.86
Motability Operations 5.625% Bonds 2030	£550,000	654,452	1.14
Moy Park Bondco 6.25% Bonds 2021	£300,000	293,280	0.51
National Westminster Bank 7.875% Bonds 2015	£800,000	850,464	1.48
Network Rail Infrastructure Finance 4.625% Bonds 2020	£550,000	620,749	1.08

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds (continued)</b>			
NGG Finance 5.625% FRN 2073	£417,000	436,808	0.76
North British Housing 5.09% Bonds 2043	£640,000	697,037	1.22
Orange 5.625% MTN 2034	£400,000	448,760	0.78
Pacific Life 5.125% Bonds 2015	£700,000	713,890	1.25
Petrobras Global Finance 6.625% Bonds 2034	£600,000	596,862	1.04
Phones4U Finance 9.50% Bonds 2018	£380,000	391,096	0.68
Prudential 11.375% FRN 2039	£300,000	400,530	0.70
RSA Insurance 9.375% Bonds 2039	£300,000	363,990	0.64
Santander Issuances 7.30% FRN 2019	£600,000	606,738	1.06
Scottish Widows 5.50% Bonds 2023	£500,000	522,200	0.91
Severn Trent Water Utilities 6.00% Bonds 2018	£400,000	447,531	0.78
Silverstone Master 5.063% Bonds 2055	£616,000	661,375	1.15
SLM Student Loan Trust 5.15% EMTN 2015	£1,400,000	1,339,660	2.34
Southern Gas Network 4.875% EMTN 2029	£700,000	751,445	1.31
Southern Water Services Financial 5.125% Bonds 2056	£596,000	652,978	1.14
SSE 5.453% Bonds 2049	£360,000	370,800	0.65
Standard Chartered Bank 5.375% Perp 2049	£700,000	732,707	1.28
TDC 5.625% Bonds 2023	£500,000	561,506	0.98
Temasek Financial I 5.125% Bonds 2040	£750,000	888,758	1.55
Tesco Property Finance 2 6.0517% Bonds 2039	£605,000	645,352	1.13
UBS London 6.625% EMTN 2018	£481,000	553,255	0.97
Unite (USAF) II 3.374% Bonds 2023	£865,000	832,519	1.45
UPP Bond Issuer 4.9023% Bonds 2040	£660,000	681,599	1.19
Virgin Media Finance 6.00% Bonds 2021	£400,000	420,028	0.73
Volkswagen 1.75% Bonds 2017	£666,000	661,204	1.15
<b>Non-Sterling Denominated Corporate Bonds 12.49% (11.85%)</b>			
Algeco Scotman Global Finance 9.00% Bonds 2018	EUR715,000	608,520	1.06
Allied Irish Banks 2.75% Bonds 2019	EUR319,000	259,288	0.45
Bharti Airtel International 3.375% Bonds 2021	EUR192,000	157,893	0.28
Boats Investment Netherlands FRN PIK 2015	EUR350,000	9,549	0.02
Boparan 4.375% Bonds 2021	EUR330,000	261,703	0.46
ConvaTec Healthcare 7.375% Bonds 2017	EUR350,000	295,615	0.52
Coventry Building Society 2.50% Bonds 2020	EUR701,000	589,285	1.03
Danske Bank 3.875% Bonds 2023	EUR700,000	602,468	1.05
Gestamp 5.875% Bonds 2020	EUR510,000	435,646	0.76
Grupo Isolux Corsan Finance 6.625% Bonds 2021	EUR536,000	437,104	0.76
Hellas Telecom Finance FRN PIK 2015	EUR1,117,936	6,714	0.01
ING Bank 3.625% FRN 2026	EUR471,000	391,764	0.68
JPMorgan Chase 4.375% FRN 2019	EUR700,000	564,600	0.99
KPNQwest 10.00% Convertible Bonds 2012	EUR282,000	0	0.00
Matterhorn Mobile 6.75% Bonds 2019	CHF400,000	281,210	0.49
Nationwide Building Society 6.75% Bonds 2020	EUR650,000	638,423	1.11
Numericable 5.625% Bonds 2024	EUR342,000	292,410	0.51
UBS 4.75% FRN 2026	EUR500,000	425,991	0.74
Unify Germany 10.75% Bonds 2015	EUR506,000	410,867	0.72
Viridian Group Fund II 11.125% Bonds 2017	EUR321,000	283,487	0.49
Winstar Communications Inc 12.75% Bonds 2010	EUR900,000	0	0.00
Zlomrex International Finance 8.50% Bonds 2014	EUR373,000	206,087	0.36
<b>Kazakhstan Equities 0.00% (0.00%)</b>			
Alliance Bank GDR	288	0	0.00
<b>Preference Shares 0.00% (0.00%)</b>			
Alliance Bank Preference Shares GDR	120	0	0.00

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives 0.37% (-0.15%)</b>			
<b>CHF Forward Foreign Currency Contracts 0.01% (-0.01%)</b>			
Forward Foreign Currency Contracts 13/08/14	CHF(370,000)	(244,146)	(0.43)
Forward Foreign Currency Contracts 13/08/14	£249,659	249,659	0.44
<b>EUR Forward Foreign Currency Contracts 0.36% (-0.14%)</b>			
Forward Foreign Currency Contracts 13/08/14	EUR3,491,238	2,796,634	4.88
Forward Foreign Currency Contracts 13/08/14	£(2,830,459)	(2,830,459)	(4.94)
Forward Foreign Currency Contracts 13/08/14	EUR(11,638,887)	(9,323,259)	(16.27)
Forward Foreign Currency Contracts 13/08/14	£9,556,242	9,556,242	16.69
<b>Portfolio of investments*</b>		<b>55,892,016</b>	<b>97.53</b>
<b>Net current assets</b>		<b>1,415,617</b>	<b>2.47</b>
<b>Total Net Assets</b>		<b>57,307,633</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt and equity securities issued by the relevant companies or issuers.

GDR = Global Depositary Receipt

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	4,627	8.07	17.18
AA	5,719	9.98	10.98
A	16,158	28.19	25.14
BBB	18,667	32.58	27.99
BB	2,363	4.11	3.56
B	3,046	5.32	3.98
CCC	-	-	0.55
C	-	-	0.34
D	-	-	0.16
Not rated (by S&P)	5,107	8.91	7.13
Derivatives	205	0.37	(0.15)
<b>Portfolio of investments</b>	<b>55,892</b>	<b>97.53</b>	<b>96.86</b>
<b>Net current assets</b>	<b>1,416</b>	<b>2.47</b>	<b>3.14</b>
	<b>57,308</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		2,756,730	1,387,377
Revenue	2	3,250,836		3,057,894
Expenses	3	(880,127)		(770,040)
Finance costs: Interest	5	-	-	
Net revenue before taxation		2,370,709		2,287,854
Taxation	4	-	-	
Net revenue after taxation			2,370,709	2,287,854
<b>Total return before distributions</b>			<b>5,127,439</b>	<b>3,675,231</b>
Finance costs: Distributions	5		(3,127,237)	(2,950,381)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>2,000,202</b>	<b>724,850</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		81,515,796	51,120,619
Amounts receivable on issue of shares	10,981,064		36,080,116
Amounts payable on cancellation of shares	(37,282,268)		(6,530,266)
		(26,301,204)	29,549,850
Dilution adjustment		78,412	111,787
Change in net assets attributable to Shareholders from investment activities (see above)		2,000,202	724,850
Retained distributions on accumulation shares		7,661	2,715
Unclaimed distributions		6,766	5,975
<b>Closing net assets attributable to Shareholders</b>		<b>57,307,633</b>	<b>81,515,796</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			55,925,841	79,098,733
Debtors	7	1,751,155	2,937,661	
Cash and bank balances	8	<u>598,896</u>	<u>2,117,053</u>	
Total other assets			<u>2,350,051</u>	<u>5,054,714</u>
Total assets			58,275,892	84,153,447
<b>LIABILITIES</b>				
Investment liabilities			(33,825)	(143,010)
Overdrawn cash and bank balances	8	-	(10,226)	
Creditors	9	(789,432)	(2,247,082)	
Distribution payable on income shares		<u>(145,002)</u>	<u>(237,333)</u>	
Total other liabilities			<u>(934,434)</u>	<u>(2,494,641)</u>
Total liabilities			(968,259)	(2,637,651)
<b>Net assets attributable to Shareholders</b>			<u><b>57,307,633</b></u>	<u><b>81,515,796</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 June 2014
						Group 2: Shares purchased 1 June 2014 to 30 June 2014
						<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.2661	0.0532	0.2129	0.0000	0.2129	0.2380
Group 2	0.1383	0.0277	0.1106	0.1023	0.2129	0.2380
Institutional Shares W (Net Income)						
Group 1	0.3326	0.0665	0.2661	0.0000	0.2661	0.2955
Group 2	0.2038	0.0408	0.1630	0.1031	0.2661	0.2955
Institutional Shares W (Net Accumulation)						
Group 1	0.3528	0.0706	0.2822	0.0000	0.2822	0.3034
Group 2	0.1480	0.0296	0.1184	0.1638	0.2822	0.3034
Retail Advised Shares B (Net Income)						
Group 1	0.3218	0.0644	0.2574	0.0000	0.2574	0.2872
Group 2	0.0630	0.0126	0.0504	0.2070	0.2574	0.2872
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3401	0.0680	0.2721	0.0000	0.2721	0.2938
Group 2	0.0000	0.0000	0.0000	0.2721	0.2721	0.2938
P Shares (Net Accumulation)						
Group 1	0.3446	0.0689	0.2757	0.0000	0.2757	0.2978
Group 2	0.3446	0.0689	0.2757	0.0000	0.2757	0.2978

**Interim interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 May 2014
						Group 2: Shares purchased 1 May 2014 to 31 May 2014
						<b>Prior Period 31/05/2013</b>
Sterling Income Shares						
Group 1	0.2901	0.0580	0.2321	0.0000	0.2321	0.2209
Group 2	0.1548	0.0310	0.1238	0.1083	0.2321	0.2209
Institutional Shares W (Net Income)						
Group 1	0.3623	0.0725	0.2898	0.0000	0.2898	0.2748
Group 2	0.2081	0.0416	0.1665	0.1233	0.2898	0.2748
Institutional Shares W (Net Accumulation)						
Group 1	0.3831	0.0766	0.3065	0.0000	0.3065	0.2814
Group 2	0.1485	0.0297	0.1188	0.1877	0.3065	0.2814
Retail Advised Shares B (Net Income)						
Group 1	0.3509	0.0702	0.2807	0.0000	0.2807	0.2666
Group 2	0.0550	0.0110	0.0440	0.2367	0.2807	0.2666
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3696	0.0739	0.2957	0.0000	0.2957	0.2720
Group 2	0.0000	0.0000	0.0000	0.2957	0.2957	0.2720
P Shares (Net Accumulation)						
Group 1	0.3744	0.0749	0.2995	0.0000	0.2995	0.2763
Group 2	0.3744	0.0749	0.2995	0.0000	0.2995	0.2763



**Distribution Statements (continued)****Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 April 2014					
	Group 2: Shares purchased 1 April 2014 to 30 April 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/04/2013</b>
Sterling Income Shares						
Group 1	0.2551	0.0510	0.2041	0.0000	0.2041	0.2357
Group 2	0.1829	0.0366	0.1463	0.0578	0.2041	0.2357
Institutional Shares W (Net Income)						
Group 1	0.3189	0.0638	0.2551	0.0000	0.2551	0.2925
Group 2	0.1833	0.0367	0.1466	0.1085	0.2551	0.2925
Institutional Shares W (Net Accumulation)						
Group 1	0.3365	0.0673	0.2692	0.0000	0.2692	0.2987
Group 2	0.2440	0.0488	0.1952	0.0740	0.2692	0.2987
Retail Advised Shares B (Net Income)						
Group 1	0.3088	0.0618	0.2470	0.0000	0.2470	0.2843
Group 2	0.0000	0.0000	0.0000	0.2470	0.2470	0.2843
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3240	0.0648	0.2592	0.0000	0.2592	0.2893
Group 2	0.3240	0.0648	0.2592	0.0000	0.2592	0.2893
P Shares (Net Accumulation)						
Group 1	0.3289	0.0658	0.2631	0.0000	0.2631	0.2934
Group 2	0.3289	0.0658	0.2631	0.0000	0.2631	0.2934

**Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 March 2014					
	Group 2: Shares purchased 1 March 2014 to 31 March 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.2223	0.0445	0.1778	0.0000	0.1778	0.1893
Group 2	0.1164	0.0233	0.0931	0.0847	0.1778	0.1893
Institutional Shares W (Net Income)						
Group 1	0.2786	0.0557	0.2229	0.0000	0.2229	0.2359
Group 2	0.2209	0.0442	0.1767	0.0462	0.2229	0.2359
Institutional Shares W (Net Accumulation)						
Group 1	0.2934	0.0587	0.2347	0.0000	0.2347	0.2403
Group 2	0.1795	0.0359	0.1436	0.0911	0.2347	0.2403
Retail Advised Shares B (Net Income)						
Group 1	0.2688	0.0538	0.2150	0.0000	0.2150	0.2284
Group 2	0.0564	0.0113	0.0451	0.1699	0.2150	0.2284
Retail Advised Shares B (Net Accumulation)						
Group 1	0.2816	0.0563	0.2253	0.0000	0.2253	0.2317
Group 2	0.2816	0.0563	0.2253	0.0000	0.2253	0.2317
P Shares (Net Accumulation)						
Group 1	0.2869	0.0574	0.2295	0.0000	0.2295	0.2362
Group 2	0.2869	0.0574	0.2295	0.0000	0.2295	0.2362

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 February 2014
						Group 2: Shares purchased 1 February 2014 to 28 February 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 28/02/2013</b>
Sterling Income Shares						
Group 1	0.2341	0.0468	0.1873	0.0000	0.1873	0.2106
Group 2	0.1233	0.0247	0.0986	0.0887	0.1873	0.2106
Institutional Shares W (Net Income)						
Group 1	0.2925	0.0585	0.2340	0.0000	0.2340	0.2612
Group 2	0.0440	0.0088	0.0352	0.1988	0.2340	0.2612
Institutional Shares W (Net Accumulation)						
Group 1	0.3074	0.0615	0.2459	0.0000	0.2459	0.2656
Group 2	0.2154	0.0431	0.1723	0.0736	0.2459	0.2656
Retail Advised Shares B (Net Income)						
Group 1	0.2833	0.0567	0.2266	0.0000	0.2266	0.2541
Group 2	0.0000	0.0000	0.0000	0.2266	0.2266	0.2541
Retail Advised Shares B (Net Accumulation)						
Group 1	0.2964	0.0593	0.2371	0.0000	0.2371	0.2571
Group 2	0.0000	0.0000	0.0000	0.2371	0.2371	0.2571
P Shares (Net Accumulation)						
Group 1	0.3006	0.0601	0.2405	0.0000	0.2405	0.2610
Group 2	0.3006	0.0601	0.2405	0.0000	0.2405	0.2610

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 January 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/01/2013</b>
Sterling Income Shares						
Group 1	0.2638	0.0528	0.2110	0.0000	0.2110	0.2553
Group 2	0.1149	0.0230	0.0919	0.1191	0.2110	0.2553
Institutional Shares W (Net Income)						
Group 1	0.3293	0.0659	0.2634	0.0000	0.2634	0.3163
Group 2	0.1438	0.0288	0.1150	0.1484	0.2634	0.3163
Institutional Shares W (Net Accumulation)						
Group 1	0.3450	0.0690	0.2760	0.0000	0.2760	0.3204
Group 2	0.1106	0.0221	0.0885	0.1875	0.2760	0.3204
Retail Advised Shares B (Net Income)						
Group 1	0.3190	0.0638	0.2552	0.0000	0.2552	0.3079
Group 2	0.0000	0.0000	0.0000	0.2552	0.2552	0.3079
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3328	0.0666	0.2662	0.0000	0.2662	0.3107
Group 2	0.0000	0.0000	0.0000	0.2662	0.2662	0.3107
P Shares (Net Accumulation)						
Group 1	0.3376	0.0675	0.2701	0.0000	0.2701	0.3151
Group 2	0.3376	0.0675	0.2701	0.0000	0.2701	0.3151

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 December 2013
						Group 2: Shares purchased 1 December 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.3054	0.0611	0.2443	0.0000	0.2443	0.2703
Group 2	0.1544	0.0309	0.1235	0.1208	0.2443	0.2703
Institutional Shares W (Net Income)						
Group 1	0.3800	0.0760	0.3040	0.0000	0.3040	0.3343
Group 2	0.1583	0.0317	0.1266	0.1774	0.3040	0.3343
Institutional Shares W (Net Accumulation)						
Group 1	0.3970	0.0794	0.3176	0.0000	0.3176	0.3376
Group 2	0.1779	0.0356	0.1423	0.1753	0.3176	0.3376
Retail Advised Shares B (Net Income)						
Group 1	0.3690	0.0738	0.2952	0.0000	0.2952	0.3258
Group 2	0.0000	0.0000	0.0000	0.2952	0.2952	0.3258
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3840	0.0768	0.3072	0.0000	0.3072	0.3278
Group 2	0.0000	0.0000	0.0000	0.3072	0.3072	0.3278
P Shares (Net Accumulation)						
Group 1	0.3886	0.0777	0.3109	0.0000	0.3109	0.3322
Group 2	0.3886	0.0777	0.3109	0.0000	0.3109	0.3322

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 November 2013
						Group 2: Shares purchased 1 November 2013 to 30 November 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/11/2012</b>
Sterling Income Shares						
Group 1	0.2590	0.0518	0.2072	0.0000	0.2072	0.2676
Group 2	0.1364	0.0273	0.1091	0.0981	0.2072	0.2676
Institutional Shares W (Net Income)						
Group 1	0.3230	0.0646	0.2584	0.0000	0.2584	0.3307
Group 2	0.2473	0.0495	0.1978	0.0606	0.2584	0.3307
Institutional Shares W (Net Accumulation)						
Group 1	0.3365	0.0673	0.2692	0.0000	0.2692	0.3329
Group 2	0.0559	0.0112	0.0447	0.2245	0.2692	0.3329
Retail Advised Shares B (Net Income)						
Group 1	0.3130	0.0626	0.2504	0.0000	0.2504	0.3224
Group 2	0.0000	0.0000	0.0000	0.2504	0.2504	0.3224
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3250	0.0650	0.2600	0.0000	0.2600	0.3235
Group 2	0.0000	0.0000	0.0000	0.2600	0.2600	0.3235
P Shares (Net Accumulation)						
Group 1	0.3296	0.0659	0.2637	0.0000	0.2637	0.3277
Group 2	0.3296	0.0659	0.2637	0.0000	0.2637	0.3277

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 October 2013			Group 2: Shares purchased 1 October 2013 to 31 October 2013		
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/10/2012</b>
Sterling Income Shares						
Group 1	0.2969	0.0594	0.2375	0.0000	0.2375	0.3056
Group 2	0.1478	0.0296	0.1182	0.1193	0.2375	0.3056
Institutional Shares W (Net Income)						
Group 1	0.3694	0.0739	0.2955	0.0000	0.2955	0.3769
Group 2	0.0420	0.0084	0.0336	0.2619	0.2955	0.3769
Institutional Shares W (Net Accumulation)						
Group 1	0.3838	0.0768	0.3070	0.0000	0.3070	0.3780
Group 2	0.0931	0.0186	0.0745	0.2325	0.3070	0.3780
Retail Advised Shares B (Net Income)						
Group 1	0.3574	0.0715	0.2859	0.0000	0.2859	0.2993
Group 2	0.0000	0.0000	0.0000	0.2859	0.2859	0.2993
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3709	0.0742	0.2967	0.0000	0.2967	0.2993
Group 2	0.0000	0.0000	0.0000	0.2967	0.2967	0.2993
P Shares (Net Accumulation)						
Group 1	0.3760	0.0752	0.3008	0.0000	0.3008	0.2175
Group 2	0.3760	0.0752	0.3008	0.0000	0.3008	0.2175

**Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 September 2013			Group 2: Shares purchased 1 September 2013 to 30 September 2013		
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.2835	0.0567	0.2268	0.0000	0.2268	0.2656
Group 2	0.1468	0.0294	0.1174	0.1094	0.2268	0.2656
Institutional Shares W (Net Income)						
Group 1	0.3525	0.0705	0.2820	0.0000	0.2820	0.2934
Group 2	0.0516	0.0103	0.0413	0.2407	0.2820	0.2934
Institutional Shares W (Net Accumulation)						
Group 1	0.3653	0.0731	0.2922	0.0000	0.2922	0.2934
Group 2	0.2991	0.0598	0.2393	0.0529	0.2922	0.2934
Retail Advised Shares B (Net Income)						
Group 1	0.3424	0.0685	0.2739	0.0000	0.2739	n/a
Group 2	0.0000	0.0000	0.0000	0.2739	0.2739	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3534	0.0707	0.2827	0.0000	0.2827	n/a
Group 2	0.0000	0.0000	0.0000	0.2827	0.2827	n/a
P Shares (Net Accumulation)						
Group 1	0.3580	0.0716	0.2864	0.0000	0.2864	n/a
Group 2	0.3580	0.0716	0.2864	0.0000	0.2864	n/a

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 August 2013
						Group 2: Shares purchased 1 August 2013 to 31 August 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/08/2012</b>
Sterling Income Shares						
Group 1	0.2914	0.0583	0.2331	0.0000	0.2331	0.2899
Group 2	0.1646	0.0329	0.1317	0.1014	0.2331	0.2899
P Shares (Net Income)						
Group 1	0.3729	0.0746	0.2983	0.0000	0.2983	0.3698
Group 2	0.0000	0.0000	0.0000	0.2983	0.2983	0.3698
Institutional Shares W (Net Income)						
Group 1	0.3623	0.0725	0.2898	0.0000	0.2898	n/a
Group 2	0.0719	0.0144	0.0575	0.2323	0.2898	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.3743	0.0749	0.2994	0.0000	0.2994	n/a
Group 2	0.0411	0.0082	0.0329	0.2665	0.2994	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.3516	0.0703	0.2813	0.0000	0.2813	n/a
Group 2	0.0380	0.0076	0.0304	0.2509	0.2813	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3623	0.0725	0.2898	0.0000	0.2898	n/a
Group 2	0.0000	0.0000	0.0000	0.2898	0.2898	n/a
P Shares (Net Accumulation)						
Group 1	0.3670	0.0734	0.2936	0.0000	0.2936	n/a
Group 2	0.3670	0.0734	0.2936	0.0000	0.2936	n/a

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 July 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/07/2012</b>
Sterling Income Shares						
Group 1	0.3203	0.0641	0.2562	0.0000	0.2562	0.2920
Group 2	0.1933	0.0387	0.1546	0.1016	0.2562	0.2920
P Shares (Net Income)						
Group 1	0.4091	0.0818	0.3273	0.0000	0.3273	0.3724
Group 2	0.0000	0.0000	0.0000	0.3273	0.3273	0.3724
Institutional Shares W (Net Income)						
Group 1	0.3975	0.0795	0.3180	0.0000	0.3180	n/a
Group 2	0.0998	0.0200	0.0798	0.2382	0.3180	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.4094	0.0819	0.3275	0.0000	0.3275	n/a
Group 2	0.1161	0.0232	0.0929	0.2346	0.3275	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.3868	0.0774	0.3094	0.0000	0.3094	n/a
Group 2	0.0444	0.0089	0.0355	0.2739	0.3094	n/a

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 July 2013
						<b>Prior Period 31/07/2012</b>
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3966	0.0793	0.3173	0.0000	0.3173	n/a
Group 2	0.1486	0.0297	0.1189	0.1984	0.3173	n/a
P Shares (Net Accumulation)						
Group 1	0.4016	0.0803	0.3213	0.0000	0.3213	n/a
Group 2	0.4016	0.0803	0.3213	0.0000	0.3213	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	2,036,811	1,688,269
Gains/(losses) on forward currency contracts	732,478	(311,598)
Currency exchange (losses)/gains	(6,284)	17,227
Activity charges	(6,275)	(6,521)
<b>Net capital gains</b>	<b>2,756,730</b>	<b>1,387,377</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
Bank interest	5,859	6,799
Interest on debt securities	3,242,349	3,050,259
Stock lending	2,628	836
<b>Total revenue</b>	<b>3,250,836</b>	<b>3,057,894</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	756,217	662,526
Administration fees	74,273	66,015
Registrar's disbursement fees	3	4,053
Safe custody charges	9,877	8,342
	<b>840,370</b>	<b>740,936</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	18,860	16,398
Distribution reconciliation service	10,387	2,257
	<b>29,247</b>	<b>18,655</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	8,460	8,280
- Non-audit services (tax compliance fee)†	1,764	1,883
Financial Conduct Authority fee	286	286
	<b>10,510</b>	<b>10,449</b>
<b>Total expenses</b>	<b>880,127</b>	<b>770,040</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £7,050 (2013: £6,900) and £1,470 (2013: £1,430) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>2,370,709</u>	<u>2,287,854</u>
<b>Corporation tax @ 20%</b>	474,142	457,571
Effects of:		
Excess management expenses	(474,142)	(457,571)
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £10,396,185 (30/06/13: £12,766,894), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £2,079,237 (30/06/13: £2,553,379). The prior year figures for excess management expenses and deferred tax asset not recognised have been updated, this is only a disclosure change and has no impact on the NAV/Distributions.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 31 July - Sterling Income Shares	256,497	193,211
Interim interest 31 July - P Shares (Net Income))	48	57
Interim interest 31 July - Institutional Shares W (Net Income)	1,635	-
Interim interest 31 July - Institutional Shares W (Net Accumulation)	233	-
Interim interest 31 July - Retail Advised Shares B (Net Income)	16	-
Interim interest 31 July - Retail Advised Shares B (Net Accumulation)	56	-
Interim interest 31 July - P Shares (Net Accumulation)	245	-
Interim interest 31 August - Sterling Income Shares	235,643	190,187
Interim interest 31 August - P Shares (Net Income)	43	55
Interim interest 31 August - Institutional Shares W (Net Income)	1,672	-
Interim interest 31 August - Institutional Shares W (Net Accumulation)	270	-
Interim interest 31 August - Retail Advised Shares B (Net Income)	14	-
Interim interest 31 August - Retail Advised Shares B (Net Accumulation)	10	-
Interim interest 31 August - P Shares (Net Accumulation)	135	-
Interim interest 30 September - Sterling Income Shares	229,418	177,940
Interim interest 30 September - P Shares (Net Income)	-	51
Interim interest 30 September - Institutional Shares W (Net Income)	1,688	15
Interim interest 30 September - Institutional Shares W (Net Accumulation)	280	15
Interim interest 30 September - Retail Advised Shares B (Net Income)	14	-
Interim interest 30 September - Retail Advised Shares B (Net Accumulation)	10	-
Interim interest 30 September - P Shares (Net Accumulation)	132	-



## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim interest 31 October - Sterling Income Shares	238,055	202,838
Interim interest 31 October - P Shares (Net Income)	-	1,185
Interim interest 31 October - Institutional Shares W (Net Income)	1,879	19
Interim interest 31 October - Institutional Shares W (Net Accumulation)	374	19
Interim interest 31 October - Retail Advised Shares B (Net Income)	15	15
Interim interest 31 October - Retail Advised Shares B (Net Accumulation)	10	15
Interim interest 31 October - P Shares (Net Accumulation)	139	184
Interim interest 30 November - Sterling Income Shares	185,315	176,657
Interim interest 30 November - P Shares (Net Income)	-	1,039
Interim interest 30 November - Institutional Shares W (Net Income)	24,594	17
Interim interest 30 November - Institutional Shares W (Net Accumulation)	374	17
Interim interest 30 November - Retail Advised Shares B (Net Income)	13	16
Interim interest 30 November - Retail Advised Shares B (Net Accumulation)	9	16
Interim interest 30 November - P Shares (Net Accumulation)	122	277
Interim interest 31 December - Sterling Income Shares	218,712	177,274
Interim interest 31 December - P Shares (Net Income)	-	1,092
Interim interest 31 December - Institutional Shares W (Net Income)	29,531	37
Interim interest 31 December - Institutional Shares W (Net Accumulation)	522	17
Interim interest 31 December - Retail Advised Shares B (Net Income)	15	16
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	10	27
Interim interest 31 December - P Shares (Net Accumulation)	143	281
Interim interest 31 January - Sterling Income Shares	188,123	219,847
Interim interest 31 January - P Shares (Net Income)	-	1,032
Interim interest 31 January - Institutional Shares W (Net Income)	26,036	236
Interim interest 31 January - Institutional Shares W (Net Accumulation)	506	16
Interim interest 31 January - Retail Advised Shares B (Net Income)	13	16
Interim interest 31 January - Retail Advised Shares B (Net Accumulation)	9	26
Interim interest 31 January - P Shares (Net Accumulation)	124	266
Interim interest 29 February - Sterling Income Shares	160,004	185,621
Interim interest 29 February - P Shares (Net Income)	-	852
Interim interest 28 February - Institutional Shares W (Net Income)	27,833	569
Interim interest 28 February - Institutional Shares W (Net Accumulation)	739	13
Interim interest 28 February - Retail Advised Shares B (Net Income)	12	13
Interim interest 28 February - Retail Advised Shares B (Net Accumulation)	8	21
Interim interest 28 February - P Shares (Net Accumulation)	111	221
Interim interest 31 March - Sterling Income Shares	151,380	180,531
Interim interest 31 March - P Shares (Net Income)	-	769
Interim interest 31 March - Institutional Shares W (Net Income)	28,016	639
Interim interest 31 March - Institutional Shares W (Net Accumulation)	727	56
Interim interest 31 March - Retail Advised Shares B (Net Income)	11	12
Interim interest 31 March - Retail Advised Shares B (Net Accumulation)	8	19
Interim interest 31 March - P Shares (Net Accumulation)	105	200
Interim interest 30 April - Sterling Income Shares	128,758	231,027
Interim interest 30 April - P Shares (Net Income)	-	954
Interim interest 30 April - Institutional Shares W (Net Income)	21,768	992
Interim interest 30 April - Institutional Shares W (Net Accumulation)	400	75
Interim interest 30 April - Retail Advised Shares B (Net Income)	13	14
Interim interest 30 April - Retail Advised Shares B (Net Accumulation)	9	24
Interim interest 30 April - P Shares (Net Accumulation)	121	248
Interim interest 31 May - Sterling Income Shares	140,565	220,412
Interim interest 31 May - P Shares (Net Income)	-	895
Interim interest 31 May - Institutional Shares W (Net Income)	21,921	1,025
Interim interest 31 May - Institutional Shares W (Net Accumulation)	542	57
Interim interest 31 May - Retail Advised Shares B (Net Income)	15	14

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim interest 31 May - Retail Advised Shares B (Net Accumulation)	10	23
Interim interest 31 May - P Shares (Net Accumulation)	136	234
Final interest 30 June - Sterling Income Shares	124,978	235,171
Final interest 30 June - P Shares (Net Income)	-	962
Final interest 30 June - Institutional Shares W (Net Income)	20,010	1,185
Final interest 30 June - Institutional Shares W (Net Accumulation)	898	72
Final interest 30 June - Retail Advised Shares B (Net Income)	14	15
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	9	25
Final interest 30 June - P Shares (Net Accumulation)	125	251
Income tax withheld	625,385	590,076
	<b>3,097,333</b>	<b>2,997,315</b>
Amounts added on issue of shares	(12,693)	(57,641)
Amounts deducted on cancellation of shares	42,597	10,707
<b>Net distributions for the year</b>	<b>3,127,237</b>	<b>2,950,381</b>
Interest	-	-
<b>Total finance costs</b>	<b>3,127,237</b>	<b>2,950,381</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	2,370,709	2,287,854
ACD's periodic charge less tax relief paid from capital	756,217	662,526
Equalisation on conversions	292	4
Undistributed revenue brought forward	48	45
Undistributed revenue carried forward	(29)	(48)
	<b>3,127,237</b>	<b>2,950,381</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	1,221,680	1,638,957
Amount receivable for issue of shares	12,133	107,936
Sales awaiting settlement	517,342	1,190,768
	<b>1,751,155</b>	<b>2,937,661</b>

## Notes to the Financial Statements (continued)

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	-	-
Cash held in BNY Mellon Sterling Liquidity Fund	598,896	2,117,053
	<b>598,896</b>	<b>2,117,053</b>
<b>Overdrawn cash and bank balances</b>		
Bank overdraft	-	(10,226)
	<b>-</b>	<b>(10,226)</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	60,551	88,045
Amount payable for cancellation of shares	179,625	534,966
Income tax payable	140,878	197,959
Purchases awaiting settlement	408,378	1,426,112
	<b>789,432</b>	<b>2,247,082</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £217,392 (30/06/13: £503,649).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	7,115,012	42,012,606	11,271,861	60,399,479	5.87	11.56
Europe	1,604,705	5,272,709	3,075,152	9,952,566	6.23	5.73
Switzerland	-	281,210	6,677	287,887	6.75	5.00
	<b>8,719,717</b>	<b>47,566,525</b>	<b>14,353,690</b>	<b>70,639,932</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(3,356,516)	(3,356,516)		
Europe	-	-	(9,731,637)	(9,731,637)		
Switzerland	-	-	(244,146)	(244,146)		
	<b>-</b>	<b>-</b>	<b>(13,332,299)</b>	<b>(13,332,299)</b>		
<b>Total</b>	<b>8,719,717</b>	<b>47,566,525</b>	<b>1,021,391</b>	<b>57,307,633</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	13,525,216	57,262,203	14,331,551	85,118,970	5.84	12.58
Europe	1,729,358	8,407,697	2,646,733	12,783,788	6.18	7.69
Switzerland	-	282,610	6,951	289,561	6.75	6.00
United States of America	-	-	1	1		
	15,254,574	65,952,510	16,985,236	98,192,320		
<b>Liabilities</b>						
United Kingdom	(10,226)	-	(3,698,327)	(3,708,553)		
Europe	-	-	(12,709,776)	(12,709,776)		
Switzerland	-	-	(258,195)	(258,195)		
	(10,226)	-	(16,666,298)	(16,676,524)		
<b>Total</b>	<b>15,244,348</b>	<b>65,952,510</b>	<b>318,938</b>	<b>81,515,796</b>		

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	233,816	233,816
BNY Mellon	(8,268)	(8,268)
JP Morgan	(13,165)	(13,165)
Royal Bank of Scotland	(15,343)	(15,343)
UBS	7,631	7,631
	<b>204,671</b>	<b>204,671</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	55,504,163	1,538,800	57,042,963	81,410,417
Europe	350,789	(129,860)	220,929	74,012
Switzerland	37,064	6,677	43,741	31,366
United States of America	-	-	-	1
<b>Total</b>	<b>55,892,016</b>	<b>1,415,617</b>	<b>57,307,633</b>	<b>81,515,796</b>

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014. (30/06/13: nil)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £2,400,754 of investments were subject to stock lending agreements and the Fund held £2,520,792 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £3,587,835 of investments were subject to stock lending agreements and the Fund held £3,794,108 in collateral. The collateral is held 66.23% in debt securities and 33.77% in equity securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £3,285 (30/06/13: £1,045) and £657 (30/06/13: £209).

### 15 Shareholders' funds

The Fund currently has six share classes; Sterling Income Shares, Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and P Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.00%	0.10%
Institutional Shares W (Net Income)	0.50%	0.03%
Institutional Shares W (Net Accumulation)	0.50%	0.03%
Retail Advised Shares B (Net Income)	0.75%	0.10%
Retail Advised Shares B (Net Accumulation)	0.75%	0.10%
P Shares (Net Accumulation)	1.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 238. The distributions are given in the distribution statements on page 245 to 251. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON EMERGING INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £223.85m

Comparative Index: FTSE AW Emerging TR GBP

Sector: IMA Global Emerging Markets

Yield as at 30 June 2014:

Sterling Income Shares	4.59%
Sterling Accumulation Shares	4.47%
X Shares (Net Income)	4.58%
X Shares (Net Accumulation)	4.44%
Institutional Shares W (Net Income)	4.58%
Institutional Shares W (Net Accumulation)	4.45%
Institutional Shares (Income)	4.69%
Institutional Shares (Accumulation)	4.44%
Retail Advised Shares B (Net Income)	4.58%
Retail Advised Shares B (Net Accumulation)	4.46%

Key Dates: Fund Launch 04 October 2012

**Investment Objective**

To achieve income together with long-term capital growth predominantly through investments in a diversified portfolio of securities in global emerging markets. The Fund may from time to time hold a concentrated portfolio because of its investments in a limited number of securities.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	-6.78%	n/a	n/a	n/a	n/a
Sterling Accumulation Shares*	-6.77%	n/a	n/a	n/a	n/a
X Shares (Net Income)*	-5.29%	n/a	n/a	n/a	n/a
X Shares (Net Accumulation)*	-5.29%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Income)*	-6.00%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	-6.00%	n/a	n/a	n/a	n/a
Institutional Shares (Income)*	-6.20%	n/a	n/a	n/a	n/a
Institutional Shares (Accumulation)*	-6.24%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	-6.30%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	-6.29%	n/a	n/a	n/a	n/a
FTSE AW Emerging TR GBP	1.20%	7.16%	-13.62%	17.50%	37.74%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period, the Sterling Income Share Class of the Fund returned -6.78% against +1.20% for the FTSE All-World Emerging TR GBP.

The Fund underperformed its comparative index over the review period, as the threat of the US ‘tapering’ its asset-purchasing programme precipitated an indiscriminate sell-off in emerging markets. More recently, global central banks have reverted to easy policy resulting in very little differentiation between stronger and weaker emerging markets. We believe this environment is unsustainable, and expect greater differentiation between markets and companies in future, and are positioning the Fund accordingly. At the sector level, the Fund’s exposure to industrials, financials and technology detracted from returns, while positions in consumer services and basic materials contributed positively. At a country level, performance was negatively affected by the Fund’s void in India, as the Indian equity market performed strongly in the wake of Modi’s victory in the election. India has a very low dividend pay-out ratio, making it difficult to find stocks which meet the Fund’s yield criteria. Performance was also negatively impacted by our holdings in Thailand as domestic political unrest escalated. However, having no direct exposure to Russia was helpful as the Ukraine situation developed. We continue to believe that there are limited investment opportunities within Russia, given concerns about corporate governance and state intervention. At the company level, Pico Far East was the worst-performing stock, following weaker 2013 results. We expect a stronger year for Pico in 2014. Kimberly-Clark de Mexico underperformed as investors became impatient with the pace of execution of the Mexican reform agenda. In the longer-term the structural reforms will undoubtedly be very positive for the economy. More positively, the best performing stocks over the period were two Macau-based casino operators, Sands China and Wynn Macau, which continued to see strong growth in gaming revenues.

Sales during the period focussed upon stocks in markets and sectors which we believe to be more exposed to weaker consumer conditions in the face of higher interest rates. This included sales of the South African retailers, Foschini and Woolworths, the Brazilian consumer staples and tobacco companies, Natura and Souza Cruz respectively, along with Arcelik, a Turkish white goods company. We also reduced our exposure to commodities in the face of weaker global demand, selling the Indonesian coal miners, Adaro and ITMG, and the Thai oil and gas company, PTT. New additions to the Fund focused on stocks exposed to more buoyant demand for technological innovation, including the Taiwanese technology companies, Mediatek and Delta Electronics, along with two Georgian banks, TBC and Bank of Georgia, exposed to the very favourable Georgian banking market.

The table below shows the top ten purchases and sales for the year

#### Purchases

British American Tobacco  
Kimberly-Clark de Mexico  
MediaTek  
Fibra Shop Portafolios Inmobiliarios  
Komerčni Banka  
Axiata  
Biostime International  
Philippine Long Distance Telecom  
Merida Industry  
Delta Electronics

#### Sales

Souza Cruz  
PTT  
China Mobile (Hong Kong)  
Nedbank  
Southern Copper  
Advanced Info Service  
Natura Cosméticos  
AVI  
Foschini  
Arteris



## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	107.21	99.39	0.9140
2013	119.32	94.07	4.2874
2014	95.08	87.58	2.2637
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	107.21	99.39	0.9173
2013	120.66	98.18	4.3897
2014	100.98	92.12	2.3934
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	107.60	99.43	0.9065
2013	120.14	95.90	4.3596
2014	97.59	89.43	2.3263
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	107.59	99.43	0.8969
2013	121.84	100.07	4.4641
2014	103.65	94.06	2.4598
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	107.42	99.41	0.9268
2013	119.74	95.02	4.3130
2014	96.37	88.55	2.2910
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 15 October)	107.38	100.50	0.7577
2013	121.25	99.13	4.4133
2014	102.33	93.10	2.4170
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 15 October)	107.32	100.50	0.7563
2013	119.76	94.83	4.4019
2014	96.03	88.32	2.2903
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 15 October)	107.34	100.50	0.7860
2013	121.08	98.85	4.4168
2014	101.92	92.81	2.4212
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 23 October)	105.60	98.92	0.6693
2013	117.90	93.32	4.2491
2014	94.52	86.93	2.2396
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 23 October)	105.62	98.92	0.7005
2013	119.10	97.20	4.3294
2014	100.19	91.25	2.3620

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>			
30/06/2013	50,781,358	104.75	48,477,499
30/06/2014	33,175,368	92.16	35,997,170
<b>Sterling Accumulation Shares</b>			
30/06/2013	115,425,036	107.77	107,101,382
30/06/2014	72,561,860	99.33	73,051,903
<b>X Shares (Net Income)</b>			
30/06/2013	12,042,869	105.96	11,365,597
30/06/2014	8,638,733	94.70	9,122,410
<b>X Shares (Net Accumulation)</b>			
30/06/2013	40,560,524	109.01	37,209,048
30/06/2014	24,225,246	102.06	23,736,749
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	26,736,948	105.38	25,373,131
30/06/2014	44,015,526	93.48	47,083,962
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	5,276,629	108.39	4,868,088
30/06/2014	40,314,136	100.71	40,027,993
<b>Institutional Shares (Income)</b>			
30/06/2013	622,394	105.31	591,022
30/06/2014	325,179	93.14	349,129
<b>Institutional Shares (Accumulation)</b>			
30/06/2013	195,369	108.21	180,544
30/06/2014	319,111	100.30	318,172
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	52,017	103.66	50,178
30/06/2014	64,757	91.67	70,641
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	70,077	106.44	65,838
30/06/2014	209,246	98.59	212,239

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.70	1.72
Sterling Accumulation Shares	1.70	1.72
X Shares (Net Income)	0.13	0.15
X Shares (Net Accumulation)	0.13	0.15
Institutional Shares W (Net Income)	0.88	0.90
Institutional Shares W (Net Accumulation)	0.88	0.90
Institutional Shares (Income)	1.13	1.15
Institutional Shares (Accumulation)	1.13	1.15
Retail Advised Shares B (Net Income)	1.20	1.22
Retail Advised Shares B (Net Accumulation)	1.20	1.22

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges comparative figure for the 30/06/2013 have been annualised, as the share classes launched within the previous period.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 1.69% (0.00%)</b>			
Bank of Georgia	80,000	1,872,000	0.84
TBC Bank GDR	230,000	1,896,658	0.85
<b>Chile 3.19% (3.73%)</b>			
Aguas Andinas	10,000,000	3,654,935	1.63
Inversiones La Construccion	500,000	3,485,820	1.56
<b>Brazil 8.79% (14.07%)</b>			
Alupar Investimento	900,000	3,866,340	1.73
Ambev ADR	1,400,000	5,756,060	2.57
CCR	1,000,000	4,773,555	2.13
Trans Alianca de Energia Electrica	1,000,000	5,275,057	2.36
<b>Mexico 10.80% (7.89%)</b>			
Fibra Shop Portafolios Inmobiliarios	5,000,000	4,075,398	1.82
Fibra Uno Administracion	3,000,000	6,134,736	2.74
Grupo Financiero Santander Mexico ADR	530,000	4,113,285	1.84
Kimberly-Clark de Mexico	6,000,000	9,845,872	4.40
<b>China 5.79% (6.65%)</b>			
China Shenhua Energy	1,800,000	3,042,574	1.36
Hui Xian Real Estate Investment Trust	13,000,000	4,104,766	1.83
Man Wah	1,500,000	1,394,513	0.62
PetroChina	6,000,000	4,428,032	1.98
<b>Hong Kong 13.64% (10.67%)</b>			
Biostime International	613,500	1,988,376	0.89
Link Real Estate Investment Trust	1,300,000	4,085,818	1.83
NWS	3,000,000	3,255,373	1.45
Pico Far East	27,000,000	3,667,389	1.64
Sands China	1,700,000	7,517,392	3.36
Standard Chartered	340,000	4,043,485	1.81
Wynn Macau	2,600,000	5,954,602	2.66
<b>Indonesia 1.08% (2.72%)</b>			
Telekomunikasi Indonesia	20,000,000	2,422,266	1.08
<b>Malaysia 7.81% (6.88%)</b>			
Axiata	2,300,000	2,915,673	1.30
IGB Real Estate Investment Trust	17,000,000	3,746,589	1.67
Lafarge Malayan	2,000,000	3,544,415	1.58
Pavilion Real Estate Investment Trust	11,700,000	2,834,257	1.27
Sunway Real Estate Investment Trust	17,000,000	4,458,750	1.99
<b>Philippines 6.03% (4.88%)</b>			
Globe Telecom	200,000	4,287,535	1.92
Philippine Long Distance Telecom	230,000	9,208,018	4.11
<b>Taiwan 9.96% (4.85%)</b>			
Delta Electronics	500,000	2,110,564	0.94
MediaTek	570,000	5,627,126	2.51
Merida Industry	600,000	2,321,131	1.04
Taiwan Mobile	1,850,000	3,344,681	1.49
Taiwan Semiconductor Manufacturing	3,600,000	8,920,194	3.98

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Thailand 8.30% (12.72%)</b>			
Bangkok Expressway	7,000,000	4,698,775	2.10
Bangkok Bank	1,300,000	4,532,989	2.03
BTS Rail Mass Transport Growth Infrastructure	10,000,000	1,802,023	0.81
Intouch (NVDR)	3,400,000	4,487,939	2.00
Tesco Lotus Retail	13,000,000	3,045,419	1.36
<b>South Africa 12.86% (13.24%)</b>			
BHP Billiton	240,000	4,554,423	2.03
British American Tobacco	190,000	6,620,615	2.96
Life Healthcare	2,600,000	5,924,467	2.65
MTN	500,000	6,148,757	2.75
Old Mutual	2,800,000	5,528,989	2.47
<b>Czech Republic 3.79% (1.78%)</b>			
Komerční Banka	63,000	8,475,790	3.79
<b>Poland 2.66% (2.66%)</b>			
Powszechny Zakład Ubezpieczeń	70,000	5,965,563	2.66
<b>Sweden 1.79% (1.50%)</b>			
Millicom International Cellular SDR	75,000	4,005,574	1.79
<b>Portfolio of investments</b>		<b>219,764,558</b>	<b>98.18</b>
<b>Net current assets</b>		<b>4,084,604</b>	<b>1.82</b>
<b>Total Net Assets</b>		<b>223,849,162</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the United States of America and Turkey portfolio categories, which, at 30 June 2013, represented 1.52% and 0.53% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

GDR = Global Depositary Receipt

SDR = Swedish Depositary Receipt

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013* £
Income				
Net capital losses	1		(26,847,522)	(98,050)
Revenue	2	11,315,801	5,998,333	
Expenses	3	(2,839,312)	(1,711,948)	
Finance costs: Interest	5	-	(773)	
Net revenue before taxation		8,476,489	4,285,612	
Taxation	4	(908,927)	(497,455)	
Net revenue after taxation			7,567,562	3,788,157
<b>Total return before distributions</b>			<b>(19,279,960)</b>	<b>3,690,107</b>
Finance costs: Distributions	5		(10,410,104)	(5,499,979)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(29,690,064)</b>	<b>(1,809,872)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013* £
<b>Opening net assets attributable to Shareholders</b>		251,763,221	-
Amounts receivable on issue of shares	64,403,353	256,256,330	
Amounts payable on cancellation of shares	(69,260,399)	(6,904,464)	
		(4,857,046)	249,351,866
Dilution adjustment		130,057	345,700
Change in net assets attributable to Shareholders from investment activities (see above)		(29,690,064)	(1,809,872)
Retained distributions on accumulation shares		6,502,994	3,875,527
<b>Closing net assets attributable to Shareholders</b>		<b>223,849,162</b>	<b>251,763,221</b>

\*for the period 4 October 2012 to 30 June 2013

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			219,764,558	242,416,076
Debtors	7	1,594,619	3,857,982	
Cash and bank balances	8	<u>4,408,346</u>	<u>7,517,270</u>	
Total other assets			<u>6,002,965</u>	<u>11,375,252</u>
Total assets			225,767,523	253,791,328
<b>LIABILITIES</b>				
Creditors	9	(652,456)	(919,952)	
Distribution payable on income shares		<u>(1,265,905)</u>	<u>(1,108,155)</u>	
Total other liabilities			<u>(1,918,361)</u>	<u>(2,028,107)</u>
Total liabilities			(1,918,361)	(2,028,107)
<b>Net assets attributable to Shareholders</b>			<u><b>223,849,162</b></u>	<u><b>251,763,221</b></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	1.5151	0.1515	1.3636	0.0000	1.3636	1.2850
Group 2	1.0042	0.1004	0.9038	0.4598	1.3636	1.2850
Sterling Accumulation Shares						
Group 1	1.6074	0.1607	1.4467	0.0000	1.4467	1.3058
Group 2	1.0883	0.1088	0.9795	0.4672	1.4467	1.3058
X Shares (Net Income)						
Group 1	1.5447	0.1545	1.3902	0.0000	1.3902	1.3105
Group 2	0.3289	0.0329	0.2960	1.0942	1.3902	1.3105
X Shares (Net Accumulation)						
Group 1	1.6393	0.1639	1.4754	0.0000	1.4754	1.3314
Group 2	1.6393	0.1639	1.4754	0.0000	1.4754	1.3314
Institutional Shares W (Net Income)						
Group 1	1.5162	0.1516	1.3646	0.0000	1.3646	1.2924
Group 2	0.6460	0.0646	0.5814	0.7832	1.3646	1.2924
Institutional Shares W (Net Accumulation)						
Group 1	1.6033	0.1603	1.4430	0.0000	1.4430	1.3154
Group 2	0.7857	0.0786	0.7071	0.7359	1.4430	1.3154
Institutional Shares (Income)						
Group 1	1.5179	0.1518	1.3661	0.0000	1.3661	1.3047
Group 2	1.4096	0.1410	1.2686	0.0975	1.3661	1.3047
Institutional Shares (Accumulation)						
Group 1	1.6113	0.1611	1.4502	0.0000	1.4502	1.3169
Group 2	1.4207	0.1421	1.2786	0.1716	1.4502	1.3169
Retail Advised Shares B (Net Income)						
Group 1	1.4952	0.1495	1.3457	0.0000	1.3457	1.2752
Group 2	1.4952	0.1495	1.3457	0.0000	1.3457	1.2752
Retail Advised Shares B (Net Accumulation)						
Group 1	1.5803	0.1580	1.4223	0.0000	1.4223	1.2959
Group 2	0.8762	0.0876	0.7886	0.6337	1.4223	1.2959



**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	1.0001	0.1000	0.9001	0.0000	0.9001	0.8719
Group 2	0.6667	0.0667	0.6000	0.3001	0.9001	0.8719
Sterling Accumulation Shares						
Group 1	1.0519	0.1052	0.9467	0.0000	0.9467	0.8783
Group 2	0.6300	0.0630	0.5670	0.3797	0.9467	0.8783
X Shares (Net Income)						
Group 1	1.0401	0.1040	0.9361	0.0000	0.9361	0.8832
Group 2	1.0401	0.1040	0.9361	0.0000	0.9361	0.8832
X Shares (Net Accumulation)						
Group 1	1.0938	0.1094	0.9844	0.0000	0.9844	0.8912
Group 2	0.0917	0.0092	0.0825	0.9019	0.9844	0.8912
Institutional Shares W (Net Income)						
Group 1	1.0293	0.1029	0.9264	0.0000	0.9264	0.8775
Group 2	0.5427	0.0543	0.4884	0.4380	0.9264	0.8775
Institutional Shares W (Net Accumulation)						
Group 1	1.0822	0.1082	0.9740	0.0000	0.9740	0.8811
Group 2	0.4743	0.0474	0.4269	0.5471	0.9740	0.8811
Institutional Shares (Income)						
Group 1	1.0269	0.1027	0.9242	0.0000	0.9242	0.8774
Group 2	0.9774	0.0977	0.8797	0.0445	0.9242	0.8774
Institutional Shares (Accumulation)						
Group 1	1.0789	0.1079	0.9710	0.0000	0.9710	0.8870
Group 2	0.8422	0.0842	0.7580	0.2130	0.9710	0.8870
Retail Advised Shares B (Net Income)						
Group 1	0.9932	0.0993	0.8939	0.0000	0.8939	0.8625
Group 2	0.6877	0.0688	0.6189	0.2750	0.8939	0.8625
Retail Advised Shares B (Net Accumulation)						
Group 1	1.0441	0.1044	0.9397	0.0000	0.9397	0.8556
Group 2	0.9584	0.0958	0.8626	0.0771	0.9397	0.8556

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.8122	0.0812	0.7310	0.0000	0.7310	0.9140
Group 2	0.5008	0.0501	0.4507	0.2803	0.7310	0.9140
Sterling Accumulation Shares						
Group 1	0.8506	0.0851	0.7655	0.0000	0.7655	0.9173
Group 2	0.5933	0.0593	0.5340	0.2315	0.7655	0.9173
X Shares (Net Income)						
Group 1	0.8337	0.0834	0.7503	0.0000	0.7503	0.9065
Group 2	0.8337	0.0834	0.7503	0.0000	0.7503	0.9065
X Shares (Net Accumulation)						
Group 1	0.8700	0.0870	0.7830	0.0000	0.7830	0.8969
Group 2	0.8700	0.0870	0.7830	0.0000	0.7830	0.8969
Institutional Shares W (Net Income)						
Group 1	0.8223	0.0822	0.7401	0.0000	0.7401	0.9268
Group 2	0.5359	0.0536	0.4823	0.2578	0.7401	0.9268
Institutional Shares W (Net Accumulation)						
Group 1	0.8656	0.0866	0.7790	0.0000	0.7790	0.7577
Group 2	0.5572	0.0557	0.5015	0.2775	0.7790	0.7577
Institutional Shares (Income)						
Group 1	0.9047	0.0905	0.8142	0.0000	0.8142	0.7563
Group 2	0.6147	0.0615	0.5532	0.2610	0.8142	0.7563
Institutional Shares (Accumulation)						
Group 1	0.8506	0.0851	0.7655	0.0000	0.7655	0.7860
Group 2	0.2857	0.0286	0.2571	0.5084	0.7655	0.7860
Retail Advised Shares B (Net Income)						
Group 1	0.8073	0.0807	0.7266	0.0000	0.7266	0.6693
Group 2	0.8073	0.0807	0.7266	0.0000	0.7266	0.6693
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8408	0.0841	0.7567	0.0000	0.7567	0.7005
Group 2	0.8408	0.0841	0.7567	0.0000	0.7567	0.7005

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
<b>Sterling Income Shares</b>						
Group 1	1.5550	0.1555	1.3995	0.0000	1.3995	n/a
Group 2	0.8468	0.0847	0.7621	0.6374	1.3995	n/a
<b>Sterling Accumulation Shares</b>						
Group 1	1.6001	0.1600	1.4401	0.0000	1.4401	n/a
Group 2	0.8173	0.0817	0.7356	0.7045	1.4401	n/a
<b>X Shares (Net Income)</b>						
Group 1	1.5729	0.1573	1.4156	0.0000	1.4156	n/a
Group 2	0.2188	0.0219	0.1969	1.2187	1.4156	n/a
<b>X Shares (Net Accumulation)</b>						
Group 1	1.6206	0.1621	1.4585	0.0000	1.4585	n/a
Group 2	0.3031	0.0303	0.2728	1.1857	1.4585	n/a
<b>Institutional Shares W (Net Income)</b>						
Group 1	1.5589	0.1559	1.4030	0.0000	1.4030	n/a
Group 2	0.4794	0.0479	0.4315	0.9715	1.4030	n/a
<b>Institutional Shares W (Net Accumulation)</b>						
Group 1	1.5976	0.1598	1.4378	0.0000	1.4378	n/a
Group 2	0.6159	0.0616	0.5543	0.8835	1.4378	n/a
<b>Institutional Shares (Income)</b>						
Group 1	1.5618	0.1562	1.4056	0.0000	1.4056	n/a
Group 2	1.2158	0.1216	1.0942	0.3114	1.4056	n/a
<b>Institutional Shares (Accumulation)</b>						
Group 1	1.6082	0.1608	1.4474	0.0000	1.4474	n/a
Group 2	0.8959	0.0896	0.8063	0.6411	1.4474	n/a
<b>Retail Advised Shares B (Net Income)</b>						
Group 1	1.5387	0.1539	1.3848	0.0000	1.3848	n/a
Group 2	0.5734	0.0573	0.5161	0.8687	1.3848	n/a
<b>Retail Advised Shares B (Net Accumulation)</b>						
Group 1	1.5791	0.1579	1.4212	0.0000	1.4212	n/a
Group 2	0.0592	0.0059	0.0533	1.3679	1.4212	n/a

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital losses

The net capital losses on investments during the year comprise:	30/06/2014 £	30/06/2013** £
Losses on non-derivative securities	(26,804,489)	(362,971)
Currency exchange (losses)/gains	(29,754)	296,143
Activity charges	(13,279)	(31,222)
<b>Net capital losses</b>	<b>(26,847,522)</b>	<b>(98,050)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013** £
Overseas dividends	11,284,837	5,991,747
Bank interest	11,207	4,837
Stock lending	19,757	1,749
<b>Total revenue</b>	<b>11,315,801</b>	<b>5,998,333</b>

### 3 Expenses

	30/06/2014 £	30/06/2013** £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	2,460,363	1,468,963
Administration fees	168,199	104,359
Collection charges	6,352	4,762
Registrar's disbursement fees	14,452	7,999
Safe custody charges	148,622	95,754
	<b>2,797,988</b>	<b>1,681,837</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	28,258	18,370
Distribution reconciliation service	197	12
	<b>28,455</b>	<b>18,382</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	9,120	8,880
- Non-audit services (tax compliance fee)†	3,462	2,790
Financial Conduct Authority fee	287	59
	<b>12,869</b>	<b>11,729</b>
<b>Total expenses</b>	<b>2,839,312</b>	<b>1,711,948</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £7,600 (2013: £7,400) and £2,885 (2013: £2,325) respectively.

\*\*Notes 1 to 6 are for the period 4 October 2012 to 30 June 2013

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013** £
<b>a) Analysis of tax charge in period:</b>		
Income tax expense	105,344	84,250
	<u>105,344</u>	<u>84,250</u>
Overseas tax withheld	803,583	413,205
<b>Total tax charge (see note 4b)</b>	<b><u>908,927</u></b>	<b><u>497,455</u></b>

#### b) Factors affecting the tax charge for the period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013:20%).

The differences are explained below:

Net revenue before taxation	<u>8,476,489</u>	<u>4,285,612</u>
<b>Corporation tax @ 20%</b>	1,695,298	857,122
Effects of:		
Dividends not subject to corporation tax	(2,170,928)	(1,157,487)
Excess management expenses	475,630	300,365
Income tax expense	105,344	84,250
Overseas tax withheld	803,583	413,205
<b>Total tax charge (see note 4a)</b>	<b><u>908,927</u></b>	<b><u>497,455</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £3,879,975 (30/06/13: £1,501,826), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £775,995 (30/06/13: £300,365).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013** £
Interim dividend 30 September - Sterling Income Shares	656,043	-
Interim dividend 30 September - Sterling Accumulation Shares	1,451,817	-
Interim dividend 30 September - X Shares (Net Income)	180,246	-
Interim dividend 30 September - X Shares (Net Accumulation)	537,496	-
Interim dividend 30 September - Institutional Shares W (Net Income)	433,563	-
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	128,675	-
Interim dividend 30 September - Institutional Shares (Income)	9,122	-
Interim dividend 30 September - Institutional Shares (Accumulation)	2,654	-
Interim dividend 30 September - Retail Advised Shares B (Net Income)	638	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	1,433	-
Interim dividend 31 December - Sterling Income Shares	351,967	260,940
Interim dividend 31 December - Sterling Accumulation Shares	754,660	518,259
Interim dividend 31 December - X Shares (Net Income)	85,485	74,703
Interim dividend 31 December - X Shares (Net Accumulation)	259,181	250,854
Interim dividend 31 December - Institutional Shares W (Net Income)	237,117	108,724
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	77,479	179
Interim dividend 31 December - Institutional Shares (Income)	2,060	2,990

\*\*Notes 1 to 6 are for the period 4 October 2012 to 30 June 2013

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013**
	£	£
Interim dividend 31 December - Institutional Shares (Accumulation)	1,562	867
Interim dividend 31 December - Retail Advised Shares B (Net Income)	357	122
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	762	35
Interim dividend 31 March - Sterling Income Shares	401,766	363,489
Interim dividend 31 March - Sterling Accumulation Shares	871,596	783,909
Interim dividend 31 March - X Shares (Net Income)	103,507	99,074
Interim dividend 31 March - X Shares (Net Accumulation)	260,453	324,827
Interim dividend 31 March - Institutional Shares W (Net Income)	311,684	178,653
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	158,640	33,717
Interim dividend 31 March - Institutional Shares (Income)	2,683	5,294
Interim dividend 31 March - Institutional Shares (Accumulation)	2,688	1,092
Interim dividend 31 March - Retail Advised Shares B (Net Income)	664	431
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	1,607	591
Final dividend 30 June - Sterling Income Shares	490,857	622,936
Final dividend 30 June - Sterling Accumulation Shares	1,056,842	1,398,530
Final dividend 30 June - X Shares (Net Income)	126,820	148,946
Final dividend 30 June - X Shares (Net Accumulation)	350,212	495,401
Final dividend 30 June - Institutional Shares W (Net Income)	642,508	327,922
Final dividend 30 June - Institutional Shares W (Net Accumulation)	577,604	64,035
Final dividend 30 June - Institutional Shares (Income)	4,769	7,711
Final dividend 30 June - Institutional Shares (Accumulation)	4,614	2,378
Final dividend 30 June - Retail Advised Shares B (Net Income)	951	640
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	3,019	853
	<b>10,545,801</b>	<b>6,078,102</b>
Amounts added on issue of shares	(431,229)	(615,675)
Amounts deducted on cancellation of shares	295,532	37,552
<b>Net distributions for the year</b>	<b>10,410,104</b>	<b>5,499,979</b>
Interest	-	773
<b>Total finance costs</b>	<b>10,410,104</b>	<b>5,500,752</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013**
	£	£
Net revenue after taxation	7,567,562	3,788,157
Capitalised fees less tax relief paid from capital	2,839,312	1,711,948
Equalisation on conversions	3,209	4
Undistributed revenue brought forward	130	-
Undistributed revenue carried forward	(109)	(130)
	<b>10,410,104</b>	<b>5,499,979</b>

\*\*Notes 1 to 6 are for the period 4 October 2012 to 30 June 2013

## Notes to the Financial Statements (continued)

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	458,068	320,177
Amount receivable for issue of shares	573,124	3,456,195
Sales awaiting settlement	563,427	81,610
	<b>1,594,619</b>	<b>3,857,982</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	2,785,852	2,627,689
Cash held in BNY Mellon Sterling Liquidity Fund	1,622,494	4,889,581
	<b>4,408,346</b>	<b>7,517,270</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	251,481	279,643
Amount payable for cancellation of shares	119,935	477,548
Purchases awaiting settlement	281,040	162,761
	<b>652,456</b>	<b>919,952</b>

### 10 Related party transactions

ACD's periodic charge, collection charges, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3, and 5, details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £214,353 (30/06/13: £2,711,769).

### 11 Financial instruments

#### 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.

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	1,872,000	3,593,416	5,465,416	8,965,807
Brazil	13,914,952	-	13,914,952	30,046,915
Chile	7,140,755	-	7,140,755	9,399,808
China	4,104,766	-	4,104,766	5,474,332
Czech Republic	8,475,790	-	8,475,790	4,480,292
Hong Kong	39,377,554	167,130	39,544,684	38,437,503
Indonesia	2,422,266	-	2,422,266	6,874,131
Malaysia	17,499,684	32,956	17,532,640	17,364,561
Mexico	20,056,006	94,946	20,150,952	15,176,014
Poland	5,965,563	-	5,965,563	6,702,214
Philippines	13,495,553	-	13,495,553	12,279,950
South Africa	28,777,251	-	28,777,251	33,314,629
Sweden	4,005,574	-	4,005,574	3,775,365
Tawain	22,323,696	181,250	22,504,946	12,237,434
Thailand	18,567,145	14,906	18,582,051	32,021,909
Turkey	-	-	-	1,296,817
United States	11,766,003	-	11,766,003	13,915,540
<b>Total</b>	<b>219,764,558</b>	<b>4,084,604</b>	<b>223,849,162</b>	<b>251,763,221</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	60,135,964	263,755,611
Commissions	95,023	296,230
Taxes	45,814	187,477
Total purchase costs	140,837	483,707
<b>Gross purchases total</b>	<b>60,276,801</b>	<b>264,239,318</b>
Analysis of total sales proceeds:		
Sales before transaction costs	56,257,217	21,478,972
Commissions	(115,114)	(17,838)
Taxes	(19,026)	(865)
Total sales costs	(134,140)	(18,703)
<b>Total sales net of transaction costs</b>	<b>56,123,077</b>	<b>21,460,269</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)



## Notes to the Financial Statements (continued)

### 14 Stock lending

As at 30 June 2014, £1,444,240 of investments were subject to stock lending agreements and the Fund held £1,528,554 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £2,086,225 of investments were subject to stock lending agreements and the Fund held £2,269,816 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £24,696 (30/06/13: £2,191) and £4,939 (30/06/13: £442).

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Sterling Accumulation Shares, X Shares (Net Income), X Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Institutional Shares (Income), Institutional Shares (Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Sterling Accumulation Shares	1.50%	0.10%
X Shares (Net Income)	0.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Institutional Shares (Income)	1.00%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 263. The distributions are given in the distribution statements on pages 269 to 272. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON EUROPEAN HIGHER INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £0m

Comparative Index: FTSE World Europe ex UK TR GBP

Sector: IMA Europe Excluding UK

Yield as at 13 December 2013:

Sterling Income Shares	4.19%
Institutional Shares (Income)	4.25%
Institutional Shares (Accumulation)	4.12%
Institutional Shares W (Net Income)	4.22%
Institutional Shares W (Net Accumulation)	4.10%
Retail Advised Shares B (Net Income)	4.20%
Retail Advised Shares B (Net Accumulation)	4.04%

Key Dates: Fund Launch 30 January 2007

**Investment Objective**

To achieve income together with long-term capital growth predominantly through investments in European securities (excluding UK). The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	13/12/2013	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	7.34%	26.02%	-17.21%	20.13%	7.64%
Institutional Shares (Income)	7.61%	26.75%	-16.74%	20.81%	8.26%
Institutional Shares (Accumulation)	7.67%	26.84%	-16.75%	20.79%	8.35%
X Shares (Net Income)*	n/a	28.00%	-15.92%	n/a	n/a
Institutional Shares W (Net Income)*	7.74%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.78%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	7.60%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	7.60%	n/a	n/a	n/a	n/a
FTSE World Europe ex UK TR GBP	8.36%	27.85%	-20.03%	29.56%	15.86%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Shareholders were given pre-notification of the closure of the Fund on 11 October 2013, a reminder on 8 November 2013, a final reminder on 22 November 2013 and the Fund closed on 13 December 2013.

Until its closure, over the period under review the Sterling Income Share Class of the Fund returned 7.34% against 8.36% for the FTSE World Europe Ex UK Index.

Up until its closure, the Fund posted a positive return but underperformed its comparative index. The Fund's holding in Zurich Insurance dragged on performance, while not holding the Spanish bank Santander and Finnish handset manufacturer, Nokia, was also disadvantageous. Meanwhile, Orkla, a Norwegian conglomerate, was the weakest performer over the period. Unfortunately, these aspects detracted from very strong performances from stocks such as French automotive parts company Valeo, which contributed notably to performance on account of improving economic optimism for Europe and the rest of the world. Further significant contributors included the German post and express group Deutsche Post, which rallied for similar reasons. Leading German telecoms provider Deutsche Telekom also performed well following strong second quarter results and signs that its restructured US business is gaining traction. The position in the Swedish investment company, Kinnevik Investment, was another notable positive.

The table below shows the top ten purchases and sales for the year

#### Purchases

Deutsche Boerse  
Millicom International Cellular SDR  
Total  
Aegon  
TeliaSonera  
Roche  
Ziggo  
Vinci  
Daimler  
Ericsson

#### Sales

Deutsche Telekom  
Total  
Roche  
Novartis  
Vinci  
Axa  
Valeo  
Deutsche Post  
Vivendi  
Cie de Saint-Gobain

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	89.69	72.00	4.2414
2011	88.58	61.01	3.9560
2012	74.42	62.66	3.5356
2013 (to 13 December)	88.87	74.18	3.3499
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	91.16	73.26	4.3781
2011	90.51	62.53	4.0974
2012	76.68	64.38	3.6715
2013 (to 13 December)	91.96	76.44	3.4969
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	103.07	85.61	5.0399
2011	108.73	78.23	4.9618
2012	101.17	81.31	4.6613
2013 (to 13 December)	126.94	101.08	4.6905
<b>X Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010 (to 28 April)	91.06	80.04	0.4680
2010 (from 12 November)	105.12	96.67	0.5762
2011	110.24	76.59	4.9842
2012	94.97	79.27	4.5148
2013 (to 30 October)	114.85	94.70	4.3552
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	110.11	99.49	0.4911
2013 (to 13 December)	132.32	109.76	4.9985
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	110.37	99.49	0.4916
2013 (to 13 December)	138.74	110.28	5.1137
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 October)	106.26	97.03	0.2224
2013 (to 13 December)	127.44	105.94	4.8031
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 October)	106.26	97.03	0.2224
2013 (to 13 December)	133.20	106.16	4.8359
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 20 September)	106.04	96.82	0.4349
2013 (to 23 September)	122.59	105.70	4.4963

\*\*\*P Shares (Net Income) share class closed 23 September 2013

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	8,878,904	64.77	13,707,993
30/06/2013	9,369,048	77.97	12,015,757
<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2012	3,532,466	66.57	5,306,426
30/06/2013	1,884,773	80.54	2,340,121
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	53,488	87.40	61,196
30/06/2013	66,730	110.87	60,188
<b>X Shares (Net Income)**</b>		<b>Pence</b>	
30/06/2012	3,125,692	82.04	3,810,001
30/06/2013	10,889,296	100.25	10,861,738
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	647,289	115.79	559,007
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	15,612	121.06	12,896
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,632	111.62	5,046
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	5,818	116.35	5,001
<b>P Shares (Net Income)***</b>		<b>Pence</b>	
30/06/2013	36,939	111.37	33,167

**Ongoing Charges**

Share Class	30/06/2014* %	30/06/2013 %
Sterling Income Shares	1.72	1.75
Institutional Shares (Income)	1.15	1.18
Institutional Shares (Accumulation)	1.15	1.17
X Shares (Net Income)	0.15	0.18
Institutional Shares W (Net Income)	0.90	0.93
Institutional Shares W (Net Accumulation)	0.90	0.92
Retail Advised Shares B (Net Income)	1.22	1.25
Retail Advised Shares B (Net Accumulation)	1.22	1.25
P Shares (Net Income)	n/a	1.18

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

\* calculated as at 13th December 2013.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		3,513,476	3,781,592
Revenue	2	147,112		1,174,534
Expenses	3	(99,566)		(211,577)
Finance costs: Interest	5	-		(370)
Net revenue before taxation		47,546		962,587
Taxation	4	(2,293)		(99,574)
Net revenue after taxation			45,253	863,013
<b>Total return before distributions</b>			<b>3,558,729</b>	<b>4,644,605</b>
Finance costs: Distributions	5		(110,348)	(1,040,877)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>3,448,381</b>	<b>3,603,728</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		22,921,137	15,590,550
Amounts receivable on issue of shares	12,296,175		16,809,547
Amounts payable on cancellation of shares	(38,727,211)		(13,123,792)
		(26,431,036)	3,685,755
Amounts payable to Shareholders at termination		(1,239)	-
Dilution adjustment		62,439	37,120
Change in net assets attributable to Shareholders from investment activities (see above)		3,448,381	3,603,728
Retained distributions on accumulation shares		318	3,984
<b>Closing net assets attributable to Shareholders</b>		<b>-</b>	<b>22,921,137</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			-	21,917,945
Debtors	7	42,696	2,112,898	
Cash and bank balances	8	<u>61,517</u>	<u>1,127,070</u>	
Total other assets			<u>104,213</u>	<u>3,239,968</u>
Total assets			104,213	25,157,913
<b>LIABILITIES</b>				
Creditors	9	(104,213)	(1,493,753)	
Distribution payable on income shares		<u>-</u>	<u>(743,023)</u>	
Total other liabilities			<u>(104,213)</u>	<u>(2,236,776)</u>
Total liabilities			(104,213)	(2,236,776)
<b>Net assets attributable to Shareholders</b>			<u>-</u>	<u>22,921,137</u>



**Distribution Statement**

for the year ended 30 June 2014

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.2486	0.0249	0.2237	0.0000	0.2237	0.3650
Group 2	0.1653	0.0165	0.1488	0.0749	0.2237	0.3650
Institutional Shares (Income)						
Group 1	0.2732	0.0273	0.2459	0.0000	0.2459	0.3880
Group 2	0.2189	0.0219	0.1970	0.0489	0.2459	0.3880
Institutional Shares (Accumulation)						
Group 1	0.3761	0.0376	0.3385	0.0000	0.3385	0.5087
Group 2	0.3761	0.0376	0.3385	0.0000	0.3385	0.5087
X Shares (Net Income)						
Group 1	0.3449	0.0345	0.3104	0.0000	0.3104	0.4806
Group 2	0.1290	0.0129	0.1161	0.1943	0.3104	0.4806
Institutional Shares W (Net Income)						
Group 1	0.3907	0.0391	0.3516	0.0000	0.3516	0.2434
Group 2	0.2142	0.0214	0.1928	0.1588	0.3516	0.2434
Institutional Shares W (Net Accumulation)						
Group 1	0.4181	0.0418	0.3763	0.0000	0.3763	0.2434
Group 2	0.2530	0.0253	0.2277	0.1486	0.3763	0.2434
Retail Advised Shares B (Net Income)						
Group 1	0.3744	0.0374	0.3370	0.0000	0.3370	n/a
Group 2	0.0828	0.0083	0.0745	0.2625	0.3370	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.3708	0.0371	0.3337	0.0000	0.3337	n/a
Group 2	0.3708	0.0371	0.3337	0.0000	0.3337	n/a
P Shares (Net Income)						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.1957
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.1957

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	3,649,254	3,854,291
Currency exchange losses	(120,868)	(62,279)
Activity charges	(14,910)	(10,420)
<b>Net capital gains</b>	<b>3,513,476</b>	<b>3,781,592</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
Overseas dividends	140,956	1,163,885
Bank interest	6,023	1,397
Stock lending	133	9,252
<b>Total revenue</b>	<b>147,112</b>	<b>1,174,534</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	76,176	177,875
Administration fees	6,369	12,950
Expense cap	(15,651)	-
Registrar's disbursement fees	31	920
Safe custody charges	1,819	3,450
	<b>68,744</b>	<b>195,195</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	3,168	6,136
Distribution reconciliation service	-	186
	<b>3,168</b>	<b>6,322</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	5,760	7,320
- Non-audit services (tax compliance fee)†	2,532	2,454
Financial Conduct Authority fee	218	286
Expenses associated with making tax reclaims	19,144	-
	<b>27,654</b>	<b>10,060</b>
<b>Total expenses</b>	<b>99,566</b>	<b>211,577</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £4,800 (2013: £6,100) and £2,110 (2013: £2,050) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	20,718	99,574
Prior year adjustment	8,541	-
Repayment of French withholding tax	(26,966)	
<b>Total tax charge (see note 4b)</b>	<b><u>2,293</u></b>	<b><u>99,574</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>47,546</u>	<u>962,587</u>
<b>Corporation tax @ 20%</b>	9,509	192,517
Effects of:		
Dividends not subject to corporation tax	(28,191)	(232,777)
Excess management expenses	18,681	40,260
Repayment of French withholding tax	(26,966)	
Overseas tax withheld	20,718	99,574
Prior year adjustment	8,542	-
<b>Total tax charge (see note 4a)</b>	<b><u>2,293</u></b>	<b><u>99,574</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £1,258,950 (30/06/13: £1,165,544), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £251,790 (30/06/13: £233,109).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 30 September - Sterling Income Shares	27,250	49,403
Interim dividend 30 September - Institutional Shares (Income)	5,608	18,600
Interim dividend 30 September - Institutional Shares (Accumulation)	204	311
Interim dividend 30 September - X Shares (Net Income)	61,497	17,606
Interim dividend 30 September - Institutional Shares W (Net Income)	2,077	12
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	97	12
Interim dividend 30 September - Retail Advised Shares B (Net Income)	61	-
Interim dividend 30 September - Retail Advised Shares B (Net	17	-
Interim dividend 30 September - P Shares (Net Income)	-	10
Interim dividend 31 December - Sterling Income Shares	-	19,914
Interim dividend 31 December - Institutional Shares (Income)	-	8,032
Interim dividend 31 December - Institutional Shares (Accumulation)	-	138
Interim dividend 31 December - X Shares (Net Income)	-	17,924
Interim dividend 31 December - Institutional Shares W (Net Income)	-	16
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	-	12
Interim dividend 31 December - Retail Advised Shares B (Net Income)	-	11
Interim dividend 31 December - Retail Advised Shares B (Net	-	11
Interim dividend 31 December - P Shares (Net Income)	-	96

**Notes to the Financial Statements (continued)****5 Finance costs (continued)****Distributions (continued)**

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 March - Sterling Income Shares	-	74,239
Interim dividend 31 March - Institutional Shares (Income)	-	16,292
Interim dividend 31 March - Institutional Shares (Accumulation)	-	489
Interim dividend 31 March - X Shares (Net Income)	-	83,492
Interim dividend 31 March - Institutional Shares W (Net Income)	-	2,167
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	-	162
Interim dividend 31 March - Retail Advised Shares B (Net Income)	-	42
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	-	42
Interim dividend 31 March - P Shares (Net Income)	-	287
Final dividend 30 June - Sterling Income Shares	-	304,359
Final dividend 30 June - Institutional Shares (Income)	-	61,475
Final dividend 30 June - Institutional Shares (Accumulation)	-	2,131
Final dividend 30 June - X Shares (Net Income)	-	354,886
Final dividend 30 June - Institutional Shares W (Net Income)	-	20,916
Final dividend 30 June - Institutional Shares W (Net Accumulation)	-	493
Final dividend 30 June - Retail Advised Shares B (Net Income)	-	183
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	-	183
Final dividend 30 June - P Shares (Net Income)	-	1,204
	<b>96,811</b>	<b>1,055,150</b>
Amounts added on issue of shares	(17,850)	(75,394)
Amounts deducted on cancellation of shares	31,387	61,121
<b>Net distributions for the year</b>	<b>110,348</b>	<b>1,040,877</b>
Interest	-	370
<b>Total finance costs</b>	<b>110,348</b>	<b>1,041,247</b>

**6 Net movement between revenue after taxation and distributions**

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	45,253	863,013
ACD's periodic charge less tax relief paid from capital	76,176	177,875
Equalisation on conversions	11	(4)
Undistributed revenue brought forward	15	8
Undistributed revenue carried forward	(11,107)	(15)
	<b>110,348</b>	<b>1,040,877</b>

**7 Debtors**

	30/06/2014	30/06/2013
	£	£
Accrued revenue	-	67,276
Amount receivable for issue of shares	-	890,575
Overseas tax recoverable	42,696	103,388
Sales awaiting settlement	-	1,051,659
	<b>42,696</b>	<b>2,112,898</b>

## Notes to the Financial Statements (continued)

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	61,517	560,075
Cash held in BNY Mellon Sterling Liquidity Fund	-	566,995
	<b>61,517</b>	<b>1,127,070</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	8,292	26,275
Amount due to Shareholders at termination	1,239	-
Amount payable for cancellation of shares	-	23,828
Amount re-payable to ACD	86,141	-
Corporation tax payable	8,541	-
Purchases awaiting settlement	-	1,443,650
	<b>104,213</b>	<b>1,493,753</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, expenses cap, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due at 30 June 2014 in respect of these transactions was nil (30/06/13:£851,027 due from the ACD).

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets/Liabilities	Total	Total
	£	£	£	£
United Kingdom	-	(42,697)	(42,697)	751,386
Denmark	-	-	-	262,544
Europe	-	19,823	19,823	15,088,834
Norway	-	-	-	823,790
Poland	-	-	-	244,348
Sweden	-	-	-	2,135,115
Switzerland	-	22,874	22,874	3,615,120
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,921,137</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		13,306,997		22,221,231
Commissions	4,503		17,348	
Taxes	8,497		-	
Total purchase costs		13,000		17,348
<b>Gross purchases total</b>		<b>13,319,997</b>		<b>22,238,579</b>
Analysis of total sales proceeds:				
Sales before transaction costs		38,897,223		20,018,066
Commissions	(9,817)		(11,991)	
Taxes	(217)		(23)	
Total sales costs		(10,034)		(12,014)
<b>Total sales net of transaction costs</b>		<b>38,887,189</b>		<b>20,006,052</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 no investments were subject to stock lending agreements (30/06/13: nil).

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £166 (30/06/13: £11,801) and £33 (30/06/13: £2,549).

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund had nine share classes; Sterling Income Shares, Institutional Shares (Income), Institutional Shares (Accumulation), X Shares (Net Income), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and P Shares (Net Income). Each share class suffered a different annual ACD charge and Administration fee which was payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Income)	1.00%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%
P Shares (Net Income)	1.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The distributions are given in the distribution statement on page 286. All share classes had the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL BALANCED FUND**

**Annual Report  
for the year ended  
30 June 2014**



**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £498.24m

Comparative Index: CAPS Pooled Fund Median (Net)

Sector: IMA Mixed Investment 40-85% Shares

Yield as at 30 June 2014:

Exempt Shares 1 (Net Accumulation) 2.30%

Exempt Shares 2 (Net Accumulation) 2.22%

Key Dates: Fund Launch 23 September 1998  
 Converted to ICVC 02 August 2004

**Investment Objective**

To maximise returns by investing predominantly in a worldwide portfolio of equities and fixed interest securities. The Fund may also invest in derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Exempt Shares 1 (Net Accumulation)	8.08%	14.23%	-3.79%	15.80%	17.51%
Exempt Shares 2 (Net Accumulation)	7.99%	14.14%	-3.87%	15.71%	17.42%
CAPS Pooled Fund Median (Net)	8.56%	15.83%	-4.08%	19.29%	18.15%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Exempt Shares 1 (Net Accumulation) Share Class of the Fund returned +8.08% against +8.56% for the CAPS Pooled Fund Median (Net).

The Fund delivered a positive return but underperformed the benchmark over the 12-month period. Within equities, healthcare was an underperforming sector for the Fund with the most significant negative impact resulting from a lack of exposure to takeover targets AstraZeneca and Shire, as their shares were boosted in the final quarter of the review period by merger and acquisition activity. Our exposure to oil and gas and telecommunications was positive as a focus on disciplined capital management proved beneficial for our holding in Total of France and in telecoms both Sprint and Softbank performed strongly. In US technology, Cisco Systems' results were a disappointment and it damaged performance. Our fixed-interest positioning was also a negative, as our exposure was negatively impacted by the strength of sterling. Our holding in Associated British Foods was one of the top performers as strong results and the growth opportunity at its Primark retail holding, helped the share price. The decision to avoid HSBC also assisted returns as the bank performed poorly.

The Fund added exposure to Zurich Insurance of Switzerland. Meanwhile, a new position was initiated in Walt Disney to take advantage of the company's strong brand profile and the potential for the ESPN and Star Wars franchises. Softbank, the Japanese technology company, was sold on valuation grounds, but subsequently added back on a subsequent drop in the share price. New fixed-income positions were also added in New Zealand 2017 and US 2039 government bonds. We cut the position in UK utility SSE on the expectation of heightened political interference in the energy industry. Our long-standing holding in US tobacco manufacturer Altria Group was sold, principally on the grounds of valuation.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
New Zealand Government 6.00% Bonds 2017	Softbank
USA Treasury Bonds 4.375% 2039	SSE
Vodafone	Verizon Communications
Walt Disney	Altria
Zurich Insurance	BB Biotech
MTU Aero Engines	GlaxoSmithKline
Royal Dutch Shell B	RWC Partners Global Convertibles Fund B
Toyota Motor	SES FDR
Equifax	New Zealand Government 6.00% Bonds 2021
Barclays	Source Physical Markets Secured Gold Linked Note (USD)

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	269.63	230.29	6.9568
2011	276.34	242.14	7.2416
2012	279.59	252.27	7.4019
2013	316.92	277.00	7.3967
2014	326.89	306.05	4.9221
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	182.94	156.31	4.5884
2011	187.42	164.19	4.7713
2012	189.44	170.98	4.8715
2013	214.55	187.64	4.8428
2014	221.19	207.14	3.2455
<b>X Shares (Net Accumulation)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	275.63	234.95	8.1062
2011	283.08	248.29	8.4993
2012	287.85	259.32	8.7136
2013	327.67	285.45	8.8874
2014 (to 15 May)	335.90	316.77	N/A

\*\*X Shares (Net Accumulation) share class closed 15 May 2014

<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 June)	106.66	98.45	0.8872
2013 (to 23 September)	119.37	104.70	1.5957

\*\*\*P Shares (Net Income) share class closed 23 September 2013

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 1 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	460,855,349	260.83	176,691,129
30/06/2013	479,959,593	298.07	161,022,273
30/06/2014	475,691,450	322.04	147,709,807
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	18,712,602	176.76	10,586,487
30/06/2013	21,645,347	201.84	10,724,161
30/06/2014	22,550,792	217.90	10,349,309
<b>X Shares (Net Accumulation)**</b>		<b>Pence</b>	
30/06/2012	15,225,002	268.24	5,675,834
30/06/2013	17,232,340	307.77	5,599,068

\*\*X Shares (Net Accumulation) share class closed 15 May 2014

<b>P Shares (Net Income)***</b>		<b>Pence</b>	
30/06/2012	14,944	99.63	15,000
30/06/2013	16,627	110.85	15,000

\*\*\*P Shares (Net Income) share class closed 23 September 2013

**Statistics (continued)****Ongoing Charges**

	<b>30/06/2014</b>	<b>30/06/2013</b>
<b>Share Class</b>	<b>%</b>	<b>%</b>
Exempt Shares 1 (Net Accumulation)	0.55	0.55
Exempt Shares 2 (Net Accumulation)	0.65	0.65

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 8.65% (8.39%)</b>			
Australia 5.50% Bonds 2023	AUD3,950,000	2,515,932	0.50
Australia 4.75% Bonds 2027	AUD6,435,000	3,910,120	0.78
New Zealand Government 6.00% Bonds 2017	NZD14,030,000	7,641,593	1.53
Norway 3.75% Bonds 2021	NOK113,633,000	11,990,747	2.41
USA Treasury Bonds 4.375% 2039	USD24,386,000	17,009,742	3.43
<b>Sterling Denominated Corporate Bonds 2.68% (2.99%)</b>			
British Telecommunications 3.50% Index Linked 2025	£1,055,000	1,959,262	0.39
Crown Newco 7.00% Bonds 2018	£330,000	347,388	0.07
EDF Energy Networks 3.125% Index Linked 2032	£403,000	752,603	0.15
Firstgroup 8.75% Bonds 2021	£644,000	816,260	0.16
Imperial Tobacco Finance 8.125% Notes 2024	£685,000	898,477	0.18
Juturna 5.0636% Bonds 2033	£900,000	954,467	0.19
Lloyds Banking 7.625% Bonds 2049	£1,554,000	1,653,456	0.33
Tesco 1.982% Index Linked 2036	£640,000	862,227	0.17
Tesco Property Finance 5.744% Bonds 2040	£1,880,000	2,020,838	0.41
Thames Water Utilities 3.375% Index Linked Notes 2021	£940,000	1,605,520	0.32
Transport for London 3.625% Bonds 2045	£1,660,000	1,557,591	0.31
<b>Non Sterling Denominated Corporate Bonds 2.24% (3.43%)</b>			
Ineos Finance FRN 2019	EUR1,800,000	1,506,167	0.30
BAT International Finance 9.50% Bonds 2018	USD1,709,000	1,298,941	0.26
Prudential 11.75% FRN 2049	USD2,028,000	1,239,264	0.25
Smiths 7.20% Bonds 2019	USD1,178,000	808,888	0.16
Gtech 8.25% Bonds 2066	EUR1,138,000	981,182	0.20
Rexel 7.00% Bonds 2018	EUR1,550,000	1,341,212	0.27
Sunrise Communications International 7.00% Bonds 2017	CHF1,176,000	814,733	0.16
Treasury Corporation of Victoria 5.50% Bonds 2026	AUD3,397,000	2,131,955	0.43
Unitymedia 7.50% Bonds 2019	EUR1,200,000	1,026,125	0.21
<b>United Kingdom 27.11% (28.17%)</b>			
Associated British Foods	87,205	2,658,008	0.53
BAE Systems	860,281	3,722,436	0.75
Barclays	1,469,048	3,124,665	0.63
BHP Billiton	442,864	8,367,915	1.68
BP	1,980,007	10,195,056	2.05
British American Tobacco	182,771	6,356,775	1.28
Bunzl	231,222	3,748,109	0.75
Cable & Wireless Communications	3,144,344	1,548,275	0.31
Centrica	2,850,153	8,906,728	1.79
Cobham	936,423	2,924,449	0.59
Dixons	5,277,669	2,627,751	0.53
GlaxoSmithKline	1,064,879	16,649,379	3.35
Intermediate Capital	1,064,610	4,155,173	0.83
Mitchells & Butlers	637,206	2,481,917	0.50
Prudential	286,273	3,838,921	0.77
Royal Dutch Shell B	612,598	15,575,300	3.13
Smith & Nephew	556,719	5,778,743	1.16
Smiths	295,414	3,828,565	0.77
Standard Chartered	344,474	4,113,020	0.83
Standard Life	881,292	3,296,032	0.66
Vodafone	5,517,931	10,757,206	2.16
Whitbread	62,937	2,769,857	0.56
Wolseley	83,382	2,670,725	0.54
Wood (John)	594,195	4,789,212	0.96
<b>Commodities 1.08% (2.02%)</b>			
Source Physical Markets Secured Gold Linked Note (USD)	71,145	5,403,750	1.08

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Canada 0.98% (0.70%)</b>			
Intact Financial	73,030	2,948,873	0.59
Yamana Gold	405,489	1,952,584	0.39
<b>United States of America 18.06% (15.73%)</b>			
Abbott Laboratories	219,707	5,252,871	1.05
Accenture	97,260	4,596,649	0.92
Apache	52,341	3,079,513	0.62
Citigroup	256,073	7,052,360	1.42
Dollar General	151,128	5,068,977	1.02
eBay	127,860	3,743,411	0.75
EMC	241,866	3,724,497	0.75
Equifax	94,064	3,990,094	0.80
Express Scripts	77,307	3,134,147	0.63
Intuit	105,886	4,986,987	1.00
Kraft Foods	122,157	4,283,014	0.86
Medtronic	147,473	5,500,104	1.10
Microsoft	255,469	6,230,405	1.25
Pfizer	216,596	3,758,460	0.75
PNC Financial	84,632	4,407,190	0.88
Principal Financial	149,073	4,400,219	0.88
Sprint	352,198	1,754,965	0.35
Sysco	237,748	5,207,277	1.05
TJX Companies	111,070	3,452,566	0.69
Walt Disney	128,401	6,437,885	1.29
<b>Australia 0.43% (0.80%)</b>			
Newcrest Mining	371,781	2,158,976	0.43
<b>Hong Kong 0.79% (0.97%)</b>			
AIA	1,331,600	3,918,854	0.79
<b>Japan 3.52% (4.09%)</b>			
Japan Tobacco	178,800	3,812,044	0.77
Sawai Pharmaceutical	73,400	2,529,773	0.51
Softbank	87,600	3,814,691	0.77
Sugi	119,800	3,195,287	0.64
Toyota Motor	117,500	4,127,035	0.83
<b>South Africa 0.49% (0.00%)</b>			
Naspers	35,575	2,447,036	0.49
<b>Denmark 0.81% (0.80%)</b>			
TDC	670,194	4,056,230	0.81
<b>France 4.78% (4.58%)</b>			
Air Liquide	60,159	4,749,262	0.95
L'Oreal	24,040	2,420,667	0.49
Sanofi	125,960	7,824,832	1.57
Total	208,833	8,817,582	1.77
<b>Germany 4.88% (3.83%)</b>			
Bayer	120,521	9,973,919	2.00
Deutsche Telekom	626,977	6,443,771	1.29
MTU Aero Engines	73,686	3,954,413	0.79
Siemens	51,473	3,988,942	0.80

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Ireland 0.64% (0.00%)</b>			
CRH	211,040	3,165,600	0.64
<b>Italy 0.75% (0.00%)</b>			
Pirelli	400,233	3,756,065	0.75
<b>Netherlands 2.29% (1.58%)</b>			
Reed Elsevier	418,884	5,616,575	1.13
Wolters Kluwer	333,589	5,773,771	1.16
<b>Norway 0.93% (0.79%)</b>			
DNB	433,209	4,628,481	0.93
<b>Sweden 2.43% (1.73%)</b>			
Ericsson (LM)	687,458	4,853,304	0.97
Millicom International Cellular SDR	64,982	3,470,536	0.70
TeliaSonera	885,277	3,780,122	0.76
<b>Switzerland 5.85% (6.29%)</b>			
BB Biotech	666	69,091	0.01
Nestle	120,578	5,463,125	1.10
Novartis	169,472	8,969,315	1.80
Roche	57,241	9,985,026	2.00
Zurich Insurance	26,643	4,693,246	0.94
<b>Derivatives 0.31% (0.18%)</b>			
<b>AUD Forward Foreign Currency Contracts 0.01% (0.05%)</b>			
AUD Forward Currency Contract 11/07/14	AUD(14,000,000)	(7,728,103)	(1.55)
AUD Forward Currency Contract 11/07/14	£7,792,276	7,792,276	1.56
<b>EUR Forward Foreign Currency Contracts 0.30% (-0.21%)</b>			
EUR Forward Currency Contract 14/08/14	EUR(69,847,000)	(55,950,515)	(11.23)
EUR Forward Currency Contract 14/08/14	£57,446,524	57,446,524	11.53
<b>Portfolio of investments*</b>		<b>446,913,458</b>	<b>89.70</b>
<b>Net current assets</b>		<b>51,328,784</b>	<b>10.30</b>
<b>Total Net Assets</b>		<b>498,242,242</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Investment Trusts, Collective Investment Schemes, China and Belgium portfolio categories, which, at 30 June 2013, represented 0.30%, 1.66%, 0.99% and 0.45% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

SDR = Swedish Depositary Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		28,236,654	55,593,832
Revenue	2	15,822,837	17,838,942	
Expenses	3	(2,816,728)	(2,814,432)	
Finance costs: Interest	5	-	-	
Net revenue before taxation		13,006,109	15,024,510	
Taxation	4	(573,795)	(1,090,691)	
Net revenue after taxation			12,432,314	13,933,819
<b>Total return before distributions</b>			<b>40,668,968</b>	<b>69,527,651</b>
Finance costs: Distributions	5		(12,432,361)	(13,933,693)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>28,236,607</b>	<b>55,593,958</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		518,853,907	494,807,897
Amounts receivable on issue of shares	11,663,297	13,152,673	
Amounts payable on cancellation of shares	(72,478,282)	(58,278,131)	
		(60,814,985)	(45,125,458)
Dilution adjustment		51,186	28,259
Stamp Duty Reserve Tax		(26,815)	(36,030)
Change in net assets attributable to Shareholders from investment activities (see above)		28,236,607	55,593,958
Retained distributions on accumulation shares		11,942,342	13,585,281
<b>Closing net assets attributable to Shareholders</b>		<b>498,242,242</b>	<b>518,853,907</b>



**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			446,913,458		471,754,341
Debtors	7	4,852,183		3,259,716	
Cash and bank balances	8	<u>46,986,319</u>		<u>46,849,006</u>	
Total other assets			<u>51,838,502</u>		<u>50,108,722</u>
Total assets			498,751,960		521,863,063
<b>LIABILITIES</b>					
Investment liabilities			-		(2,347,448)
Creditors	9	(509,718)		(661,469)	
Distribution payable on income shares		<u>-</u>		<u>(239)</u>	
Total other liabilities			<u>(509,718)</u>		<u>(661,708)</u>
Total liabilities			(509,718)		(3,009,156)
<b>Net assets attributable to Shareholders</b>			<u><b>498,242,242</b></u>		<u><b>518,853,907</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

					Period	
					Group 1: Shares purchased prior to 1 January 2014	
					Group 2: Shares purchased 1 January 2014 to 30 June 2014	
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Exempt Shares 1 (Net Accumulation)						
Group 1	5.4690	0.5469	4.9221	0.0000	4.9221	4.8185
Group 2	3.3590	0.3359	3.0231	1.8990	4.9221	4.8185
Exempt Shares 2 (Net Accumulation)						
Group 1	3.6061	0.3606	3.2455	0.0000	3.2455	3.1819
Group 2	2.2070	0.2207	1.9863	1.2592	3.2455	3.1819

**Interim dividend distribution in pence per Share**

					Period	
					Group 1: Shares purchased prior to 1 July 2013	
					Group 2: Shares purchased 1 July 2013 to 31 December 2013	
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 1 (Net Accumulation)						
Group 1	2.8647	0.2865	2.5782	0.0000	2.5782	2.8173
Group 2	1.5100	0.1510	1.3590	1.2192	2.5782	2.8173
Exempt Shares 2 (Net Accumulation)						
Group 1	1.8454	0.1845	1.6609	0.0000	1.6609	1.8344
Group 2	0.9581	0.0958	0.8623	0.7986	1.6609	1.8344
X Shares (Net Accumulation)						
Group 1	3.6760	0.3676	3.3084	0.0000	3.3084	3.4665
Group 2	3.6760	0.3676	3.3084	0.0000	3.3084	3.4665

				<b>Utilised foreign tax (£)</b>	<b>foreign tax (pence per share)</b>
<b>Final distributions for 30 June 2014</b>	<b>Franked (%)</b>	<b>Unfranked (%)</b>			
Exempt Shares 1 (Net Accumulation)	97.74	2.26		n/a	n/a
Exempt Shares 2 (Net Accumulation)	100.00	0.00		n/a	n/a

**Interim distributions for 31 December 2013**

Exempt Shares 1 (Net Accumulation)	95.22	4.78	n/a	n/a
Exempt Shares 2 (Net Accumulation)	98.77	1.23	n/a	n/a
X Shares (Net Accumulation)	76.51	23.49	n/a	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	23,723,723	56,068,119
Gains on derivative contracts	-	1,256,227
Gains/(losses) on forward currency contracts	4,518,219	(1,708,468)
Currency exchange gains/(losses)	3,842	(8,612)
Activity charges	(9,130)	(13,434)
<b>Net capital gains</b>	<b>28,236,654</b>	<b>55,593,832</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	6,088,034	6,253,758
Overseas dividends	6,272,450	7,226,719
Bank interest	123,903	74,311
Collective investment scheme distributions	-	34,939
Interest on debt securities	3,237,751	4,191,113
Stock lending	100,699	58,102
<b>Total revenue</b>	<b>15,822,837</b>	<b>17,838,942</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	2,558,547	2,543,611
Administration fees	156,731	156,326
Collection charges	3,321	4,317
Registrar's disbursement fees	1,522	6,613
Safe custody charges	41,246	48,605
	<b>2,761,367</b>	<b>2,759,472</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	45,114	44,957
	<b>45,114</b>	<b>44,957</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,020	6,840
- Non-audit services (tax compliance fee)†	2,940	2,877
Financial Conduct Authority fee	287	286
	<b>10,247</b>	<b>10,003</b>
<b>Total expenses</b>	<b>2,816,728</b>	<b>2,814,432</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,850 (2013: £5,700) and £2,450 (2013: £1,850) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013 £
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	129,125	356,478
Double tax relief	-	(34,261)
Income tax expense	-	34,261
	<u>129,125</u>	<u>356,478</u>
Overseas tax withheld	445,561	749,508
Prior year adjustment	460	(15,295)
Repayment of French withholding tax	(1,351)	-
<b>Total tax charge (see note 4b)</b>	<u>573,795</u>	<u>1,090,691</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	13,006,109	15,024,510
<b>Corporation tax @ 20%</b>	2,601,222	3,004,902
Effects of:		
Dividends not subject to corporation tax	(2,472,097)	(2,648,424)
Double tax relief	-	(34,261)
Income tax expense	-	34,261
Repayment of French withholding tax	(1,351)	-
Overseas tax withheld	445,561	749,508
Prior year adjustment	460	(15,295)
<b>Total tax charge (see note 4a)</b>	<u>573,795</u>	<u>1,090,691</u>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses (30/06/13: Nil).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013 £
Interim dividend 31 December - Exempt Shares 1 (Net Accumulation)	3,976,346	4,785,679
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	174,623	192,860
Interim dividend 31 December - X Shares (Net Accumulation)	185,062	194,280
Interim dividend 31 December - P Shares (Net Income)	-	130
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	7,270,424	7,758,858
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	335,887	341,232
Final dividend 30 June - X Shares (Net Accumulation)	-	312,372
Final dividend 30 June - P Shares (Net Income)	-	239
	<u>11,942,342</u>	<u>13,585,650</u>
Amounts added on issue of shares	(50,705)	(81,548)
Amounts deducted on cancellation of shares	540,724	429,591
<b>Net distributions for the year</b>	<u>12,432,361</u>	<u>13,933,693</u>
Interest	-	-
<b>Total finance costs</b>	<u>12,432,361</u>	<u>13,933,693</u>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	12,432,314	13,933,819
Undistributed revenue brought forward	136	10
Undistributed revenue carried forward	(89)	(136)
	<b><u>12,432,361</u></b>	<b><u>13,933,693</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	1,745,937	1,823,625
Amount receivable for issue of shares	333,163	338,739
Overseas tax recoverable	502,803	427,335
Sales awaiting settlement	2,270,280	670,017
	<b><u>4,852,183</u></b>	<b><u>3,259,716</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	5,794,293	9,711,142
Cash held in BNY Mellon Sterling Liquidity Fund	41,192,026	37,137,864
	<b><u>46,986,319</u></b>	<b><u>46,849,006</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	246,684	241,169
Amount payable for cancellation of shares	105,361	320,843
Corporation tax payable	50,819	99,457
Purchases awaiting settlement	106,854	-
	<b><u>509,718</u></b>	<b><u>661,469</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £2,263 (30/06/13: £203,669 due to the ACD).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
UK	52,164,991	8,248,477	206,816,648	267,230,116	6.25	18.18
Australia	-	8,558,007	2,226,513	10,784,520	5.16	11.57
Canada	-	-	4,909,057	4,909,057		
Denmark	-	-	4,056,230	4,056,230		
Europe	1,506,167	3,348,519	63,924,904	68,779,590	7.52	3.72
Hong Kong	-	-	3,918,854	3,918,854		
Japan	-	-	17,478,830	17,478,830		
New Zealand	-	7,641,593	17,666	7,659,259	6.00	3.00
Norway	-	11,990,747	4,668,538	16,659,285	3.75	7.00
South Africa	-	-	2,447,036	2,447,036		
Sweden	-	-	12,103,962	12,103,962		
Switzerland	-	814,733	29,652,923	30,467,656	7.00	3.00
Taiwan	940	-	-	940		
United States of America	1,239,264	19,117,571	95,578,408	115,935,243	4.84	22.73
	<b>54,911,362</b>	<b>59,719,647</b>	<b>447,799,569</b>	<b>562,430,578</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(402,864)	(402,864)		
Australia	-	-	(7,728,103)	(7,728,103)		
Europe	-	-	(55,950,515)	(55,950,515)		
Switzerland	-	-	(106,854)	(106,854)		
	<b>-</b>	<b>-</b>	<b>(64,188,336)</b>	<b>(64,188,336)</b>		
<b>Total</b>	<b>54,911,362</b>	<b>59,719,647</b>	<b>383,611,233</b>	<b>498,242,242</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
UK	51,872,257	10,510,306	305,099,178	367,481,741	6.74	15.32
Australia	-	9,069,103	12,903,978	21,973,081	5.16	12.56
Canada	-	-	3,636,403	3,636,403		
Denmark	-	-	4,166,153	4,166,153		
Europe	1,612,773	10,196,199	54,388,272	66,197,244	7.41	11.28
Hong Kong	-	-	7,697,957	7,697,957		
Japan	-	-	37,344,374	37,344,374		
New Zealand	-	8,945,483	72,098	9,017,581	5.77	8.94
Norway	-	13,500,677	4,154,607	17,655,284	3.75	8.00
Sweden	-	-	8,968,653	8,968,653		
Switzerland	-	860,243	33,058,287	33,918,530	7.00	4.00
Taiwan	1,056	-	-	1,056		
United States of America	-	17,132,648	135,002,186	152,134,834	6.72	22.11
	<b>53,486,086</b>	<b>70,214,659</b>	<b>606,492,146</b>	<b>730,192,891</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(66,834,624)	(66,834,624)		
Australia	-	-	(20,726,518)	(20,726,518)		
Europe	-	-	(59,979,682)	(59,979,682)		
Japan	-	-	(16,113,864)	(16,113,864)		
New Zealand	-	-	(7,428,060)	(7,428,060)		
United States of America	-	-	(40,256,236)	(40,256,236)		
	<b>-</b>	<b>-</b>	<b>(211,338,984)</b>	<b>(211,338,984)</b>		
<b>Total</b>	<b>53,486,086</b>	<b>70,214,659</b>	<b>395,153,162</b>	<b>518,853,907</b>		

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
JP Morgan	1,560,182	1,560,182
	<b>1,560,182</b>	<b>1,560,182</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
UK	216,716,706	50,110,545	266,827,251	300,647,117
Australia	2,988,880	67,537	3,056,417	1,246,563
Canada	4,901,457	7,600	4,909,057	3,636,403
Denmark	4,056,230	-	4,056,230	4,166,153
Europe	12,223,970	605,105	12,829,075	6,217,562
Hong Kong	3,918,854	-	3,918,854	7,697,957
Japan	17,478,830	-	17,478,830	21,230,510
New Zealand	7,641,593	17,666	7,659,259	1,589,521
Norway	16,619,228	40,057	16,659,285	17,655,284
South Africa	2,447,036	-	2,447,036	-
Sweden	12,103,962	-	12,103,962	8,968,653
Switzerland	29,994,536	366,267	30,360,803	33,918,530
Taiwan	-	940	940	1,056
United States of America	115,822,176	113,067	115,935,243	111,878,598
<b>Total</b>	<b>446,913,458</b>	<b>51,328,784</b>	<b>498,242,242</b>	<b>518,853,907</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	118,075,871	106,330,839
Commissions	80,606	70,062
Taxes	214,186	79,988
Total purchase costs	294,792	150,050
<b>Gross purchases total</b>	<b>118,370,663</b>	<b>106,480,889</b>
Analysis of total sales proceeds:		
Sales before transaction costs	165,029,858	150,878,173
Commissions	(104,687)	(99,438)
Taxes	(4,839)	(5,095)
Total sales costs	(109,526)	(104,533)
<b>Total sales net of transaction costs</b>	<b>164,920,332</b>	<b>150,773,640</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)



## Notes to the Financial Statements (continued)

### 14 Stock lending

As at 30 June 2014, £18,365,679 of investments were subject to stock lending agreements and the Fund held £18,783,012 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £125,874 (30/06/13: £74,529) and £25,175 (30/06/13: £16,427).

### 15 Shareholders' funds

The Fund currently has two share classes; Exempt Shares 1 (Net Accumulation), and Exempt Shares 2 (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Exempt Shares 2 (Net Accumulation)	0.60%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 296. The distributions are given in the distribution statements on page 303. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL DYNAMIC BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £932.75m

Performance Reference: (1 month GBP LIBOR) + 2%

Sector: IMA Targeted Absolute Return

Distribution Yield as at 30 June 2014:

Sterling Income Shares	3.64%
Exempt Shares 2 (Gross Accumulation)	3.71%
Institutional Shares (Income)	3.71%
X Shares (Net Accumulation)	3.71%
X Shares (Net Income)	3.71%
X Shares (Gross Accumulation)	3.71%
P Shares (Net Income)	3.71%
Institutional Shares W (Net Income)	3.71%
Institutional Shares W (Net Accumulation)	3.71%
Retail Advised Shares B (Net Income)	3.64%
Retail Advised Shares B (Net Accumulation)	3.64%
Exempt Shares 2 (Gross Income)	3.71%

Key Dates: Fund Launch 28 April 2006

**Investment Objective**

To maximise the total return from income and capital growth from a globally diversified portfolio of predominantly higher yielding corporate and government fixed interest securities. The Fund is managed to seek a minimum return of cash (1 month GBP LIBOR) + 2% per annum over 5 years before fees. In so doing we aim to achieve a positive return on a rolling 3 year basis. However, a positive return is not guaranteed and a capital loss may occur. The Fund may also invest in deposits, derivative instruments, forward transactions, approved money market instruments and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	3.31%	5.05%	3.13%	6.17%	21.89%
Exempt Shares 2 (Gross Accumulation)	4.86%	6.90%	5.05%	8.47%	24.80%
Institutional Shares (Income)	3.88%	5.63%	3.71%	6.77%	22.56%
X Shares (Net Accumulation)	4.67%	6.43%	4.49%	7.57%	23.50%
X Shares (Net Income)*	4.67%	6.43%	4.49%	n/a	n/a
X Shares (Gross Accumulation)*	5.28%	7.33%	5.47%	n/a	n/a
P Shares (Net Income)*	3.62%	5.39%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	4.01%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	4.01%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	3.73%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	3.73%	n/a	n/a	n/a	n/a
Exempt Shares 2 (Gross Income)*	4.85%	n/a	n/a	n/a	n/a

Source: Lipper as at 30 June 2014 – Sterling Income; Institutional Shares (Income); X Shares (Net Accumulation); X Shares (Net Income); P Shares (Net Income) – Total return including revenue net of UK tax and annual charges. Exempt Shares 2 (Gross Accumulation); X Shares (Gross Accumulation) – Total return including gross revenue and annual charges. All figures are in Sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +3.31% against +2.49% for LIBOR GBP 1 Month + 2%.

Over the period, the Fund generated a positive return. With investors moderating their expectations for interest rate rises, the Fund's increased bias towards sub-investment grade credit – debt issued by companies rated below BBB- by the credit rating agency Standard & Poor's – proved beneficial as the developed world's improving growth prospects ensured high-yield credit was the best performing fixed income asset class. Meanwhile, investment-grade credit – rated BBB and above – and emerging-market sovereign bonds – debt issued by governments – made small positive contributions to returns while government bond holdings also aided performance. Indeed, the Fund's emerging market debt exposure was positive as investor fears of weakening Chinese economic health were eased. Elsewhere, given the strength of sterling, non-sterling currency positions proved marginally negative.

The two main changes to the Fund were the reduction in duration (interest rate risk) and the reduction in high-yield positions towards the middle of the period. Both of these moves could be described as reducing risk in the face of uncertainty over US Federal Reserve policy. Notable security-specific additions to the Fund included US Treasuries maturing (repayable) in 2017 and 2032, respectively, while the most significant sale was that of a US Treasuries maturing in 2018.

The table below shows the top ten purchases and sales (excluding any derivative and short term cash transactions) for the year

#### Purchases

UK Treasury Stock 1.00% 2017  
 USA Treasury Bonds 2.875% 2043  
 USA Treasury Bonds 3.375% TII 2032  
 Germany 2.50% Bonds 2044  
 Spain 4.85% Bonds 2020  
 Spain 3.75% Bonds 2018  
 Brazil 0.00% LTN 2016  
 Canada 1.25% Bonds 2018  
 USA Treasury Notes 1.50% 2018  
 Portugal 6.40% Bonds 2016

#### Sales

USA Treasury Bonds 2.875% 2043  
 USA Treasury Notes 1.50% 2018  
 Germany 2.50% Bonds 2044  
 Spain 3.75% Bonds 2018  
 Spain 4.85% Bonds 2020  
 USA Treasury Notes 1.50% 2016  
 USA Treasury Notes 1.875% 2014  
 Canada 2.00% Bonds 2016  
 Brazil 0.00% LTN 2016  
 Canada 1.25% Bonds 2018

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	112.15	103.17	5.8674
2011	109.48	103.75	4.4786
2012	111.36	104.15	3.8442
2013	112.62	108.30	2.9830
2014	110.26	108.63	1.2275
<b>Exempt Shares 2 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	154.99	134.22	9.9560
2011	156.79	152.78	8.1669
2012	173.86	155.53	7.4539
2013	180.11	173.09	6.1007
2014	183.59	178.71	2.6035
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	115.31	105.65	6.0852
2011	112.91	107.19	4.6822
2012	115.78	107.73	4.0490
2013	117.29	112.86	3.1720
2014	115.46	113.52	1.3158
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	134.73	117.65	6.9499
2011	135.71	131.98	5.6539
2012	149.21	134.15	5.1303
2013	154.31	148.56	4.1815
2014	156.99	152.93	1.7810
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010 (from 11 October)	100.34	97.79	1.0419
2011	98.84	94.11	4.1008
2012	102.58	94.74	3.5739
2013	104.20	100.37	2.8197
2014	103.42	101.35	1.1768
<b>X Shares (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2011 (from 18 February)	156.96	153.23	7.0124
2012	175.17	156.08	7.4948
2013	181.72	174.41	6.1574
2014	186.04	180.78	2.6353
<b>P Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 June)	104.84	100.00	1.9058
2013	106.12	102.07	2.8692
2014	104.18	102.54	1.1878
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	103.13	100.00	1.1799
2013	104.52	100.59	2.8271
2014	103.03	101.25	1.1739

\*Distributions are shown in the year declared rather than paid

## Statistics (continued)

### Price and Revenue Record by Share Class (continued)

Calendar Year	Highest Price	Lowest Price	Net Revenue per share*
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	103.39	100.00	1.1711
2013	106.67	102.94	2.8889
2014	107.79	105.30	1.2244
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 October)	102.31	100.00	0.8600
2013	103.66	99.74	2.7461
2014	101.93	100.27	1.1339
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 October)	102.31	100.00	0.8600
2013	105.46	101.76	2.7977
2014	106.24	103.90	1.1783
<b>P Shares (Net Accumulation)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	102.14	100.00	0.8634
2013 (to 18 December 2013)	105.26	101.55	2.2431

\*\*P Shares (Net Accumulation) share class closed 18 December 2013

<b>Exempt Shares 2 (Gross Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 June)	100.57	98.48	2.3366
2014	101.19	99.23	1.4400

\*Distributions are shown in the year declared rather than paid

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	292,226,493	106.19	275,189,620
30/06/2013	344,636,186	108.00	319,112,317
30/06/2014	287,144,984	109.17	263,025,078
<b>Exempt Shares 2 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	108,591,749	162.91	66,658,502
30/06/2013	113,920,740	174.29	65,364,295
30/06/2014	131,650,532	182.92	71,972,866
<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2012	14,275,484	110.11	12,964,819
30/06/2013	47,816,026	112.55	42,485,320
30/06/2014	33,844,884	114.34	29,600,312
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	99,674,512	140.16	71,116,149
30/06/2013	150,351,898	149.29	100,714,330
30/06/2014	104,350,611	156.39	66,722,625
<b>X Shares (Net Income)</b>		<b>Pence</b>	
30/06/2012	60,695,564	97.19	62,448,912
30/06/2013	88,813,758	100.09	88,731,239
30/06/2014	44,003,200	102.46	42,948,602

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>X Shares (Gross Accumulation)</b>			
30/06/2012	43,063,779	163.80	26,289,846
30/06/2013	56,913,385	175.95	32,346,962
30/06/2014	59,970,636	185.40	32,346,961
<b>P Shares (Net Income)</b>			
30/06/2012	14,976	99.84	15,000
30/06/2013	343,077	101.79	337,047
30/06/2014	314,554	103.15	304,945
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	58,360,566	100.31	58,177,426
30/06/2014	205,999,000	102.04	201,879,496
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	15,756,522	103.11	15,280,903
30/06/2014	40,350,466	107.35	37,588,225
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	15,987	99.46	16,074
30/06/2014	52,509	100.95	52,016
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	46,731	101.90	45,861
30/06/2014	159,367	105.78	150,653
<b>P Shares (Net Accumulation)**</b>			
30/06/2013	11,095	101.69	10,911
**P Shares (Net Accumulation) share class closed 18 December 2013			
<b>Exempt Shares 2 (Gross Income)</b>			
30/06/2013	17,059,909	98.20	17,372,492
30/06/2014	24,906,930	100.12	24,877,822

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.37	1.38
Exempt Shares 2 (Gross Accumulation)	0.45	0.46
Institutional Shares (Income)	0.80	0.81
X Shares (Net Accumulation)	0.05	0.06
X Shares (Net Income)	0.05	0.06
X Shares (Gross Accumulation)	0.05	0.06
P Shares (Net Income)	1.05	1.06
Institutional Shares W (Net Income)	0.68	0.68
Institutional Shares W (Net Accumulation)	0.68	0.68
Retail Advised Shares B (Net Income)	0.97	0.98
Retail Advised Shares B (Net Accumulation)	0.97	0.98
Exempt Shares 2 (Gross Income)	0.45	0.46

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.



**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 12.93% (9.82%)</b>			
UK Treasury Stock 1.00% 2017	£65,910,000	64,862,031	6.95
UK Treasury Stock 8.75% 2017	£15,100,000	18,476,710	1.98
UK Treasury Gilt 1.25% Index-Linked 2017	£26,030,000	37,276,823	4.00
<b>Overseas Government Bonds 24.26% (31.61%)</b>			
Azerbaijan 4.75% Bonds 2024	USD7,800,000	4,692,727	0.50
Bermuda 4.138% Bonds 2023	USD1,900,000	1,117,931	0.12
Brazil 0.00% LTN 2018	BRL133,000	23,804,963	2.55
Canada 1.00% Bonds 2015	CAD33,740,000	18,518,729	1.99
Ecuador 9.375% Bonds 2015	USD5,070,000	3,134,721	0.34
Fiji 9.00% Bonds 2016	USD3,000,000	1,866,392	0.20
Finland FRN 2016	£5,800,000	5,802,900	0.62
Gabon 6.375% Bonds 2024	USD8,370,000	5,343,612	0.57
Mexico 6.50% Bonds 2022	MXN146,980,000	7,047,881	0.76
Mexico 3.625% Bonds 2029	EUR6,840,000	5,735,428	0.62
Namibia 5.50% Bonds 2021	USD4,800,000	3,017,219	0.32
Netherlands 1.00% Bonds 2017	USD14,852,000	8,724,014	0.94
Poland 2.50% Bonds 2018	PLN71,750,000	13,622,313	1.46
Portugal 4.75% Bonds 2019	EUR16,650,000	14,802,909	1.59
Portugal 5.65% Bonds 2024	EUR9,860,000	9,159,275	0.98
Romania 4.625% Bonds 2020	EUR11,700,000	10,536,672	1.13
Singapore 2.50% Bonds 2019	SGD27,760,000	13,833,214	1.48
Slovenia 4.375% Bonds 2019	EUR5,390,000	4,797,016	0.52
Slovenia 4.125% Bonds 2019	USD2,744,000	1,688,093	0.18
Slovenia 3.00% Bonds 2021	EUR1,760,000	1,451,247	0.16
Sweden 1.50% Bonds 2023	SEK65,040,000	5,585,182	0.60
USA Treasury Notes 1.00% 2017	USD23,420,000	13,776,294	1.48
USA Treasury Bonds 3.375% TII 2032	USD22,200,000	24,950,839	2.68
USA Treasury Bonds 0.125% TII 2018	USD22,200,000	13,749,988	1.48
Venezuela 5.75% Bonds 2016	USD16,720,000	9,265,257	0.99
<b>Sterling Denominated Corporate Bonds 18.90% (18.54%)</b>			
AA Bond 4.2487% 2020	£9,200,000	9,462,844	1.02
Abbey National Treasury Services FRN 2017	£8,160,000	8,169,874	0.88
Arsenal Securities 5.1418% Bonds 2029	£6,136,000	4,997,794	0.54
ASB Finance London FRN 2015	£7,307,000	7,365,894	0.79
Boparan Holdings 9.875% Bonds 2018	£2,600,000	2,798,406	0.30
BP Capital Markets 4.325% Bonds 2018	£5,000,000	5,409,530	0.58
BUPA Finance 7.50% Bonds 2016	£6,015,000	6,653,859	0.71
Cable & Wireless International Finance 8.625% Bonds 2019	£2,560,000	2,963,661	0.32
Chorus 6.75% Bonds 2020	£4,416,000	4,788,292	0.51
Close Brothers 3.875% Bonds 2021	£4,550,000	4,585,490	0.49
Compass 7.00% Bonds 2014	£5,750,000	5,898,005	0.63
Crown Newco 3 7.00% Bonds 2018	£4,500,000	4,737,105	0.51
ENW Capital Finance 6.75% Bonds 2015	£7,366,000	7,726,996	0.83
European Investment Bank FRN 2016	£3,668,000	3,670,237	0.39
F&C Commercial Property 5.23% FRN 2017	£5,828,000	6,002,840	0.64
Fosse Master Issuer FRN 2054	£2,100,000	1,327,199	0.14
Gala Group Finance 8.875% Bonds 2018	£4,500,000	4,305,272	0.46
General Electric Capital 6.44% Bonds 2022	£13,340,000	4,651,086	0.50
Heathrow Funding 3.00% Bonds 2015	£7,867,000	7,982,724	0.86
Hutchison Ports UK Finance 6.75% Bonds 2015	£4,036,000	4,323,813	0.46
LBG Capital No.2 15% Bonds 2019	£5,140,000	7,459,374	0.80
Lloyds Bank 1.50% Bonds 2017	£7,175,000	7,159,716	0.77
Lloyds Banking 7.00% Bonds 2049	£3,602,000	3,702,856	0.40
Motability Operations 5.25% Bonds 2016	£7,000,000	7,562,022	0.81
Phones4U Finance 9.50% Bonds 2018	£3,460,000	3,561,032	0.38

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds (continued)</b>			
Santander Issuances 7.30% FRN 2019	£5,400,000	5,460,642	0.59
SLM Student Loan Trust 5.15% EMTN 2015	£5,712,296	5,466,096	0.59
SSE 5.453% Bonds 2049	£4,099,000	4,221,970	0.45
UBS London 6.625% EMTN 2018	£3,981,000	4,579,021	0.49
Virgin Media Finance 8.875% Bonds 2019	£4,800,000	5,084,784	0.55
Vodafone 4.625% EMTN 2014	£7,960,000	8,014,367	0.86
Volkswagen Financial Services 1.75% Bonds 2017	£6,119,000	6,074,939	0.65
<b>Non-Sterling Denominated Corporate Bonds 39.55% (31.61%)</b>			
3AB Optique Development 5.625% Bonds 2019	EUR2,792,000	2,209,961	0.24
Aeropuertos Dominicanos 9.25% Bonds 2019	USD6,235,000	3,470,829	0.37
Agence Francaise Development 1.125% Bonds 2016	USD14,680,000	8,646,678	0.93
Aguila 3 7.875% Bonds 2018	USD3,330,000	2,054,654	0.22
Algeco Scotman Global Finance 9.00% Bonds 2018	EUR5,300,000	4,510,705	0.48
Allied Irish Banks 2.75% Bonds 2019	EUR3,434,000	2,791,214	0.30
Altice Financing 7.875% Bonds 2019	USD7,500,000	4,792,438	0.51
Aquarius + Investments 8.25% Bonds 2049	USD7,400,000	4,851,320	0.52
Ardagh Packaging Finance 4.25% Bonds 2022	EUR2,240,000	1,772,138	0.19
Asian Development Bank FRN 2015	USD16,637,000	9,726,571	1.04
Barclays Bank FRN 2015	AUD6,300,000	3,525,708	0.38
Bharti Airtel International 5.35% Bonds 2024	USD2,287,000	1,390,230	0.15
Boats Investment Netherlands 11.00% PIK 2017	EUR2,782,000	1,046,133	0.11
Boats Investment Netherlands FRN PIK 2015	EUR2,379,000	64,899	0.01
Boparan 4.375% Bonds 2021	EUR4,030,000	3,195,946	0.34
Bumi Investment PTE 10.75% Bonds 2017	USD3,500,000	1,007,925	0.11
Caesars Entertainment 8.00% Bonds 2020	USD7,500,000	4,583,735	0.49
Canada Housing Trust No.1 2.35% Bonds 2018	CAD32,360,000	18,219,531	1.95
China Green 10.00% Cnv Bonds 2016	CNY7,160,000	415,720	0.05
China Green 7.00% Cnv Bonds 2016	CNY7,160,000	363,925	0.04
Cirsa Funding Luxembourg 8.75% Bonds 2018	EUR2,332,000	1,934,274	0.21
Cobre Del Mayo 10.75% Bonds 2018	USD7,300,000	4,295,295	0.46
Co-operative Bank 2.375% Bonds 2015	EUR6,200,000	4,842,371	0.52
Council of Europe 1.125% Bonds 2018	USD9,715,000	5,627,694	0.60
Country Garden 11.125% Bonds 2018	USD5,200,000	3,323,730	0.36
Coventry Building Society 2.5% Bonds 2020	EUR5,676,000	4,771,443	0.51
Daimler Finance 1.875% Bonds 2018	USD10,198,000	6,005,121	0.64
Dana Gas Sukuk 9.00% Bonds 2017	USD1,744,490	988,774	0.11
Danske Bank 3.875% Bonds 2023	EUR8,180,000	7,040,275	0.75
Dexia Credit Local 1.00% Bonds 2016	EUR10,500,000	8,516,754	0.91
Drill Rigs 6.50% Bonds 2017	USD3,815,000	2,281,392	0.24
Edcon Holdings Proprietary 13.375% Bonds 2019	EUR2,300,000	1,736,066	0.19
Eksportfinans 5.50% Bonds 2016	USD6,360,000	3,944,959	0.42
ERC Ireland Finance FRN 2016	EUR2,150,000	172	0.00
Escrow General Motors 7.125% Bonds 2013	USD4,000,000	0	0.00
Eurofima FRN 2016	USD13,200,000	7,726,383	0.83
European Bank for Recovery & Development 4.00% Bonds 2017	NOK30,050,000	3,028,842	0.32
European Investment Bank 2.125% Bonds 2019	CAD17,120,000	9,491,334	1.02
First Data 7.375% Bonds 2019	USD7,360,000	4,621,926	0.50
First Quantum Minerals 6.75% Bonds 2020	USD2,089,000	1,258,397	0.13
First Quantum Minerals 7.00% Bonds 2021	USD2,089,000	1,256,870	0.13
Genel Energy Finance 7.50% Bonds 2019	USD3,600,000	2,093,784	0.22
Grupo Isolux Corsan Finance 6.625% Bonds 2021	EUR2,786,000	2,271,959	0.24
Hellas Telecom Finance FRN 2015	EUR3,679,267	22,096	0.00
Hellas Telecom II FRN 2015	EUR1,600,000	9,609	0.00
ING Bank 3.625% FRN 2026	EUR6,184,000	5,143,669	0.55
International Bank Recovery & Development FRN 2015	USD13,310,000	7,786,457	0.83
JBS Investments 7.75% Bonds 2020	USD7,600,000	4,754,017	0.51

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non-Sterling Denominated Corporate Bonds (continued)</b>			
JPMorgan Chase 4.375% FRN 2019	EUR8,000,000	6,452,570	0.69
Kerling 10.625% Bonds 2017	EUR5,616,000	4,767,369	0.51
Kommunalbanken FRN 2019	USD15,900,000	9,275,814	0.99
Kommunekredit 0.875% Bonds 2016	USD13,900,000	8,169,934	0.88
Kreditanstalt Fur Wiederaufbau 3.375% Bonds 2017	NOK38,920,000	3,880,852	0.42
Labco 8.50% Bonds 2018	EUR5,200,000	4,423,016	0.47
Landwirtschaftliche Rentenbank FRN 2016	AUD7,200,000	3,993,252	0.43
Lloyds Bank 13.00% Bonds 2021	AUD5,019,000	3,324,519	0.36
Marfrig Overseas 9.50% Bonds 2020	USD3,800,000	2,376,608	0.25
Millicom International Cellular 6.625% Bonds 2021	USD4,000,000	2,531,403	0.27
National Wealth Management 6.75% FRN 2026	AUD2,500,000	1,421,750	0.15
National Wealth Management FRN 2026	AUD3,720,000	1,981,514	0.21
Nitrogenmuvek 7.875% Bonds 2020	USD5,600,000	3,383,319	0.36
Norcell Sweden 3 9.25% Bonds 2018	SEK47,000,000	4,459,285	0.48
Nordic Investment Bank 4.125% Bonds 2017	NZD16,501,000	8,365,469	0.90
Numericable 5.625% Bonds 2024	EUR5,697,000	4,870,935	0.52
Origin Energy Finance 3.50% Bonds 2018	USD9,781,000	5,905,210	0.63
Permanent TSB 4.00% Bonds 2015	EUR9,105,000	7,415,274	0.79
Petrobras International Finance 7.875% Bonds 2019	USD10,450,000	7,131,803	0.76
Prudential 11.75% FRN 2049	USD10,734,000	6,559,300	0.70
Rabobank Nederland Australia 7.25% Bonds 2018	AUD7,750,000	4,801,178	0.51
RWE 4.625% FRN 2049	EUR5,190,000	4,276,370	0.46
Santos Finance 8.25% Bonds 2070	EUR3,374,000	3,100,933	0.33
Sazka 8.50% Bonds 2021	EUR1,700,000	81,752	0.01
Societe Generale 8.75% Bonds 2049	USD10,470,000	6,397,119	0.69
Sprint Capital 8.75% Bonds 2032	USD7,158,000	4,829,478	0.52
Statoil 7.50% Bonds 2016	USD5,665,000	3,783,707	0.41
Swedish Export Credit 2.875% FRN 2023	USD9,027,000	5,223,818	0.56
Telemovil Finance 8.00% Bonds 2017	USD7,051,000	4,329,941	0.46
Toys R Us Property 8.50% Bonds 2017	USD11,060,000	6,589,104	0.71
Tullov Oil 6.00% Bonds 2020	USD6,033,000	3,669,727	0.39
UBS 4.75% FRN 2026	EUR5,770,000	4,915,932	0.53
Unify Germany 10.75% Bonds 2015	EUR2,379,000	1,931,724	0.21
Unitymedia 7.50% Bonds 2019	EUR5,300,000	4,532,052	0.49
Viridian 11.125% Bonds 2017	EUR2,119,000	1,871,370	0.20
Vivacom 6.625% Bonds 2018	EUR4,340,000	3,627,573	0.39
Wells Fargo Bank FRN 2017	AUD6,250,000	3,379,251	0.36
Wind Acquisition Finance 4.00% Bonds 2020	EUR2,910,000	2,326,617	0.25
Wind Acquisition Finance 7.00% Bonds 2021	EUR5,778,000	4,970,912	0.53
Ziggo Bond 8.00% Bonds 2018	EUR10,300,000	9,149,355	0.98
Zlomrex International Finance 8.50% Bonds 2014	EUR2,664,000	1,471,892	0.16
<b>Czech Equities 0.00% (0.00%)</b>			
Bestsport Services	1,446,977	0	0.00
Bestsport Arena	10,388,186	0	0.00
<b>Kazakhstan Equities 0.00% (0.00%)</b>			
Alliance Bank GDR (Rep 1/40 Prf Shs)	320	1	0.00
Alliance Bank GDR (Rep 1/4 Ord KZT10000)	644	0	0.00
<b>Derivatives 0.73% (-0.37%)</b>			
<b>Futures &amp; Options 0.06% (0.13%)</b>			
Long Gilt Future September 2014 Future	(£338)	97,990	0.01
US 10 Year Bond Future September 2014 125.5 (Call Option)	USD1,767	662,037	0.07
US 5 Year Treasury Note September 2014 Future	USD(2,004)	(215,106)	(0.02)

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>AUD Forward Foreign Currency Contracts -0.01% (0.10%)</b>			
Forward Foreign Currency Contracts 17/09/14	AUD6,610,000	3,627,870	0.39
Forward Foreign Currency Contracts 17/09/14	£(3,639,465)	(3,639,465)	(0.39)
Forward Foreign Currency Contracts 17/09/14	AUD(23,672,419)	(12,992,503)	(1.39)
Forward Foreign Currency Contracts 17/09/14	£13,103,030	13,103,030	1.40
Forward Foreign Currency Contracts 17/09/14	AUD(23,716,000)	(13,016,423)	(1.40)
Forward Foreign Currency Contracts 17/09/14	USD22,042,874	12,891,701	1.38
<b>BRL Forward Foreign Currency Contracts -0.04% (-0.01%)</b>			
Forward Foreign Currency Contracts 17/09/14	BRL(37,699,000)	(9,754,171)	(1.05)
Forward Foreign Currency Contracts 17/09/14	£9,670,130	9,670,130	1.04
Forward Foreign Currency Contracts 17/09/14	BRL(52,219,000)	(13,511,048)	(1.45)
Forward Foreign Currency Contracts 17/09/14	USD22,723,673	13,289,863	1.42
<b>CAD Forward Foreign Currency Contracts -0.03% (0.03%)</b>			
Forward Foreign Currency Contracts 17/09/14	CAD(84,454,462)	(46,302,296)	(4.96)
Forward Foreign Currency Contracts 17/09/14	£45,979,904	45,979,904	4.93
<b>EUR Forward Foreign Currency Contracts 0.14% (-0.06%)</b>			
Forward Foreign Currency Contracts 17/09/14	EUR17,333,950	13,895,462	1.49
Forward Foreign Currency Contracts 17/09/14	£(13,918,459)	(13,918,459)	(1.49)
Forward Foreign Currency Contracts 17/09/14	EUR(245,678,778)	(196,944,158)	(21.11)
Forward Foreign Currency Contracts 17/09/14	£198,877,564	198,877,564	21.32
Forward Foreign Currency Contracts 17/09/14	EUR(32,252,762)	(25,854,871)	(2.77)
Forward Foreign Currency Contracts 17/09/14	USD43,841,534	25,640,573	2.75
Forward Foreign Currency Contracts 17/09/14	EUR(17,481,000)	(14,013,343)	(1.50)
Forward Foreign Currency Contracts 17/09/14	NOK142,345,075	13,566,813	1.45
<b>MXN Forward Foreign Currency Contracts 0.03% (-0.06%)</b>			
Forward Foreign Currency Contracts 17/09/14	MXN(394,307,576)	(17,679,181)	(1.90)
Forward Foreign Currency Contracts 17/09/14	£18,015,606	18,015,606	1.93
Forward Foreign Currency Contracts 17/09/14	MXN230,563,709	10,337,559	1.11
Forward Foreign Currency Contracts 17/09/14	USD(17,715,077)	(10,360,603)	(1.11)
<b>NOK Forward Foreign Currency Contracts 0.04% (0.01%)</b>			
Forward Foreign Currency Contracts 17/09/14	NOK11,792,000	1,120,814	0.12
Forward Foreign Currency Contracts 17/09/14	£(1,125,943)	(1,125,943)	(0.12)
Forward Foreign Currency Contracts 17/09/14	NOK(80,725,563)	(7,672,857)	(0.82)
Forward Foreign Currency Contracts 17/09/14	£8,048,045	8,048,045	0.86
<b>NZD Forward Foreign Currency Contracts -0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	NZD(16,496,082)	(8,380,750)	(0.90)
Forward Foreign Currency Contracts 17/09/14	£8,291,572	8,291,572	0.89
<b>PHP Forward Foreign Currency Contracts -0.03% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	PHP1,368,295,000	18,336,614	1.97
Forward Foreign Currency Contracts 17/09/14	£(18,692,555)	(18,692,555)	(2.00)
Forward Foreign Currency Contracts 17/09/14	PHP(1,368,295,000)	(18,336,614)	(1.97)
Forward Foreign Currency Contracts 17/09/14	£18,351,596	18,351,596	1.97
<b>SEK Forward Foreign Currency Contracts 0.01% (0.03%)</b>			
Forward Foreign Currency Contracts 17/09/14	SEK114,784,834	10,040,111	1.08
Forward Foreign Currency Contracts 17/09/14	£(10,174,077)	(10,174,077)	(1.09)
Forward Foreign Currency Contracts 17/09/14	SEK(128,112,986)	(11,205,910)	(1.20)
Forward Foreign Currency Contracts 17/09/14	£11,406,578	11,406,578	1.22

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>SGD Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	SGD(29,437,000)	(13,820,863)	(1.48)
Forward Foreign Currency Contracts 17/09/14	£13,860,677	13,860,677	1.49
<b>TRY Forward Foreign Currency Contracts 0.00% (0.01%)</b>			
Forward Foreign Currency Contracts 17/09/14	TRY(1,629,523)	(441,560)	(0.05)
Forward Foreign Currency Contracts 17/09/14	£457,064	457,064	0.05
<b>USD Forward Foreign Currency Contracts 0.56% (-0.57%)</b>			
Forward Foreign Currency Contracts 17/09/14	USD(534,046,689)	(312,573,054)	(33.51)
Forward Foreign Currency Contracts 17/09/14	£317,740,798	317,740,798	34.07
<b>Portfolio of investments*</b>		<b>898,855,206</b>	<b>96.37</b>
<b>Net current assets</b>		<b>33,892,467</b>	<b>3.63</b>
<b>Total Net Assets</b>		<b>932,747,673</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the United States of America portfolio category, which, at 30 June 2013, represented 0.06% of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt and equity securities issued by the relevant companies or issuers.

GDR = Global Depositary Receipt

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	289,455	31.04	36.17
AA	49,187	5.28	5.92
A	120,043	12.86	9.44
BBB	147,716	15.84	12.56
BB	66,419	7.12	5.97
B	89,238	9.55	12.10
CCC	7,328	0.79	0.99
D	-	-	0.15
Not Rated (by S&P)	122,786	13.16	8.28
Equities	-	-	0.06
Derivatives	6,684	0.73	(0.37)
<b>Portfolio of investments</b>	<b>898,856</b>	<b>96.37</b>	<b>91.27</b>
<b>Net current assets</b>	<b>33,892</b>	<b>3.63</b>	<b>8.73</b>
<b>Total Net Assets</b>	<b>932,748</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		21,405,951	13,941,189
Revenue	2	27,384,570		30,971,448
Expenses	3	(6,492,336)		(5,435,604)
Finance costs: Interest	5	(565)		-
Net revenue before taxation		20,891,669		25,535,844
Taxation	4	-		-
Net revenue after taxation			20,891,669	25,535,844
<b>Total return before distributions</b>			<b>42,297,620</b>	<b>39,477,033</b>
Finance costs: Distributions	5		(26,682,559)	(30,327,403)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>15,615,061</b>	<b>9,149,630</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		894,045,880	618,542,557
Amounts receivable on issue of shares	323,764,563		389,589,412
Amounts payable on cancellation of shares	(309,825,514)		(134,660,793)
		13,939,049	254,928,619
Dilution adjustment		111,968	251,440
Change in net assets attributable to Shareholders from investment activities (see above)		15,615,061	9,149,630
Retained distributions on accumulation shares		9,035,715	11,168,855
Unclaimed distributions		-	4,779
<b>Closing net assets attributable to Shareholders</b>		<b>932,747,673</b>	<b>894,045,880</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			901,125,330	823,155,427
Debtors	7	33,528,595	76,986,819	
Cash and bank balances	8	<u>36,580,514</u>	<u>92,657,880</u>	
Total other assets			<u>70,109,109</u>	<u>169,644,699</u>
Total assets			971,234,439	992,800,126
<b>LIABILITIES</b>				
Investment liabilities			(2,270,124)	(7,174,493)
Overdrawn cash and bank balances	8	-	(407,629)	
Creditors	9	(32,907,359)	(87,197,038)	
Distribution payable on income shares		<u>(3,309,283)</u>	<u>(3,975,086)</u>	
Total other liabilities			<u>(36,216,642)</u>	<u>(91,579,753)</u>
Total liabilities			(38,486,766)	(98,754,246)
<b>Net assets attributable to Shareholders</b>			<u><b>932,747,673</b></u>	<u><b>894,045,880</b></u>

\*Gross of investment liabilities



**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.7399	0.1480	0.5919	0.0000	0.5919	0.7592
Group 2	0.3674	0.0735	0.2939	0.2980	0.5919	0.7592
Institutional Shares (Income)						
Group 1	0.7944	0.1589	0.6355	0.0000	0.6355	0.8068
Group 2	0.3904	0.0781	0.3123	0.3232	0.6355	0.8068
X Shares (Net Accumulation)						
Group 1	1.0796	0.2159	0.8637	0.0000	0.8637	1.0614
Group 2	0.2966	0.0593	0.2373	0.6264	0.8637	1.0614
X Shares (Net Income)						
Group 1	0.7111	0.1422	0.5689	0.0000	0.5689	0.7167
Group 2	0.7111	0.1422	0.5689	0.0000	0.5689	0.7167
P Shares (Net Income)						
Group 1	0.7169	0.1434	0.5735	0.0000	0.5735	0.7299
Group 2	0.7169	0.1434	0.5735	0.0000	0.5735	0.7299
Institutional Shares W (Net Income)						
Group 1	0.7089	0.1418	0.5671	0.0000	0.5671	0.7190
Group 2	0.3529	0.0706	0.2823	0.2848	0.5671	0.7190
Institutional Shares W (Net Accumulation)						
Group 1	0.7416	0.1483	0.5933	0.0000	0.5933	0.7337
Group 2	0.3918	0.0784	0.3134	0.2799	0.5933	0.7337
Retail Advised Shares B (Net Income)						
Group 1	0.6838	0.1368	0.5470	0.0000	0.5470	0.6987
Group 2	0.3825	0.0765	0.3060	0.2410	0.5470	0.6987
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7126	0.1425	0.5701	0.0000	0.5701	0.7109
Group 2	0.2233	0.0447	0.1786	0.3915	0.5701	0.7109
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.2633	0.0000	1.2633	1.5472
Group 2			0.5820	0.6813	1.2633	1.5472
X Shares (Gross Accumulation)						
Group 1			1.2789	0.0000	1.2789	1.5610
Group 2			1.2789	0.0000	1.2789	1.5610
Exempt Shares 2 (Gross Income)						
Group 1			0.6958	0.0000	0.6958	0.8796
Group 2			0.3156	0.3802	0.6958	0.8796

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.7945	0.1589	0.6356	0.0000	0.6356	0.9763
Group 2	0.4643	0.0929	0.3714	0.2642	0.6356	0.9763
Institutional Shares (Income)						
Group 1	0.8504	0.1701	0.6803	0.0000	0.6803	1.0314
Group 2	0.5349	0.1070	0.4279	0.2524	0.6803	1.0314
X Shares (Net Accumulation)						
Group 1	1.1466	0.2293	0.9173	0.0000	0.9173	1.3425
Group 2	1.0131	0.2026	0.8105	0.1068	0.9173	1.3425
X Shares (Net Income)						
Group 1	0.7599	0.1520	0.6079	0.0000	0.6079	0.9146
Group 2	0.0748	0.0150	0.0598	0.5481	0.6079	0.9146
P Shares (Net Income)						
Group 1	0.7679	0.1536	0.6143	0.0000	0.6143	0.9338
Group 2	0.7679	0.1536	0.6143	0.0000	0.6143	0.9338
Institutional Shares W (Net Income)						
Group 1	0.7585	0.1517	0.6068	0.0000	0.6068	0.9189
Group 2	0.3508	0.0702	0.2806	0.3262	0.6068	0.9189
Institutional Shares W (Net Accumulation)						
Group 1	0.7889	0.1578	0.6311	0.0000	0.6311	0.9293
Group 2	0.4710	0.0942	0.3768	0.2543	0.6311	0.9293
Retail Advised Shares B (Net Income)						
Group 1	0.7336	0.1467	0.5869	0.0000	0.5869	0.8974
Group 2	0.5880	0.1176	0.4704	0.1165	0.5869	0.8974
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7603	0.1521	0.6082	0.0000	0.6082	0.9053
Group 2	0.0649	0.0130	0.0519	0.5563	0.6082	0.9053
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.3402	0.0000	1.3402	1.9580
Group 2			0.4649	0.8753	1.3402	1.9580
X Shares (Gross Accumulation)						
Group 1			1.3564	0.0000	1.3564	1.9736
Group 2			1.3564	0.0000	1.3564	1.9736
Exempt Shares 2 (Gross Income)						
Group 1			0.7442	0.0000	0.7442	n/a
Group 2			0.2107	0.5335	0.7442	n/a

**Distribution Statements (continued)**
**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.7805	0.1561	0.6244	0.0000	0.6244	0.9840
Group 2	0.4405	0.0881	0.3524	0.2720	0.6244	0.9840
Institutional Shares (Income)						
Group 1	0.8350	0.1670	0.6680	0.0000	0.6680	1.0384
Group 2	0.4296	0.0859	0.3437	0.3243	0.6680	1.0384
X Shares (Net Accumulation)						
Group 1	1.1173	0.2235	0.8938	0.0000	0.8938	1.3370
Group 2	0.2893	0.0579	0.2314	0.6624	0.8938	1.3370
X Shares (Net Income)						
Group 1	0.7448	0.1490	0.5958	0.0000	0.5958	0.9192
Group 2	0.2925	0.0585	0.2340	0.3618	0.5958	0.9192
P Shares (Net Income)						
Group 1	0.7545	0.1509	0.6036	0.0000	0.6036	0.9407
Group 2	0.7545	0.1509	0.6036	0.0000	0.6036	0.9407
Institutional Shares W (Net Income)						
Group 1	0.7446	0.1489	0.5957	0.0000	0.5957	0.9248
Group 2	0.3003	0.0601	0.2402	0.3555	0.5957	0.9248
Institutional Shares W (Net Accumulation)						
Group 1	0.7699	0.1540	0.6159	0.0000	0.6159	0.9160
Group 2	0.3210	0.0642	0.2568	0.3591	0.6159	0.9160
Retail Advised Shares B (Net Income)						
Group 1	0.7199	0.1440	0.5759	0.0000	0.5759	0.8600
Group 2	0.1620	0.0324	0.1296	0.4463	0.5759	0.8600
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7418	0.1484	0.5934	0.0000	0.5934	0.8600
Group 2	0.5136	0.1027	0.4109	0.1825	0.5934	0.8600
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.3053	0.0000	1.3053	1.9459
Group 2			0.3823	0.9230	1.3053	1.9459
X Shares (Gross Accumulation)						
Group 1			1.3197	0.0000	1.3197	1.9595
Group 2			1.3197	0.0000	1.3197	1.9595
Exempt Shares 2 (Gross Income)						
Group 1			0.7301	0.0000	0.7301	n/a
Group 2			0.4108	0.3193	0.7301	n/a

## Distribution Statements (continued)

### Interim interest distribution in pence per Share

						Period
						Group 1: Shares purchased 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 30/09/2012
Sterling Income Shares						
Group 1	0.7789	0.1558	0.6231	0.0000	0.6231	0.9346
Group 2	0.3816	0.0763	0.3053	0.3178	0.6231	0.9346
Institutional Shares (Income)						
Group 1	0.8323	0.1665	0.6658	0.0000	0.6658	0.9856
Group 2	0.4170	0.0834	0.3336	0.3322	0.6658	0.9856
X Shares (Net Accumulation)						
Group 1	1.1048	0.2210	0.8838	0.0000	0.8838	1.2557
Group 2	0.4013	0.0803	0.3210	0.5628	0.8838	1.2557
X Shares (Net Income)						
Group 1	0.7408	0.1482	0.5926	0.0000	0.5926	0.8708
Group 2	0.2081	0.0416	0.1665	0.4261	0.5926	0.8708
P Shares (Net Income)						
Group 1	0.7524	0.1505	0.6019	0.0000	0.6019	0.8934
Group 2	0.7524	0.1505	0.6019	0.0000	0.6019	0.8934
Institutional Shares W (Net Income)						
Group 1	0.7419	0.1484	0.5935	0.0000	0.5935	0.2551
Group 2	0.4286	0.0857	0.3429	0.2506	0.5935	0.2551
Institutional Shares W (Net Accumulation)						
Group 1	0.7625	0.1525	0.6100	0.0000	0.6100	0.2551
Group 2	0.4283	0.0857	0.3426	0.2674	0.6100	0.2551
Retail Advised Shares B (Net Income)						
Group 1	0.7176	0.1435	0.5741	0.0000	0.5741	n/a
Group 2	0.5134	0.1027	0.4107	0.1634	0.5741	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7351	0.1470	0.5881	0.0000	0.5881	n/a
Group 2	0.2678	0.0536	0.2142	0.3739	0.5881	n/a
P Shares (Net Accumulation)						
Group 1	0.7516	0.1503	0.6013	0.0000	0.6013	n/a
Group 2	0.7516	0.1503	0.6013	0.0000	0.6013	n/a
			Gross Revenue	Equalisation	Amount Paid	Prior Period 30/09/2012
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.2902	0.0000	1.2902	1.8258
Group 2			0.6722	0.6180	1.2902	1.8258
X Shares (Gross Accumulation)						
Group 1			1.3031	0.0000	1.3031	1.8367
Group 2			1.3031	0.0000	1.3031	1.8367
Exempt Shares 2 (Gross Income)						
Group 1			0.7269	0.0000	0.7269	n/a
Group 2			0.2286	0.4983	0.7269	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
(Losses)/gains on non-derivative securities	(44,026,298)	27,060,196
Gains on derivative contracts	3,106,497	3,029,278
Gains/(losses) on forward currency contracts	61,685,509	(17,838,637)
Currency exchange gains	678,439	1,714,549
Activity charges	(38,196)	(24,197)
<b>Net capital gains</b>	<b>21,405,951</b>	<b>13,941,189</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
Overseas dividends	35,217	862,270
Bank interest	164,272	107,236
Interest on debt securities	27,143,932	29,975,674
Stock lending	41,149	26,268
<b>Total revenue</b>	<b>27,384,570</b>	<b>30,971,448</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	5,812,209	4,790,175
Administration fees	498,513	444,906
Registrar's disbursement fees	197	8,181
Safe custody charges	113,369	131,089
	<b>6,424,288</b>	<b>5,374,351</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	57,201	51,032
Distribution reconciliation service	816	252
	<b>58,017</b>	<b>51,284</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,980	7,800
- Non-audit services (tax compliance fee)†	1,764	1,883
Financial Conduct Authority fee	287	286
	<b>10,031</b>	<b>9,969</b>
<b>Total expenses</b>	<b>6,492,336</b>	<b>5,435,604</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,650 (2013: £6,500) and £1,470 (2013: £1,430) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	20,891,669	25,535,844
<b>Corporation tax @ 20%</b>	4,178,334	5,107,169
Effects of:		
Excess management expenses	-	(3,181,081)
Tax deductible interest distributions	(4,023,249)	(1,861,265)
Tax relief due to capital indexation loss	(155,085)	(64,823)
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of nil (30/06/13: nil) in relation to surplus management expenses of nil (30/06/13: nil). Current period income has been set off against excess management expense brought forward. No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 30 September - Sterling Income Shares	1,910,014	2,571,675
Interim interest 30 September - Exempt Shares 2 (Gross Accumulation)	742,150	1,185,824
Interim interest 30 September - Institutional Shares (Income)	263,214	148,671
Interim interest 30 September - X Shares (Net Accumulation)	954,992	903,721
Interim interest 30 September - X Shares (Net Income)	464,520	746,014
Interim interest 30 September - X Shares (Gross Accumulation)	421,513	482,866
Interim interest 30 September - P Shares (Net Income)	1,941	175
Interim interest 30 September - Institutional Shares W (Net Income)	585,166	13
Interim interest 30 September - Institutional Shares W (Net Accumulation)	103,518	13
Interim interest 30 September - Retail Advised Shares B (Net Income)	81	-
Interim interest 30 September - Retail Advised Shares B (Net Accumulation)	361	-
Interim interest 30 September - P Net Accumulation	66	-
Interim interest 30 September - Exempt Shares 2 (Gross Income)	137,635	-
Interim interest 31 December - Sterling Income Shares	1,780,323	2,808,086
Interim interest 31 December - Exempt Shares 2 (Gross Accumulation)	780,373	1,269,022
Interim interest 31 December - Institutional Shares (Income)	268,358	289,138
Interim interest 31 December - X Shares (Net Accumulation)	1,040,225	1,153,376
Interim interest 31 December - X Shares (Net Income)	441,891	771,200
Interim interest 31 December - X Shares (Gross Accumulation)	426,883	515,150
Interim interest 31 December - P Shares (Net Income)	1,918	3,483
Interim interest 31 December - Institutional Shares W (Net Income)	839,301	45,911

**Notes to the Financial Statements (continued)****5 Finance costs (continued)****Distributions (continued)**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Interim interest 31 December - Institutional Shares W (Net Accumulation)	155,875	1,025
Interim interest 31 December - Retail Advised Shares B (Net Income)	285	43
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	891	374
Interim interest 31 December - P Shares (Net Accumulation)	-	94
Interim interest 31 December - Exempt Shares 2 (Gross Income)	141,505	-
Interim interest 31 March - Sterling Income Shares	1,750,428	3,051,741
Interim interest 31 March - Exempt Shares 2 (Gross Accumulation)	875,400	1,280,140
Interim interest 31 March - Institutional Shares (Income)	191,535	363,536
Interim interest 31 March - X Shares (Net Accumulation)	786,143	1,134,106
Interim interest 31 March - X Shares (Net Income)	267,164	788,822
Interim interest 31 March - X Shares (Gross Accumulation)	438,754	518,856
Interim interest 31 March - P Shares (Net Income)	1,873	3,147
Interim interest 31 March - Institutional Shares W (Net Income)	1,083,011	251,464
Interim interest 31 March - Institutional Shares W (Net Accumulation)	184,546	26,084
Interim interest 31 March - Retail Advised Shares B (Net Income)	301	144
Interim interest 31 March - Retail Advised Shares B (Net Accumulation)	954	349
Interim interest 31 March - P Shares (Net Accumulation)	-	100
Interim interest 31 March - Exempt Shares 2 (Gross Income)	154,974	-
Final interest 30 June - Sterling Income Shares	1,556,845	2,422,701
Final interest 30 June - Exempt Shares 2 (Gross Accumulation)	909,233	1,011,316
Final interest 30 June - Institutional Shares (Income)	188,110	342,772
Final interest 30 June - X Shares (Net Accumulation)	576,283	1,068,982
Final interest 30 June - X Shares (Net Income)	244,335	635,937
Final interest 30 June - X Shares (Gross Accumulation)	413,685	504,936
Final interest 30 June - P Shares (Net Income)	1,749	2,460
Final interest 30 June - Institutional Shares W (Net Income)	1,144,859	418,296
Final interest 30 June - Institutional Shares W (Net Accumulation)	223,011	112,116
Final interest 30 June - Retail Advised Shares B (Net Income)	285	112
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	859	326
Final interest 30 June - P Shares (Net Accumulation)	-	79
Final interest 30 June - Exempt Shares 2 (Gross Income)	173,100	152,808
Income tax withheld	4,229,150	4,714,915
	<b>26,859,586</b>	<b>31,702,119</b>
Amounts added on issue of shares	(1,077,876)	(1,998,350)
Amounts deducted on cancellation of shares	900,849	623,634
<b>Net distributions for the year</b>	<b>26,682,559</b>	<b>30,327,403</b>
Interest	565	-
<b>Total finance costs</b>	<b>26,683,124</b>	<b>30,327,403</b>

**6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	20,891,669	25,535,844
ACD's periodic charge less tax relief paid from capital	5,812,209	4,790,175
Equalisation on conversions	(21,303)	1,237
Undistributed revenue brought forward	188	335
Undistributed revenue carried forward	(204)	(188)
	<b>26,682,559</b>	<b>30,327,403</b>

**Notes to the Financial Statements (continued)****7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	11,459,706	11,421,247
Amount receivable for issue of shares	1,588,997	5,353,338
Overseas tax recoverable	-	63,946
Sales awaiting settlement	20,479,892	60,148,288
	<b>33,528,595</b>	<b>76,986,819</b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	-	11,804,447
Cash held in BNY Mellon Sterling Liquidity Fund	35,362,395	80,853,433
Cash held at brokers	1,218,119	-
	<b>36,580,514</b>	<b>92,657,880</b>
<b>Overdrawn cash and bank balances</b>		
Overdraft position at brokers	-	(407,629)
	<b>-</b>	<b>(407,629)</b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	579,947	533,951
Amount payable for cancellation of shares	2,500,718	5,903,571
Income tax payable	2,017,625	2,415,810
Purchases awaiting settlement	27,809,069	78,343,706
	<b>32,907,359</b>	<b>87,197,038</b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £1,469,027. (30/06/13: £1,057,957).



## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	133,134,990	205,614,699	669,520,566	1,008,270,255	4.45	4.97
Australia	14,301,475	8,125,697	3,755,543	26,182,715	9.60	5.23
Brazil	23,804,963	-	-	23,804,963		
Canada	-	46,229,594	127,514	46,357,108	1.76	3.00
China	779,645	-	21,717	801,362		
Europe	25,984,436	142,563,441	38,234,740	206,782,617	5.58	7.14
Mexico	-	7,047,881	10,350,719	17,398,600	6.50	8.00
New Zealand	-	8,365,469	100,395	8,465,864	4.13	3.00
Norway	-	6,909,694	14,811,707	21,721,401	3.65	3.00
Philippines	-	-	18,336,614	18,336,614		
Poland	-	13,622,313	321,802	13,944,115	2.50	3.94
Singapore	-	13,833,214	25,797	13,859,011	2.50	5.00
Sweden	-	10,044,467	10,185,257	20,229,724	4.94	6.78
United States of America	91,813,317	176,576,262	55,046,196	323,435,775	5.55	5.46
	289,818,826	638,932,731	820,838,567	1,749,590,124		
<b>Liabilities</b>						
United Kingdom	-	-	(65,621,015)	(65,621,015)		
Australia	-	-	(26,008,926)	(26,008,926)		
Brazil	-	-	(23,265,219)	(23,265,219)		
Canada	-	-	(46,302,296)	(46,302,296)		
Europe	-	-	(254,958,497)	(254,958,497)		
Mexico	-	-	(17,679,181)	(17,679,181)		
New Zealand	-	-	(8,380,750)	(8,380,750)		
Norway	-	-	(7,672,857)	(7,672,857)		
Philippines	-	-	(18,336,614)	(18,336,614)		
Singapore	-	-	(13,820,863)	(13,820,863)		
Sweden	-	-	(11,205,910)	(11,205,910)		
Turkey	-	-	(441,560)	(441,560)		
United States of America	-	-	(323,148,763)	(323,148,763)		
	-	-	(816,842,451)	(816,842,451)		
<b>Total</b>	<b>289,818,826</b>	<b>638,932,731</b>	<b>3,996,116</b>	<b>932,747,673</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	245,570,213	106,438,883	623,580,157	975,589,253	5.87	6.85
Australia	17,782,198	5,865,010	93,822	23,741,030	10.71	6.81
Brazil	-	1,675,281	45,636	1,720,917	6.00	3.00
Canada	-	44,521,722	47,287	44,569,009	1.88	3.96
China	1,149,889	-	-	1,149,889		
Czech Republic	-	8,220,151	76,038	8,296,189	5.00	6.00
Europe	12,828,123	89,364,774	71,257,816	173,450,713	7.20	6.51
Indonesia	1,059,339	-	12,065	1,071,404		
Mexico	-	18,560,984	12,424,962	30,985,946	6.50	9.00
New Zealand	7,190,691	8,217,558	98,350	15,506,599	4.12	4.00
Norway	-	2,340,700	11,655	2,352,355	4.00	4.00
Poland	-	-	11,979,677	11,979,677		
Turkey	-	6,740,772	197,695	6,938,467	6.51	2.76
Sweden	-	16,906,415	516,286	17,422,701	3.75	4.00
Switzerland	-	4,526,025	1,579,488	6,105,513	6.87	5.03
United States of America	73,312,507	239,210,552	118,336,961	430,860,020	3.95	5.78
	358,892,960	552,588,827	840,257,895	1,751,739,682		
<b>Liabilities</b>						
United Kingdom	-	-	(101,645,898)	(101,645,898)		
Australia	-	-	(23,359,756)	(23,359,756)		
Brazil	-	-	(1,661,659)	(1,661,659)		
Canada	-	-	(44,269,621)	(44,269,621)		
China	-	-	(972,099)	(972,099)		
Czech Republic	-	-	(8,258,461)	(8,258,461)		
Europe	-	-	(173,327,381)	(173,327,381)		
Indonesia	-	-	(1,064,784)	(1,064,784)		
Mexico	-	-	(30,567,731)	(30,567,731)		
New Zealand	-	-	(1,844,357)	(1,844,357)		
Norway	-	-	(3,143,377)	(3,143,377)		
Poland	-	-	(11,979,677)	(11,979,677)		
Turkey	-	-	(6,997,863)	(6,997,863)		
Sweden	-	-	(17,026,830)	(17,026,830)		
Switzerland	-	-	(6,121,907)	(6,121,907)		
United States of America	(407,629)	-	(425,044,772)	(425,452,401)		
	(407,629)	-	(857,286,173)	(857,693,802)		
<b>Total</b>	<b>358,485,331</b>	<b>552,588,827</b>	<b>(17,028,278)</b>	<b>894,045,880</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	(558,841)	(558,841)
BNY Mellon	1,496,707	1,496,707
JP Morgan	5,107,548	5,107,548
Royal Bank of Scotland	35,595	35,595
UBS	58,231	58,231
	<b>6,139,240</b>	<b>6,139,240</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and futures. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities. Exchange traded futures are used for hedging purposes to protect the value of the Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	918,936,259	23,712,981	942,649,240	873,943,355
Australia	46,116	127,673	173,789	381,274
Brazil	539,744	-	539,744	59,258
Canada	(72,702)	127,514	54,812	299,388
China	779,645	21,717	801,362	177,790
Czech Republic	-	-	-	37,728
Europe	(54,369,033)	6,193,153	(48,175,880)	123,332
Indonesia	-	-	-	6,620
Mexico	(293,741)	13,160	(280,581)	418,215
New Zealand	(15,281)	100,395	85,114	13,662,242
Norway	13,924,464	124,080	14,048,544	(791,022)
Poland	13,622,313	321,802	13,944,115	-
Singapore	12,351	25,797	38,148	-
Sweden	8,878,668	145,146	9,023,814	395,871
Switzerland	-	-	-	(16,394)
Turkey	(441,560)	-	(441,560)	(59,396)
United States of America	(2,692,037)	2,979,049	287,012	5,407,619
<b>Total</b>	<b>898,855,206</b>	<b>33,892,467</b>	<b>932,747,673</b>	<b>894,045,880</b>

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014. (30/06/13: nil)

## Notes to the Financial Statements (continued)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, £32,387,240 of investments were subject to stock lending agreements and the Fund held £35,226,309 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £46,584,522 of investments were subject to stock lending agreements and the Fund held £48,679,352 in collateral. The collateral is held 80.26% in debt securities and 19.74% in equity securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £51,436 (30/06/13: £33,748) and £10,287 (30/06/13: £7,480).

### 15 Shareholders' funds

The Fund currently has twelve share classes; Sterling Income Shares, Exempt Shares 2 (Gross Accumulation), Institutional Shares (Income), X Shares (Net Accumulation), X Shares (Net Income), X Shares (Gross Accumulation), P Shares (Net Income), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation), and Exempt Shares 2 (Gross Income). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.25%	0.10%
Exempt Shares 2 (Gross Accumulation)	0.40%	0.03%
Institutional Shares (Income)	0.75%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
X Shares (Gross Accumulation)	0.00%	0.03%
P Shares (Net Income)	1.00%	0.03%
Institutional Shares W (Net Income)	0.625%	0.03%
Institutional Shares W (Net Accumulation)	0.625%	0.03%
Retail Advised Shares B (Net Income)	0.85%	0.10%
Retail Advised Shares B (Net Accumulation)	0.85%	0.10%
Exempt Shares 2 (Gross Income)	0.40%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 315 to 316. The distributions are given in the distribution statements on pages 326 to 329. All share classes have the same rights on winding up.

Exempt Shares 2 (Gross Accumulation), X shares (Gross Accumulation) and Exempt Shares 2 (Gross Income) are gross paying Shares which are available only to institutional investors who are wholly exempt from UK taxation otherwise than by reason of non-residence. The ACD may pay or accumulate interest distributions without deducting income tax from them in the case of institutional investors. Any eligible investor who wishes to benefit from this should contact the ACD who will provide an appropriate form to be completed and returned to it.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL EQUITY FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £1,968.19m

Comparative Index: MSCI World NR GBP

Sector: IMA Global

Yield as at 30 June 2014:

Sterling Income Shares	0.50%
Euro Accumulation Shares	0.04%
Exempt Shares 2 (Net Accumulation)	1.15%
Exempt Shares 1 (Net Accumulation)	1.39%
X Shares (Net Accumulation)	1.79%
Exempt Shares 3 (Net Accumulation)	1.18%
Institutional Shares W (Net Income)	1.18%
Institutional Shares W (Net Accumulation)	1.16%
Retail Advised Shares B (Net Income)	0.97%
Retail Advised Shares B (Net Accumulation)	0.96%

Key Dates: Fund Launch 01 June 1987 (Managed by Newton since November 1994)

**Investment Objective**

To achieve capital growth from a portfolio of international securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	13/12/2013	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	6.57%	25.20%	-7.47%	19.11%	19.93%
Euro Accumulation Shares	6.11%	24.03%	-7.49%	18.21%	19.57%
Exempt Shares 2 (Net Accumulation)	7.60%	26.84%	-6.55%	20.27%	21.08%
Exempt Shares 1 (Net Accumulation)	7.71%	26.55%	-6.47%	20.40%	21.20%
X Shares (Net Accumulation)	8.25%	27.19%	-6.00%	21.00%	21.80%
Exempt Shares 3 (Net Accumulation)	7.44%	26.23%	-6.69%	20.09%	20.90%
Institutional Shares W (Net Income)*	7.44%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.45%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	7.11%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	7.11%	n/a	n/a	n/a	n/a
MSCI World NR GBP	9.06%	20.54%	-4.28%	21.28%	23.02%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +6.57% against +9.06% for the MSCI AC World Index NR. Newton Overseas Equity Fund merged into Newton Global Equity Fund on 15 February 2014.

The Fund posted a positive return but underperformed its comparative index over the review period. At the sector level, the technology, materials and consumer discretionary industries detracted from returns, while the Fund’s exposure to energy and industrials was positive. At the individual holding level, Toyota Motor, one of the Fund’s Japanese stocks, had the largest negative impact as product recalls and the Japanese yen’s depreciation against sterling took hold. Bangkok Bank was another notable negative as it was hit by the political unrest in Thailand. Citigroup, the US bank, also performed poorly in the face of balance-sheet wrangles with the US Federal Reserve and results that missed expectations. Associated British Foods was the Fund’s top performer on the back of robust results and the strong growth prospects for its discount retail division Primark. The Fund also benefited when shares in Actelion, the Swiss pharmaceuticals company, soared after it announced successful results from the clinical trials of its innovative Selexipag drug. Continental, the German tyre-maker, also did well.

During the 12-month period, a new holding in Vodafone was initiated. The company is building a strong balance sheet which will allow it to invest in growth at a time when a number of its competitors are financially stretched. Apple was another significant purchase as its competitive advantages make it an attractive long-term investment. After realising profits in Softbank earlier in the period, we re-established a position in this Japanese internet business, as the company once again appeared attractively valued. In addition, Softbank has a stake in Alibaba, the Chinese internet company, which provides an exciting prospect for future growth. We also purchased Walt Disney, where the growth of sports channel ESPN, lower capital expenditure needs, and opportunities from the acquisition of the Star Wars franchise make it an attractive investment proposition. Europe-focused beverage distributor Coca-Cola Enterprises was sold after a strong run of performance left it trading on a more demanding valuation. Later in the period we removed Bangkok Bank amid concerns of likely cyclical headwinds and potential asset-quality vulnerability in the retail side of the business.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
Apple	Coca-Cola Enterprises
Vodafone	Adobe Systems
Softbank	Keycorp
Walt Disney	Softbank
TJX	Bangkok Bank
Mattel	Standard Chartered
Marathon Oil	Laboratory Corporation America
Kraft Foods	Interpublic
Royal Dutch Shell 'A'	Thermo Fisher Scientific
Eastman Chemical	Syngenta

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	80.78	67.29	0.7011
2011	83.50	66.21	0.5086
2012	80.94	71.76	0.6422
2013	98.83	79.46	0.4976
2014	100.19	92.69	0.4284
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2010	87.50	69.21	0.3936
2011	86.79	69.45	0.1182
2012	91.81	77.13	0.2925
2013	106.30	88.08	0.0491
2014	112.13	100.95	0.0000
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	167.58	137.94	2.7947
2011	175.18	139.22	2.6084
2012	173.41	151.26	2.8744
2013	215.80	171.14	2.5018
2014	219.97	202.83	2.9869
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	122.13	100.44	2.1358
2011	127.74	101.55	2.0264
2012	126.57	110.36	2.2106
2013	157.23	124.56	2.2026
2014	160.35	147.80	2.3302
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	123.92	101.46	2.6745
2011	129.94	103.42	2.6375
2012	129.56	112.53	2.8357
2013	161.83	127.65	2.9390
2014	165.51	152.30	3.1916
<b>Exempt Shares 3 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	121.54	100.18	1.8772
2011	126.95	100.86	1.7168
2012	125.39	109.54	1.9151
2013	155.33	123.34	1.8521
2014	158.19	145.94	1.9342
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 June)	108.79	98.21	0.0630
2013	133.09	106.94	1.3261
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	103.25	98.17	n/a
2013	126.50	101.55	1.4255
2014	128.72	118.75	1.5811

\*Distributions are shown in the year declared rather than paid



**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	103.25	98.17	n/a
2013	127.91	101.56	1.4261
2014	130.27	120.19	1.5974
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 8 October)	99.86	95.05	n/a
2013	122.43	98.29	0.9554
2014	124.46	114.95	1.1309
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 8 October)	99.86	95.05	n/a
2013	123.44	98.29	0.9543
2014	125.50	115.91	1.1406

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	449,230,304	74.64	601,861,316
30/06/2013	527,970,182	92.90	568,342,561
30/06/2014	543,559,561	98.47	551,985,891
<b>Euro Accumulation Shares</b>		<b>Cents</b>	
30/06/2012	12,793,047	83.66	18,963,660
30/06/2013	12,642,725	98.00	15,053,503
30/06/2014	6,699,589	111.13 **	7,528,211
**Euro/Sterling exchange rate at close of business 30 June 2014:		1.248841	
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	18,709,298	159.45	11,733,694
30/06/2013	79,347	202.09	39,263
30/06/2014	2,751,568	217.25	1,266,547
<b>Exempt Shares 1 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	134,784,381	116.39	115,805,542
30/06/2013	106,995,209	147.18	72,697,866
30/06/2014	248,085,338	158.38	156,642,438
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	475,757,656	118.97	399,888,301
30/06/2013	617,399,199	151.20	408,337,162
30/06/2014	1,113,564,454	163.52	681,002,938
<b>Exempt Shares 3 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	15,130,942	115.39	13,113,288
30/06/2013	19,458,270	145.55	13,369,182
30/06/2014	39,904,933	156.23	25,543,170

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>P Shares (Net Income)***</b>		<b>Pence</b>	
30/06/2012	15,025	100.17	15,000
30/06/2013	26,827	124.72	21,510
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	446,298	118.42	376,862
30/06/2014	5,275,592	125.54	4,202,292
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	483,995	119.86	403,808
30/06/2014	6,897,646	128.65	5,361,367
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	1,400,729	114.86	1,219,519
30/06/2014	1,445,281	121.77	1,186,936
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	5,791	115.80	5,001
30/06/2014	6,196	123.92	5,000

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.62	1.62
Euro Accumulation Shares	2.12	2.12
Exempt Shares 2 (Net Accumulation)	0.65	0.65
Exempt Shares 1 (Net Accumulation)	0.55	0.55
X Shares (Net Accumulation)	0.05	0.05
Exempt Shares 3 (Net Accumulation)	0.80	0.80
Institutional Shares W (Net Income)	0.80	0.80
Institutional Shares W (Net Accumulation)	0.80	0.80
Retail Advised Shares B (Net Income)	1.12	1.12
Retail Advised Shares B (Net Accumulation)	1.12	1.12

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 7.24% (6.70%)</b>			
Associated British Foods	719,214	21,921,643	1.11
British American Tobacco	928,045	32,277,405	1.64
Centrica	8,993,196	28,103,738	1.43
GlaxoSmithKline	1,964,747	30,718,819	1.56
Vodafone	15,142,541	29,520,384	1.50
<b>Canada 3.02% (1.90%)</b>			
Intact Financial	368,701	14,887,751	0.76
Suncor Energy	1,398,689	34,935,603	1.78
Yamana Gold	1,952,104	9,400,126	0.48
<b>United States of America 45.19% (46.40%)</b>			
Accenture	716,809	33,877,437	1.72
Align Technology	444,823	14,578,987	0.74
Altria	1,588,112	38,935,377	1.98
Apple	869,890	47,278,345	2.40
Baker Hughes	549,185	23,912,521	1.21
Citigroup	1,329,828	36,624,032	1.86
CSX	1,218,523	21,949,591	1.12
Dollar General	772,315	25,904,182	1.32
Dun & Bradstreet	98,665	6,357,815	0.32
Eastman Chemical	433,722	22,152,202	1.13
eBay	848,865	24,852,579	1.26
EMC	1,632,120	25,133,035	1.28
Equifax	597,846	25,359,985	1.29
Express Scripts	812,400	32,935,970	1.67
Flir Systems	448,054	9,095,508	0.46
Google 'A'	65,629	22,440,946	1.14
Google 'C'	65,629	22,080,530	1.12
Interpublic	705,365	8,044,341	0.41
Intuit	494,848	23,306,202	1.18
Kraft Foods	733,410	25,714,495	1.31
Marathon Oil	1,135,507	26,504,129	1.35
Mattel	860,492	19,611,880	1.00
Medtronic	829,971	30,954,324	1.57
Microsoft	2,371,607	57,838,999	2.94
Nielsen	708,630	20,058,889	1.02
Pfizer	2,059,766	35,741,882	1.82
PNC Financial Services	488,394	25,432,992	1.29
Principal Financial	1,177,706	34,762,594	1.77
RenaissanceRe	298,455	18,676,893	0.95
Sprint	1,965,455	9,793,652	0.50
TJX	795,230	24,719,405	1.26
United Technologies	545,081	36,797,789	1.87
Walt Disney	663,634	33,273,879	1.69
Willis	962,691	24,373,421	1.24
<b>Brazil 0.74% (1.15%)</b>			
CCR	1,145,035	5,465,887	0.28
International Meal Company	1,677,386	9,124,259	0.46
<b>Australia 0.92% (1.15%)</b>			
Santos	2,299,489	18,100,715	0.92

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>China 0.45% (1.70%)</b>			
Sun Art Retail	13,422,000	8,933,188	0.45
<b>Hong Kong 2.00% (2.15%)</b>			
AIA	8,916,600	26,241,253	1.33
Belle International	20,349,000	13,159,657	0.67
<b>India 0.38% (0.50%)</b>			
Apollo Hospitals	778,672	7,533,904	0.38
<b>Japan 9.30% (7.52%)</b>			
Don Quijote	731,900	23,873,237	1.21
Japan Tobacco	1,601,500	34,144,233	1.73
Lawson	470,900	20,661,098	1.05
Sawai Pharmaceutical	504,500	17,387,879	0.88
Softbank	557,600	24,281,638	1.23
Sugi	628,500	16,763,256	0.85
Toyota Motor	1,315,900	46,219,283	2.35
<b>Singapore 0.94% (1.34%)</b>			
Jardine Matheson	531,200	18,422,762	0.94
<b>Belgium 1.38% (1.25%)</b>			
Anheuser-Busch InBev	403,324	27,092,986	1.38
<b>France 5.26% (5.56%)</b>			
Air Liquide	397,210	31,357,805	1.59
L'Oreal	167,415	16,857,570	0.86
Nexans	375,079	11,465,537	0.58
Total	1,040,646	43,939,327	2.23
<b>Germany 6.33% (6.39%)</b>			
Bayer	542,851	44,924,550	2.28
Brenntag	204,845	21,438,459	1.09
Continental	172,540	23,404,308	1.19
Fresenius Medical Care	460,703	18,109,509	0.92
SAP	371,716	16,826,076	0.85
<b>Israel 0.80% (0.00%)</b>			
Teva Pharmaceutical ADR	513,033	15,725,391	0.80
<b>Netherlands 4.53% (2.47%)</b>			
Reed Elsevier	1,761,148	23,614,221	1.20
Royal Dutch Shell 'A'	1,964,598	47,516,577	2.41
Wolters Kluwer	1,043,676	18,063,984	0.92
<b>Sweden 1.24% (0.88%)</b>			
TeliaSonera	5,692,713	24,307,815	1.24
<b>Switzerland 8.07% (8.70%)</b>			
Actelion	332,247	24,585,001	1.25
Nestle	725,575	32,874,211	1.67
Novartis	929,862	49,213,000	2.50
Roche	299,343	52,216,899	2.65

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives 0.00% (0.04%)</b>			
<b>EUR Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 11/07/2014	EUR(19,024,000)	(15,233,324)	(0.78)
Forward Foreign Currency Contracts 11/07/2014	USD26,110,440	15,270,602	0.78
<b>Portfolio of investments</b>		<b>1,924,723,030</b>	<b>97.79</b>
<b>Net current assets</b>		<b>43,467,128</b>	<b>2.21</b>
<b>Total Net Assets</b>		<b>1,968,190,158</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Thailand portfolio category, which, at 30 June 2013, represented 1.50% of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		90,824,630	261,810,342
Revenue	2	40,957,774	29,365,120	
Expenses	3	(10,573,661)	(9,337,215)	
Finance costs: Interest	5	-	(15,479)	
Net revenue before taxation		30,384,113	20,012,426	
Taxation	4	(3,329,581)	(3,037,118)	
Net revenue after taxation			27,054,532	16,975,308
<b>Total return before distributions</b>			<b>117,879,162</b>	<b>278,785,650</b>
Finance costs: Distributions	5		(27,089,982)	(16,976,810)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>90,789,180</b>	<b>261,808,840</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		1,286,908,572	1,106,420,653
<b>Transfer of Assets from:</b>			
Newton Overseas Equity Fund (on 15 February 2014)		224,759,484	-
Amounts receivable on issue of shares	496,468,530	105,668,470	
Amounts payable on cancellation of shares	(157,398,398)	(200,881,929)	
		339,070,132	(95,213,459)
Dilution adjustment		690,427	17,702
Stamp Duty Reserve Tax		(31,386)	(29,323)
Change in net assets attributable to Shareholders from investment activities (see above)		90,789,180	261,808,840
Retained distributions on accumulation shares		26,002,558	13,863,010
Unclaimed distributions		1,191	41,149
<b>Closing net assets attributable to Shareholders</b>		<b>1,968,190,158</b>	<b>1,286,908,572</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets			1,924,723,030		1,252,099,128
Debtors	7	15,209,491		9,621,181	
Cash and bank balances	8	<u>43,921,829</u>		<u>45,788,179</u>	
Total other assets			<u>59,131,320</u>		<u>55,409,360</u>
Total assets			1,983,854,350		1,307,508,488
<b>LIABILITIES</b>					
Creditors	9	(13,219,619)		(17,754,535)	
Distribution payable on income shares		<u>(2,444,573)</u>		<u>(2,845,381)</u>	
Total other liabilities			<u>(15,664,192)</u>		<u>(20,599,916)</u>
Total liabilities			(15,664,192)		(20,599,916)
<b>Net assets attributable to Shareholders</b>			<u><b>1,968,190,158</b></u>		<u><b>1,286,908,572</b></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.4760	0.0476	0.4284	0.0000	0.4284	0.4976
Group 2	0.4127	0.0413	0.3714	0.0570	0.4284	0.4976
Exempt Shares 2 (Net Accumulation)						
Group 1	3.3188	0.3319	2.9869	0.0000	2.9869	2.5018
Group 2	3.2617	0.3262	2.9355	0.0514	2.9869	2.5018
Exempt Shares 1 (Net Accumulation)						
Group 1	2.5891	0.2589	2.3302	0.0000	2.3302	2.2026
Group 2	2.4659	0.2466	2.2193	0.1109	2.3302	2.2026
X Shares (Net Accumulation)						
Group 1	3.5462	0.3546	3.1916	0.0000	3.1916	2.9390
Group 2	3.2689	0.3269	2.9420	0.2496	3.1916	2.9390
Exempt Shares 3 (Net Accumulation)						
Group 1	2.1491	0.2149	1.9342	0.0000	1.9342	1.8521
Group 2	2.1051	0.2105	1.8946	0.0396	1.9342	1.8521
Institutional Shares W (Net Income)						
Group 1	1.7568	0.1757	1.5811	0.0000	1.5811	1.4255
Group 2	0.7766	0.0777	0.6989	0.8822	1.5811	1.4255
Institutional Shares W (Net Accumulation)						
Group 1	1.7749	0.1775	1.5974	0.0000	1.5974	1.4261
Group 2	0.9602	0.0960	0.8642	0.7332	1.5974	1.4261
Retail Advised Shares B (Net Income)						
Group 1	1.2566	0.1257	1.1309	0.0000	1.1309	0.9554
Group 2	1.1670	0.1167	1.0503	0.0806	1.1309	0.9554
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2673	0.1267	1.1406	0.0000	1.1406	0.9543
Group 2	1.2673	0.1267	1.1406	0.0000	1.1406	0.9543

**Final dividend distribution in cents per Share**

Euro Accumulation Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0491
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0491

The distributions of all share classes are 100% franked.



## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	95,820,543	261,619,786
(Losses)/gains on forward currency contracts	(5,221,963)	949,994
Currency exchange gains/(losses)	239,672	(744,505)
Activity charges	(13,622)	(14,933)
<b>Net capital gains</b>	<b>90,824,630</b>	<b>261,810,342</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	6,100,950	3,604,879
Overseas dividends	34,449,196	25,531,239
Bank interest	119,714	37,093
Collective investment scheme distributions	-	78,054
Stock lending	287,914	113,855
<b>Total revenue</b>	<b>40,957,774</b>	<b>29,365,120</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	9,381,527	8,380,410
Administration fees	906,744	710,672
Collection charges	-	10,878
Registrar's disbursement fees	1,606	8,369
Safe custody charges	210,887	156,733
	<b>10,500,764</b>	<b>9,267,062</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	5	541
	<b>59,405</b>	<b>59,859</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,320	7,140
- Non-audit services (tax compliance fee)†	2,749	2,868
Financial Conduct Authority fee	287	286
Expenses associated with making tax reclaims	3,136	-
	<b>13,492</b>	<b>10,294</b>
<b>Total expenses</b>	<b>10,573,661</b>	<b>9,337,215</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,100 (2013: £5,950) and £2,290 (2013: £2,390) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Income tax expense	-	32,331
	-	32,331
Overseas tax withheld	3,333,999	3,004,787
Repayment of French withholding tax	(4,418)	-
<b>Total tax charge (see note 4b)</b>	<b>3,329,581</b>	<b>3,037,118</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	30,384,113	20,012,426
<b>Corporation tax @ 20%</b>	6,076,823	4,002,485
Effects of:		
Dividends not subject to corporation tax	(8,110,030)	(5,806,740)
Excess management expenses	2,033,207	1,804,255
Income tax expense	-	32,331
Repayment of French withholding tax	(4,418)	-
Overseas tax withheld	3,333,999	3,004,787
<b>Total tax charge (see note 4a)</b>	<b>3,329,581</b>	<b>3,037,118</b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £43,864,950 (30/06/13: £33,698,917), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £8,772,990 (30/06/13: £6,739,783). The prior year figures for excess management expenses and deferred tax asset not recognised have been updated, this is only a disclosure change and has no impact on the NAV/Distributions.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Final dividend 30 June - Sterling Income Shares	2,364,708	2,828,073
Final dividend 30 June - Euro Accumulation Shares	-	6,338
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	37,831	982
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	3,650,082	1,601,243
Final dividend 30 June - X Shares (Net Accumulation)	21,734,890	12,001,029
Final dividend 30 June - Exempt Shares 3 (Net Accumulation)	494,056	247,611
Final dividend 30 June - P Shares (Net Income)	-	285
Final dividend 30 June - Institutional Shares W (Net Income)	66,442	5,372
Final dividend 30 June - Institutional Shares W (Net Accumulation)	85,642	5,759
Final dividend 30 June - Retail Advised Shares B (Net Income)	13,423	11,651
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	57	48
	<b>28,447,131</b>	<b>16,708,391</b>
Amounts added on issue of shares	(2,340,871)	(423,766)
Amounts deducted on cancellation of shares	983,722	692,185
<b>Net distributions for the year</b>	<b>27,089,982</b>	<b>16,976,810</b>
Interest	-	15,479
<b>Total finance costs</b>	<b>27,089,982</b>	<b>16,992,289</b>

## Notes to the Financial Statements (continued)

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	27,054,532	16,975,308
Equalisation on conversions	(1,118)	1,497
Transfer from capital distribution for deficit on Euro Accumulation share class	36,926	-
Undistributed revenue brought forward	403	408
Undistributed revenue carried forward	(761)	(403)
	<b>27,089,982</b>	<b>16,976,810</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	2,709,502	1,327,895
Amount receivable for issue of shares	225,351	296,035
Amount due from Newton Overseas Equity to Newton Global Equity	3,436	-
Overseas tax recoverable	1,684,023	1,504,290
Sales awaiting settlement	10,587,179	6,492,961
	<b>15,209,491</b>	<b>9,621,181</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	25,302,698	16,776,233
Cash held in BNY Mellon Sterling Liquidity Fund	18,619,131	29,011,946
	<b>43,921,829</b>	<b>45,788,179</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	1,000,509	831,125
Amount payable for cancellation of shares	3,282,618	500,382
Purchases awaiting settlement	8,936,492	16,423,028
	<b>13,219,619</b>	<b>17,754,535</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, collection charges, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £4,024,681 (30/06/13: £1,019,281).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	37,278	37,278
	<b>37,278</b>	<b>37,278</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	142,541,989	37,846,545	180,388,534	70,820,321
Australia	18,100,715	-	18,100,715	15,032,305
Brazil	14,590,146	-	14,590,146	6,710,341
Canada	59,223,480	36,589	59,260,069	24,388,011
Europe	329,377,585	1,117,275	330,494,860	185,888,235
Hong Kong	48,334,098	-	48,334,098	49,470,610
India	7,533,904	-	7,533,904	6,481,339
Japan	183,330,624	87,631	183,418,255	96,846,479
Sweden	24,307,815	-	24,307,815	11,307,706
Switzerland	158,889,111	1,010,036	159,899,147	113,304,526
Taiwan	-	1,821	1,821	2,045
Thailand	-	-	-	19,263,017
United States of America	938,493,563	3,367,231	941,860,794	687,393,637
<b>Total</b>	<b>1,924,723,030</b>	<b>43,467,128</b>	<b>1,968,190,158</b>	<b>1,286,908,572</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		1,073,248,144		347,578,217
Commissions	391,643		277,377	
Taxes	<u>466,780</u>		<u>149,386</u>	
Total purchase costs		858,423		426,763
<b>Gross purchases total</b>		<b><u>1,074,106,567</u></b>		<b><u>348,004,980</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		497,330,817		411,941,395
Commissions	(429,791)		(400,839)	
Taxes	<u>(33,515)</u>		<u>(21,412)</u>	
Total sales costs		(463,306)		(422,251)
<b>Total sales net of transaction costs</b>		<b><u>496,867,511</u></b>		<b><u>411,519,144</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £8,571,197 of investments were subject to stock lending agreements and the Fund held £9,008,034 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £359,893 (30/06/13: £145,945) and £71,979 (30/06/13: £32,090).

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Euro Accumulation Shares, Exempt Shares 2 (Net Accumulation), Exempt Shares 1 (Net Accumulation), X Shares (Net Accumulation), Exempt Shares 3 (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Euro Accumulation Shares	2.00%	0.10%
Exempt Shares 2 (Net Accumulation)	0.60%	0.03%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Exempt Shares 3 (Net Accumulation)	0.75%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 342 to 343. The distribution is given in the distribution statement on page 349. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL HIGH YIELD BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£286.37m
Comparative Index:	BofA Merrill Lynch Glo HY ex Bnk Cap&Jr Sub (GBP Hedged)
Sector:	IMA £ High Yield*

Distribution Yield as at 30 June 2014:

Sterling Income Shares	6.26%
X Shares (Net Accumulation)	6.31%
X Shares (Net Income)	6.33%
Institutional Shares W (Net Income)	6.33%
Institutional Shares W (Net Accumulation)	6.31%
Retail Advised Shares B (Net Income)	6.26%
Retail Advised Shares B (Net Accumulation)	6.24%
P Shares (Net Accumulation)	6.31%

Key Dates: Fund Launch 02 October 2000

**Investment Objective**

To achieve a high yield from a globally diversified portfolio which may include but is not limited to fixed interest bonds and other debt instruments (such as floating rate notes and index-linked notes). The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes. At least 80% of the Fund's assets should be in sterling denominated assets or hedged back to sterling.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	8.48%	11.90%	-1.10%	9.89%	35.83%
X Shares (Net Accumulation)	9.64%	13.08%	-0.05%	11.10%	37.30%
X Shares (Net Income)**	9.64%	13.07%	-0.04%	n/a	n/a
Institutional Shares W (Net Income)**	9.08%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)**	9.10%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)**	8.75%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)**	8.76%	n/a	n/a	n/a	n/a
P Shares (Net Accumulation)**	8.54%	n/a	n/a	n/a	n/a
BofA Merrill Lynch Glo HY ex Bnk Cp&Jr Sub TR (GBP Hedged)	12.00%	10.05%	6.44%	14.49%	26.75%

Source: Lipper as at 30 June 2014. Total return, including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* The Fund was in the IMA Global Bonds sector until October 2009. The performance figures for the IMA Global Bonds sector are available upon request.

\*\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.



Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +8.48% against +12.00% for the Bank of America Merrill Lynch Global High Yield excluding Bank Capital & Junior Subordinated GBP (Hedged) Index.

Over the period, the Fund posted a positive return but underperformed its comparative index. Strong global demand for corporate debt – bonds issued by companies – was exemplified by the performance of the record-breaking US\$49bn issuance by Verizon (three times larger than the previous largest issuance). Sterling and euro issuance was also snapped up by investors searching for attractive yields. Increasing political risk (in the US and Italy) did little to deter investors. Almost all of the Fund’s holdings performed well over the period. However, the Fund’s relative underperformance can be attributed to a more cautious approach in terms of credit quality; the Fund is predominantly invested in sub-investment grade corporate bonds (debt rated below BBB-) by the credit rating agency Standard & Poor’s but had underweight exposure to riskier CCC rated bonds. The Fund’s short duration position was also a source of underperformance (duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates) over the first half of the period.

The Fund participated in a few primary issues, including that of Tullow Oil, an exploration and production company. Other notable purchases included 5.625% Numericable Group 2024 and 8% Telemovil Finance 2017. Sales included bonds issued by Unitymedia and Jaguar Land Rover.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
UK Treasury Gilt 2.75% 2015	UK Treasury Gilt 2.75% 2015
USA Treasury Bonds 2.875% 2043	USA Treasury Bonds 2.875% 2043
Numericable 5.625% Bonds 2024	Unitymedia 7.50% Bonds 2019
UK Treasury Gilt 2.25% 2014	Jaguar Land Rover 8.125% Bonds 2018
Unitymedia 7.50% Bonds 2019	Wind Acquisition Finance 11.75% Bonds 2017
Telemovil Finance 8.00% Bonds 2017	UK Treasury Gilt 2.25% 2014
Ziggo Bond 8.00% Bonds 2018	FoodCorp 8.75% Bonds 2018
Wind Acquisition Finance 7.00% Bonds 2021	Virgin Media Finance 8.875% Bonds 2019
Jaguar Land Rover 8.125% Bonds 2018	International Personal Finance 11.50% Notes 2015
Consol Energy 8.00% Bonds 2017	UK Treasury Gilt 4.25% 2039

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	69.00	63.73	4.6256
2011	69.22	55.83	4.2829
2012	66.77	58.34	3.9294
2013	68.14	64.78	3.5808
2014	67.69	66.04	1.6190
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	87.31	75.47	5.7323
2011	90.59	75.78	5.7367
2012	99.00	80.88	5.6873
2013	105.73	99.16	5.5554
2014	110.32	105.34	2.6361
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2011 (from 25 May)	90.31	74.01	3.4252
2012	89.63	77.54	5.2954
2013	91.79	87.39	4.8800
2014	92.19	89.63	2.2254
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	105.23	100.00	1.9385
2013	107.57	102.34	5.7156
2014	107.45	104.65	2.5965
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 September)	106.67	100.00	1.9525
2013	113.37	106.83	5.9714
2014	118.01	112.93	2.8229
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	102.63	99.47	1.3457
2013	104.82	99.70	5.5106
2014	104.42	101.79	2.4960
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	103.47	99.47	1.3518
2013	109.64	103.48	5.7240
2014	113.96	109.20	2.6970
<b>P Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 September)	103.17	99.39	1.5771
2013 (to 23 September)	105.28	100.10	3.9539

\*\*P Shares (Net Income) share class closed 23 September 2013

<b>P Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 15 October)	103.37	100.00	1.2069
2013	109.34	103.29	5.7733
2014	113.54	108.88	2.7187

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	51,020,854	61.16	83,415,987
30/06/2013	80,864,079	64.75	124,895,340
30/06/2014	76,920,167	66.89	114,997,969
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	27,032,076	87.97	30,730,287
30/06/2013	36,466,566	99.67	36,586,909
30/06/2014	97,358,217	109.51	88,901,193
<b>X Shares (Net Income)</b>		<b>Pence</b>	
30/06/2012	13,351,499	81.69	16,343,831
30/06/2013	36,110,415	87.34	41,343,205
30/06/2014	92,510,679	91.14	101,500,233
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	1,664,345	102.29	1,627,155
30/06/2014	15,600,076	106.20	14,689,120
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	543,161	107.12	507,046
30/06/2014	3,597,508	117.12	3,071,607
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	35,070	99.64	35,197
30/06/2014	196,691	103.20	190,597
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	5,195	103.74	5,008
30/06/2014	113,061	113.08	99,980
<b>P Shares (Net Income)**</b>		<b>Pence</b>	
30/06/2013	119,640	100.03	119,600
**P Shares (Net Income) share class closed 23 September 2013			
<b>P Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	64,108	103.56	61,904
30/06/2014	69,736	112.65	61,903

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.14	1.15
X Shares (Net Accumulation)	0.07	0.08
X Shares (Net Income)	0.07	0.08
Institutional Shares W (Net Income)	0.57	0.57
Institutional Shares W (Net Accumulation)	0.57	0.57
Retail Advised Shares B (Net Income)	0.89	0.89
Retail Advised Shares B (Net Accumulation)	0.89	0.90
P Shares (Net Accumulation)	1.07	1.08

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 1.90% (2.43%)</b>			
Brazil 0.00% 2018	BRL12,000	2,147,816	0.75
Ecuador 9.375% Bonds 2015	USD680,000	420,436	0.15
Gabon 6.375% Bonds 2024	USD1,180,000	753,341	0.26
Venezuela 5.75% Bonds 2016	USD3,840,000	2,127,906	0.74
<b>Sterling Denominated Corporate Bonds 14.84% (14.19%)</b>			
AA Bond 9.50% Bonds 2019	£1,880,000	2,116,786	0.74
Arqiva Broadcast Finance 9.50% Bonds 2020	£1,800,000	2,052,936	0.72
Boparan 5.25% Bonds 2019	£1,000,000	990,000	0.35
Boparan 9.875% Bonds 2018	£2,800,000	3,013,668	1.05
Cable & Wireless International Finance 8.625% Bonds 2019	£1,690,000	1,956,479	0.68
Crown Newco 3 7.00% Bonds 2018	£4,690,000	4,937,116	1.73
Debenhams 5.25% Bonds 2021	£1,000,000	983,750	0.34
Enterprise Inns 6.375% Bonds 2031	£500,000	500,195	0.18
Enterprise Inns 6.50% Bonds 2018	£746,000	806,769	0.28
Gala Group Finance 8.875% Bonds 2018	£3,200,000	3,061,526	1.07
House of Fraser 8.875% Bonds 2018	£5,070,000	5,427,283	1.90
Jerrold Finco 9.75% Bonds 2018	£1,255,000	1,402,462	0.49
Lloyds Banking 7.00% Bonds 2049	£726,000	746,328	0.26
Moto Finance 10.25% Bonds 2017	£1,306,000	1,404,185	0.49
Moy Park Bondco 6.25% Bonds 2021	£2,200,000	2,150,720	0.75
Phones4U Finance 9.50% Bonds 2018	£2,700,000	2,778,840	0.97
Priory 8.875% Bonds 2019	£1,350,000	1,443,730	0.50
SLM Student Loan Trust 5.15% EMTN 2015	£700,000	669,830	0.23
Telecom Italia 6.375% Bonds 2019	£2,600,000	2,827,916	0.99
Virgin Media Finance 6.00% Bonds 2021	£1,600,000	1,680,112	0.59
Virgin Media Finance 7.00% Bonds 2023	£1,400,000	1,525,370	0.53
<b>Non-Sterling Denominated Corporate Bonds 77.96% (75.72%)</b>			
3AB Optique Development 5.625% Bonds 2019	EUR2,708,000	2,143,472	0.75
Abengoa Finance 8.875% Bonds 2017	USD2,150,000	1,412,850	0.49
Adria Bidco 7.875% Bonds 2020	EUR3,200,000	2,765,801	0.97
Aeropuertos Dominicanos 9.25% Bonds 2019	USD2,665,000	1,483,522	0.52
Afren 11.50% Bonds 2016	USD3,200,000	2,089,278	0.73
African Minerals 8.50% Bonds 2017	USD1,600,000	811,730	0.28
AG Spring Finance 7.50% Bonds 2018	EUR2,700,000	2,145,615	0.75
Agrokor 8.875% Bonds 2020	USD3,100,000	2,030,569	0.71
Agrokor 9.125% Bonds 2020	EUR1,050,000	949,324	0.33
Aguila 3 7.875% Bonds 2018	CHF2,150,000	1,497,915	0.52
Aguila 3 7.875% Bonds 2018	USD2,100,000	1,295,728	0.45
AK Steel 7.625% Bonds 2020	USD2,232,000	1,337,477	0.47
Albain Bidco Norway FRN 2020	NOK28,000,000	2,668,821	0.93
Algeco Scotman Global Finance 9.00% Bonds 2018	EUR2,300,000	1,957,477	0.68
Altice Financing 7.875% Bonds 2019	USD1,000,000	638,992	0.22
Altice Financing 8.00% Bonds 2019	EUR1,200,000	1,055,249	0.37
Altice Finco 7.25% Bonds 2022	EUR3,300,000	2,798,537	0.98
Ardagh Glass Finance 7.125% Bonds 2017	EUR2,600,000	2,109,722	0.74
Ardagh Packaging Finance 4.25% Bonds 2022	EUR2,610,000	2,064,857	0.72
Ardagh Packaging Finance 7.375% Bonds 2017	EUR3,000,000	2,524,571	0.88
Banglalink Digital Communications 8.625% Bonds 2019	USD2,200,000	1,372,200	0.48
Boardriders 8.875% Bonds 2017	EUR3,300,000	2,739,716	0.96
Boats Investment Netherlands 11.00% PIK 2017	EUR1,350,000	507,649	0.18
Boats Investment Netherlands FRN PIK 2015	EUR720,000	19,642	0.01
Boparan 4.375% Bonds 2021	EUR3,340,000	2,648,750	0.93
Brightstar 7.25% Bonds 2018	USD2,002,000	1,281,994	0.45
BTA Bank 5.50% Bonds 2022	USD4,253	1,814	0.00
Bumi Investment 10.75% Bonds 2017	USD2,200,000	633,552	0.22
Caesars Entertainment 8.00% Bonds 2020	USD4,600,000	2,811,358	0.98

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non-Sterling Denominated Corporate Bonds (continued)</b>			
Catalent Pharma Solution 9.75% Bonds 2017	EUR5,140,000	4,198,129	1.47
Cemex 7.25% Bonds 2021	USD3,600,000	2,313,845	0.81
China Green 10.00% Convertible Bonds 2016	CNY4,000,000	232,246	0.08
China Green 7.00% Convertible Bonds 2016	CNY4,000,000	203,310	0.07
Cirsa Funding Luxembourg 8.75% Bonds 2018	EUR3,400,000	2,820,124	0.99
CMA 8.50% Bonds 2017	USD1,000,000	600,305	0.21
CMA 8.875% Bonds 2019	EUR1,500,000	1,264,760	0.44
Cobre Del Mayo 10.75% Bonds 2018	USD3,700,000	2,177,068	0.76
Codere Finance 8.25% Notes 2015	EUR1,600,000	765,509	0.27
Consol Energy 5.875% Bonds 2022	USD2,000,000	1,225,253	0.43
ConvaTec Healthcare 7.375% Bonds 2017	EUR1,600,000	1,351,383	0.47
Corral Petroleum 15.00% Bonds 2017	EUR1,918,617	1,448,785	0.51
Country Garden 11.125% Bonds 2018	USD4,300,000	2,748,469	0.96
Dana Gas Sukuk 9.00% Bonds 2017	USD900,900	510,628	0.18
Detour Gold 5.50% Convertible Bonds 2017	USD633,000	354,474	0.12
Drill Rigs 6.50% Bonds 2017	USD4,495,000	2,688,035	0.94
eAccess 8.25% Bonds 2018	USD400,000	253,161	0.09
eAccess 8.375% Bonds 2018	EUR866,000	752,052	0.26
Edcon 13.375% Bonds 2019	EUR2,678,000	2,021,384	0.71
ERC Ireland Finance FRN 2016	EUR1,100,000	88	0.00
Evraz 6.75% Bonds 2018	USD3,600,000	2,071,424	0.72
EXCO Resources 7.50% Bonds 2018	USD3,550,000	2,135,294	0.75
First Data 11.75% Bonds 2021	USD2,500,000	1,729,815	0.61
First Data 7.375% Bonds 2019	USD3,280,000	2,059,771	0.72
First Quantum Minerals 6.75% Bonds 2020	USD894,000	538,538	0.19
First Quantum Minerals 7.00% Bonds 2021	USD894,000	537,885	0.19
Genel Energy Finance 7.50% Bonds 2019	USD3,200,000	1,861,141	0.65
Gestamp 5.875% Bonds 2020	EUR2,600,000	2,220,939	0.78
Grupo Isolux Corsan Finance 6.625% Bonds 2021	EUR3,378,000	2,754,730	0.96
Gtech 8.25% Bonds 2066	EUR3,050,000	2,629,706	0.92
Heidelberger Druckmaschinen 9.25% Bonds 2018	EUR2,307,000	1,979,227	0.69
Hellas Telecom Finance FRN PIK 2015	EUR552,457	3,318	0.00
Hellas Telecom II FRN 2015	EUR300,000	1,802	0.00
Ineos Finance 7.50% Bonds 2020	USD2,570,000	1,636,452	0.57
Italcementi Finance 6.125% Bonds 2018	EUR1,530,000	1,365,597	0.48
JBS Investments 7.75% Bonds 2020	USD3,200,000	2,001,691	0.70
Kerling 10.625% Bonds 2017	EUR4,900,000	4,159,563	1.45
KPNQwest 10.00% Convertible Bonds 2012	EUR22,000	0	0.00
Labco 8.50% Bonds 2018	EUR3,380,000	2,874,961	1.00
Lecta 8.875% Bonds 2019	EUR1,300,000	1,101,652	0.39
Lloyds Bank 13.00% Bonds 2021	AUD1,049,000	694,843	0.24
Loxam 7.375% Bonds 2020	EUR2,325,000	2,034,065	0.71
Magnetation Financial 11.00% Bonds 2018	USD2,120,000	1,354,563	0.47
Marfrig Overseas 9.50% Bonds 2020	USD2,300,000	1,438,473	0.50
Matterhorn Mobile 6.75% Bonds 2019	CHF5,620,000	3,950,988	1.38
Metalloinvest Finance 5.625% Bonds 2020	USD2,668,000	1,514,839	0.53
Millicom International Cellular 6.625% Bonds 2021	USD5,330,000	3,373,095	1.18
Mongolian Mining 8.875% Bonds 2017	USD1,700,000	642,189	0.22
MPT Operating Partnership 5.75% Bonds 2020	EUR2,010,000	1,723,604	0.60
Nara Cable 8.875% Bonds 2018	EUR4,750,000	4,057,524	1.42
Nitrogenmuvek 7.875% Bonds 2020	USD3,100,000	1,872,909	0.65
Norcell 1B 12.40% PIK 2019	EUR1,593,000	1,371,378	0.48
Norcell Sweden Holding 3 9.25% Bonds 2018	SEK28,000,000	2,656,595	0.93
Norske Skogindustrier 11.75% Bonds 2016	EUR1,100,000	783,503	0.27
Novafives 4.50% Bonds 2021	EUR1,300,000	1,051,270	0.37
Numericable 5.625% Bonds 2024	EUR8,087,000	6,914,385	2.41
Ono Finance II 11.125% Bonds 2019	EUR3,000,000	2,640,046	0.92
Pacific Drilling V 7.25% Bonds 2017	USD3,100,000	1,917,273	0.67

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non-Sterling Denominated Corporate Bonds (continued)</b>			
Sable International Finance 8.75% Bonds 2020	USD689,000	452,737	0.16
Santos Finance 8.25% Bonds 2070	EUR2,250,000	2,067,902	0.72
Sazka 8.50% Bonds 2021	EUR400,000	19,236	0.01
Seat Pagine Gialle 10.50% Bonds 2017	EUR1,500,000	228,211	0.08
SMCP 8.875% Bonds 2020	EUR1,600,000	1,402,131	0.49
Soho China 7.125% Bonds 2022	USD2,690,000	1,560,651	0.54
Sprint Capital 8.75% Bonds 2032	USD3,296,000	2,223,800	0.78
Sprint Corp 7.125% Bonds 2024	USD2,142,000	1,327,906	0.46
Sprint Corp 7.875% Bonds 2023	USD3,500,000	2,277,246	0.80
Sprint Nextel 9.25% Bonds 2022	USD3,970,000	2,832,646	0.99
Sunrise Communications International 5.625% Bonds 2017	CHF500,000	338,351	0.12
Sunrise Communications International 7.00% Bonds 2017	EUR4,500,000	3,787,758	1.32
Techem 6.125% Bonds 2019	EUR1,020,000	882,922	0.31
Telemovil Finance 8.00% Bonds 2017	USD8,780,000	5,391,700	1.88
T-Mobile 6.464% Bonds 2019	USD3,401,000	2,093,489	0.73
Toys R Us Property Co II 8.50% Bonds 2017	USD4,850,000	2,889,435	1.01
Tullow Oil 6.00% Bonds 2020	USD3,864,000	2,350,377	0.82
Turk Telekomunikasyon 4.875% Bonds 2024	USD2,500,000	1,424,131	0.50
Unify Germany 10.75% Bonds 2015	EUR1,739,000	1,412,050	0.49
Unitymedia 9.625% Bonds 2019	EUR2,450,000	2,105,364	0.74
UPC 6.375% Bonds 2022	EUR3,200,000	2,785,711	0.97
UPC 8.375% Bonds 2020	EUR1,550,000	1,357,223	0.47
Valeant Pharmaceuticals 7.50% Bonds 15/07/2021	USD2,128,000	1,378,343	0.48
VimpelCom 7.5043% Bonds 2022	USD3,400,000	2,149,724	0.75
Virgin Media Finance 6.375% Bonds 2023	USD2,400,000	1,521,186	0.53
Virgolino de Oliveira 10.50% Bonds 2018	USD2,200,000	1,041,193	0.36
Viridian FundCo II 11.125% Bonds 2017	USD2,459,000	1,578,357	0.55
Viridian FundCo II 11.125% Bonds 2017	EUR1,688,000	1,490,738	0.52
Vivacom 6.625% Bonds 2018	EUR2,440,000	2,039,466	0.71
Waterford Wedgwood 9.875% Bonds 2010	EUR340,000	27	0.00
Wind Acquisition Finance 4.00% Bonds 2020	EUR2,370,000	1,894,874	0.66
Wind Acquisition Finance 7.00% Bonds 2021	EUR6,897,000	5,933,608	2.07
Winstar Communications 12.75% Bonds 2010	EUR400,000	0	0.00
WMG Acquisition 6.25% Bonds 2021	EUR2,500,000	1,896,546	0.66
Yingde Gases Investment 8.125% Bonds 2018	USD3,810,000	2,356,101	0.82
Ziggo 8.00% Bonds 2018	EUR9,749,000	8,659,911	3.03
Zlomrex International Finance 8.50% Bonds 2014	EUR1,250,000	690,640	0.24
<b>Czech Republic 0.00% (0.00%)</b>			
Bestsport Services	340,465	0	0.00
Bestsport Arena	2,444,279	0	0.00
<b>Kazakhstan 0.00% (0.00%)</b>			
Alliance Bank GDR (Rep 1/40 Prf Shs)	80	0	0.00
Alliance Bank GDR (Rep 1/4 Ord KZT10000)	144	0	0.00
BTA Bank GDR (Rep 500 Ord KZT10000)	691	220	0.00
<b>Derivatives 1.37% (-1.11%)</b>			
<b>AUD Forward Foreign Currency Contracts 0.00% (0.04%)</b>			
Forward Foreign Currency Contracts 13/08/14	AUD(1,288,815)	(709,888)	(0.25)
Forward Foreign Currency Contracts 13/08/14	£705,461	705,461	0.25
<b>BRL Forward Foreign Currency Contracts -0.02% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	BRL(8,144,000)	(2,141,353)	(0.75)
Forward Foreign Currency Contracts 13/08/14	£2,100,656	2,100,656	0.73

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>CHF Forward Foreign Currency Contracts 0.04% (-0.03%)</b>			
Forward Foreign Currency Contracts 13/08/14	CHF1,621,292	1,069,817	0.37
Forward Foreign Currency Contracts 13/08/14	£(1,087,773)	(1,087,773)	(0.38)
Forward Foreign Currency Contracts 13/08/14	CHF(10,289,285)	(6,789,429)	(2.37)
Forward Foreign Currency Contracts 13/08/14	£6,942,739	6,942,739	2.42
<b>CNY Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	CNY(4,245,007)	(403,068)	(0.14)
Forward Foreign Currency Contracts 13/08/14	£405,000	405,000	0.14
<b>EUR Forward Foreign Currency Contracts 1.00% (-0.55%)</b>			
Forward Foreign Currency Contracts 13/08/14	EUR5,079,059	4,068,550	1.42
Forward Foreign Currency Contracts 13/08/14	£(4,082,300)	(4,082,300)	(1.43)
Forward Foreign Currency Contracts 13/08/14	EUR(149,045,410)	(119,391,920)	(41.69)
Forward Foreign Currency Contracts 13/08/14	£122,269,303	122,269,303	42.70
<b>MXN Forward Foreign Currency Contracts 0.04% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	MXN98,807,172	4,445,250	1.55
Forward Foreign Currency Contracts 13/08/14	£(4,430,992)	(4,430,992)	(1.55)
Forward Foreign Currency Contracts 13/08/14	MXN(98,807,172)	(4,445,250)	(1.55)
Forward Foreign Currency Contracts 13/08/14	£4,543,987	4,543,987	1.59
<b>NOK Forward Foreign Currency Contracts 0.04% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	NOK(27,803,063)	(2,647,348)	(0.92)
Forward Foreign Currency Contracts 13/08/14	£2,763,010	2,763,010	0.96
<b>NZD Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	NZD5,819,124	2,971,653	1.04
Forward Foreign Currency Contracts 13/08/14	£(2,948,298)	(2,948,298)	(1.03)
<b>PHP Forward Foreign Currency Contracts 0.01% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	PHP843,731,000	11,306,319	3.95
Forward Foreign Currency Contracts 13/08/14	£(11,365,128)	(11,365,128)	(3.97)
Forward Foreign Currency Contracts 13/08/14	PHP(843,731,000)	(11,306,319)	(3.95)
Forward Foreign Currency Contracts 13/08/14	£11,408,729	11,408,729	3.98
<b>USD Forward Foreign Currency Contracts 0.25% (-0.58%)</b>			
Forward Foreign Currency Contracts 13/08/14	USD23,051,772	13,485,142	4.71
Forward Foreign Currency Contracts 13/08/14	£(13,683,293)	(13,683,293)	(4.78)
Forward Foreign Currency Contracts 13/08/14	USD(188,681,375)	(110,377,424)	(38.54)
Forward Foreign Currency Contracts 13/08/14	£111,280,505	111,280,505	38.86
<b>Portfolio of investments*</b>		<b>275,105,987</b>	<b>96.07</b>
<b>Net current assets</b>		<b>11,260,148</b>	<b>3.93</b>
<b>Total Net Assets</b>		<b>286,366,135</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt securities and equities issued by the relevant companies or issuers.

GDR = Global Depositary Receipt

\*Net of investment liabilities



**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AA	670	0.23	0.43
BBB	4,911	1.71	1.97
BB	79,957	27.93	31.14
B	142,598	49.79	48.35
CCC	14,271	4.99	6.34
C	-	-	0.12
D	766	0.27	0.74
Not Rated (by S&P)	27,977	9.78	3.25
Derivatives	3,956	1.37	(1.11)
<b>Portfolio of investments</b>	<b>275,106</b>	<b>96.07</b>	<b>91.23</b>
<b>Net current assets</b>	<b>11,260</b>	<b>3.93</b>	<b>8.77</b>
<b>Total Net Assets</b>	<b>286,366</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		8,660,514	5,855,250
Revenue	2	15,868,190		9,867,490
Expenses	3	(1,043,243)		(869,405)
Finance costs: Interest	5	<u>(175)</u>	<u>(9)</u>	
Net revenue before taxation		14,824,772		8,998,076
Taxation	4	<u>-</u>	<u>-</u>	
Net revenue after taxation			<u>14,824,772</u>	<u>8,998,076</u>
<b>Total return before distributions</b>			<b>23,485,286</b>	<b>14,853,326</b>
Finance costs: Distributions	5		(15,662,611)	(9,723,109)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b><u>7,822,675</u></b>	<b><u>5,130,217</u></b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	£	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		155,872,579		91,404,429
Amounts receivable on issue of shares	199,716,747		95,686,455	
Amounts payable on cancellation of shares	<u>(82,374,129)</u>		<u>(39,127,278)</u>	
		117,342,618		56,559,177
Dilution adjustment		563,110		399,629
Change in net assets attributable to Shareholders from investment activities (see above)		7,822,675		5,130,217
Retained distributions on accumulation shares		4,762,619		2,377,795
Unclaimed distributions		2,534		1,332
<b>Closing net assets attributable to Shareholders</b>		<b><u>286,366,135</u></b>		<b><u>155,872,579</u></b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			275,439,777	144,091,482
Debtors	7	8,487,123	10,593,021	
Cash and bank balances	8	<u>20,090,269</u>	<u>9,961,886</u>	
Total other assets			<u>28,577,392</u>	<u>20,554,907</u>
Total assets			304,017,169	164,646,389
<b>LIABILITIES</b>				
Investment liabilities			(333,790)	(1,887,283)
Overdrawn cash and bank balances	8	(1)	(58,513)	
Creditors	9	(16,568,563)	(6,435,699)	
Distribution payable on income shares		<u>(748,680)</u>	<u>(392,315)</u>	
Total other liabilities			<u>(17,317,244)</u>	<u>(6,886,527)</u>
Total liabilities			(17,651,034)	(8,773,810)
<b>Net assets attributable to Shareholders</b>			<u><b>286,366,135</b></u>	<u><b>155,872,579</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 June 2014
						Group 2: Shares purchased 1 June 2014 to 30 June 2014
	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 30/06/2013
Sterling Income Shares						
Group 1	0.3359	0.0672	0.2687	0.0000	0.2687	0.2129
Group 2	0.1473	0.0295	0.1178	0.1509	0.2687	0.2129
X Shares (Net Accumulation)						
Group 1	0.5535	0.1107	0.4428	0.0000	0.4428	0.3311
Group 2	0.3483	0.0697	0.2786	0.1642	0.4428	0.3311
X Shares (Net Income)						
Group 1	0.4625	0.0925	0.3700	0.0000	0.3700	0.2911
Group 2	0.1773	0.0355	0.1418	0.2282	0.3700	0.2911
Institutional Shares W (Net Income)						
Group 1	0.5390	0.1078	0.4312	0.0000	0.4312	0.3410
Group 2	0.2578	0.0516	0.2062	0.2250	0.4312	0.3410
Institutional Shares W (Net Accumulation)						
Group 1	0.5920	0.1184	0.4736	0.0000	0.4736	0.3559
Group 2	0.2953	0.0591	0.2362	0.2374	0.4736	0.3559
Retail Advised Shares B (Net Income)						
Group 1	0.5179	0.1036	0.4143	0.0000	0.4143	0.3275
Group 2	0.4594	0.0919	0.3675	0.0468	0.4143	0.3275
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5653	0.1131	0.4522	0.0000	0.4522	0.3399
Group 2	0.0941	0.0188	0.0753	0.3769	0.4522	0.3399
P Shares (Net Accumulation)						
Group 1	0.5696	0.1139	0.4557	0.0000	0.4557	0.3442
Group 2	0.5696	0.1139	0.4557	0.0000	0.4557	0.3442

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 May 2014
						Group 2: Shares purchased 1 May 2014 to 31 May 2014
	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 31/05/2013
Sterling Income Shares						
Group 1	0.3109	0.0622	0.2487	0.0000	0.2487	0.3436
Group 2	0.1744	0.0349	0.1395	0.1092	0.2487	0.3436
X Shares (Net Accumulation)						
Group 1	0.5106	0.1021	0.4085	0.0000	0.4085	0.5287
Group 2	0.5106	0.1021	0.4085	0.0000	0.4085	0.5287

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	Period					
	Group 1: Shares purchased prior to 1 May 2014					
	Group 2: Shares purchased 1 May 2014 to 31 May 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/05/2013</b>
X Shares (Net Income)						
Group 1	0.4284	0.0857	0.3427	0.0000	0.3427	0.4673
Group 2	0.1600	0.0320	0.1280	0.2147	0.3427	0.4673
Institutional Shares W (Net Income)						
Group 1	0.4995	0.0999	0.3996	0.0000	0.3996	0.5476
Group 2	0.2350	0.0470	0.1880	0.2116	0.3996	0.5476
Institutional Shares W (Net Accumulation)						
Group 1	0.5465	0.1093	0.4372	0.0000	0.4372	0.5686
Group 2	0.2330	0.0466	0.1864	0.2508	0.4372	0.5686
Retail Advised Shares B (Net Income)						
Group 1	0.4794	0.0959	0.3835	0.0000	0.3835	0.5287
Group 2	0.0000	0.0000	0.0000	0.3835	0.3835	0.5287
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5213	0.1043	0.4170	0.0000	0.4170	0.5458
Group 2	0.0031	0.0006	0.0025	0.4145	0.4170	0.5458
P Shares (Net Accumulation)						
Group 1	0.5260	0.1052	0.4208	0.0000	0.4208	0.5501
Group 2	0.5260	0.1052	0.4208	0.0000	0.4208	0.5501

**Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 April 2014					
	Group 2: Shares purchased 1 April 2014 to 30 April 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/04/2013</b>
Sterling Income Shares						
Group 1	0.3588	0.0718	0.2870	0.0000	0.2870	0.3490
Group 2	0.2419	0.0484	0.1935	0.0935	0.2870	0.3490
X Shares (Net Accumulation)						
Group 1	0.5854	0.1171	0.4683	0.0000	0.4683	0.5335
Group 2	0.5854	0.1171	0.4683	0.0000	0.4683	0.5335
X Shares (Net Income)						
Group 1	0.4931	0.0986	0.3945	0.0000	0.3945	0.4739
Group 2	0.4298	0.0860	0.3438	0.0507	0.3945	0.4739
Institutional Shares W (Net Income)						
Group 1	0.5753	0.1151	0.4602	0.0000	0.4602	0.5556
Group 2	0.2263	0.0453	0.1810	0.2792	0.4602	0.5556

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 April 2014
						<b>Prior Period 30/04/2013</b>
Institutional Shares W (Net Accumulation)						
Group 1	0.6266	0.1253	0.5013	0.0000	0.5013	0.5740
Group 2	0.3434	0.0687	0.2747	0.2266	0.5013	0.5740
Retail Advised Shares B (Net Income)						
Group 1	0.5533	0.1107	0.4426	0.0000	0.4426	0.5368
Group 2	0.5533	0.1107	0.4426	0.0000	0.4426	0.5368
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5991	0.1198	0.4793	0.0000	0.4793	0.5514
Group 2	0.0000	0.0000	0.0000	0.4793	0.4793	0.5514
P Shares (Net Accumulation)						
Group 1	0.6034	0.1207	0.4827	0.0000	0.4827	0.5555
Group 2	0.6034	0.1207	0.4827	0.0000	0.4827	0.5555

**Interim interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 March 2014
						Group 2: Shares purchased 1 March 2014 to 31 March 2014
						<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.3723	0.0745	0.2978	0.0000	0.2978	0.2564
Group 2	0.1218	0.0244	0.0974	0.2004	0.2978	0.2564
X Shares (Net Accumulation)						
Group 1	0.6039	0.1208	0.4831	0.0000	0.4831	0.3915
Group 2	0.1916	0.0383	0.1533	0.3298	0.4831	0.3915
X Shares (Net Income)						
Group 1	0.5110	0.1022	0.4088	0.0000	0.4088	0.3491
Group 2	0.4034	0.0807	0.3227	0.0861	0.4088	0.3491
Institutional Shares W (Net Income)						
Group 1	0.5964	0.1193	0.4771	0.0000	0.4771	0.4095
Group 2	0.2471	0.0494	0.1977	0.2794	0.4771	0.4095
Institutional Shares W (Net Accumulation)						
Group 1	0.6469	0.1294	0.5175	0.0000	0.5175	0.4214
Group 2	0.2699	0.0540	0.2159	0.3016	0.5175	0.4214
Retail Advised Shares B (Net Income)						
Group 1	0.5739	0.1148	0.4591	0.0000	0.4591	0.3943
Group 2	0.5739	0.1148	0.4591	0.0000	0.4591	0.3943

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 March 2014
						Group 2: Shares purchased 1 March 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Retail Advised Shares B (Net Accumulation)						
Group 1	0.6185	0.1237	0.4948	0.0000	0.4948	0.4034
Group 2	0.0693	0.0139	0.0554	0.4394	0.4948	0.4034
P Shares (Net Accumulation)						
Group 1	0.6231	0.1246	0.4985	0.0000	0.4985	0.4080
Group 2	0.6231	0.1246	0.4985	0.0000	0.4985	0.4080

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 February 2014
						Group 2: Shares purchased 1 February 2014 to 28 February 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 28/02/2013</b>
Sterling Income Shares						
Group 1	0.3119	0.0624	0.2495	0.0000	0.2495	0.2871
Group 2	0.1188	0.0238	0.0950	0.1545	0.2495	0.2871
X Shares (Net Accumulation)						
Group 1	0.5040	0.1008	0.4032	0.0000	0.4032	0.4351
Group 2	0.0533	0.0107	0.0426	0.3606	0.4032	0.4351
X Shares (Net Income)						
Group 1	0.4281	0.0856	0.3425	0.0000	0.3425	0.3897
Group 2	0.2414	0.0483	0.1931	0.1494	0.3425	0.3897
Institutional Shares W (Net Income)						
Group 1	0.4999	0.1000	0.3999	0.0000	0.3999	0.4573
Group 2	0.2181	0.0436	0.1745	0.2254	0.3999	0.4573
Institutional Shares W (Net Accumulation)						
Group 1	0.5401	0.1080	0.4321	0.0000	0.4321	0.4685
Group 2	0.2043	0.0409	0.1634	0.2687	0.4321	0.4685
Retail Advised Shares B (Net Income)						
Group 1	0.4806	0.0961	0.3845	0.0000	0.3845	0.4415
Group 2	0.4806	0.0961	0.3845	0.0000	0.3845	0.4415
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5163	0.1033	0.4130	0.0000	0.4130	0.4499
Group 2	0.1950	0.0390	0.1560	0.2570	0.4130	0.4499

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	Period					
	Group 1: Shares purchased prior to 1 February 2014					
	Group 2: Shares purchased 1 February 2014 to 28 February 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 28/02/2013</b>
P Shares (Net Accumulation)						
Group 1	0.5205	0.1041	0.4164	0.0000	0.4164	0.4538
Group 2	0.5205	0.1041	0.4164	0.0000	0.4164	0.4538

**Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 January 2014					
	Group 2: Shares purchased 1 January 2014 to 31 January 2014					
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/01/2013</b>
Sterling Income Shares						
Group 1	0.3341	0.0668	0.2673	0.0000	0.2673	0.3639
Group 2	0.1330	0.0266	0.1064	0.1609	0.2673	0.3639
X Shares (Net Accumulation)						
Group 1	0.5378	0.1076	0.4302	0.0000	0.4302	0.5473
Group 2	0.2839	0.0568	0.2271	0.2031	0.4302	0.5473
X Shares (Net Income)						
Group 1	0.4586	0.0917	0.3669	0.0000	0.3669	0.4930
Group 2	0.2544	0.0509	0.2035	0.1634	0.3669	0.4930
Institutional Shares W (Net Income)						
Group 1	0.5356	0.1071	0.4285	0.0000	0.4285	0.5786
Group 2	0.1888	0.0378	0.1510	0.2775	0.4285	0.5786
Institutional Shares W (Net Accumulation)						
Group 1	0.5765	0.1153	0.4612	0.0000	0.4612	0.5896
Group 2	0.2630	0.0526	0.2104	0.2508	0.4612	0.5896
Retail Advised Shares B (Net Income)						
Group 1	0.5150	0.1030	0.4120	0.0000	0.4120	0.5593
Group 2	0.0306	0.0061	0.0245	0.3875	0.4120	0.5593
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5509	0.1102	0.4407	0.0000	0.4407	0.5668
Group 2	0.1823	0.0365	0.1458	0.2949	0.4407	0.5668
P Shares (Net Accumulation)						
Group 1	0.5558	0.1112	0.4446	0.0000	0.4446	0.5713
Group 2	0.5558	0.1112	0.4446	0.0000	0.4446	0.5713



**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 December 2013 Group 2: Shares purchased 1 December 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.3616	0.0723	0.2893	0.0000	0.2893	0.3418
Group 2	0.1004	0.0201	0.0803	0.2090	0.2893	0.3418
X Shares (Net Accumulation)						
Group 1	0.5784	0.1157	0.4627	0.0000	0.4627	0.5112
Group 2	0.4009	0.0802	0.3207	0.1420	0.4627	0.5112
X Shares (Net Income)						
Group 1	0.4955	0.0991	0.3964	0.0000	0.3964	0.4628
Group 2	0.1839	0.0368	0.1471	0.2493	0.3964	0.4628
Institutional Shares W (Net Income)						
Group 1	0.5790	0.1158	0.4632	0.0000	0.4632	0.5434
Group 2	0.3268	0.0654	0.2614	0.2018	0.4632	0.5434
Institutional Shares W (Net Accumulation)						
Group 1	0.6203	0.1241	0.4962	0.0000	0.4962	0.5510
Group 2	0.3973	0.0795	0.3178	0.1784	0.4962	0.5510
Retail Advised Shares B (Net Income)						
Group 1	0.5573	0.1115	0.4458	0.0000	0.4458	0.5252
Group 2	0.1860	0.0372	0.1488	0.2970	0.4458	0.5252
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5934	0.1187	0.4747	0.0000	0.4747	0.5295
Group 2	0.1985	0.0397	0.1588	0.3159	0.4747	0.5295
P Shares (Net Accumulation)						
Group 1	0.5983	0.1197	0.4786	0.0000	0.4786	0.5341
Group 2	0.5983	0.1197	0.4786	0.0000	0.4786	0.5341

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 November 2013 Group 2: Shares purchased 1 November 2013 to 30 November 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/11/2012</b>
Sterling Income Shares						
Group 1	0.3088	0.0618	0.2470	0.0000	0.2470	0.2824
Group 2	0.1436	0.0287	0.1149	0.1321	0.2470	0.2824
X Shares (Net Accumulation)						
Group 1	0.4923	0.0985	0.3938	0.0000	0.3938	0.4209
Group 2	0.2794	0.0559	0.2235	0.1703	0.3938	0.4209
X Shares (Net Income)						
Group 1	0.4234	0.0847	0.3387	0.0000	0.3387	0.3827
Group 2	0.2139	0.0428	0.1711	0.1676	0.3387	0.3827

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	Period					
	Group 1: Shares purchased prior to 1 November 2013			Group 2: Shares purchased 1 November 2013 to 30 November 2013		
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/11/2012</b>
Institutional Shares W (Net Income)						
Group 1	0.4949	0.0990	0.3959	0.0000	0.3959	0.4495
Group 2	0.2108	0.0422	0.1686	0.2273	0.3959	0.4495
Institutional Shares W (Net Accumulation)						
Group 1	0.5281	0.1056	0.4225	0.0000	0.4225	0.4537
Group 2	0.2364	0.0473	0.1891	0.2334	0.4225	0.4537
Retail Advised Shares B (Net Income)						
Group 1	0.4756	0.0951	0.3805	0.0000	0.3805	0.4339
Group 2	0.0000	0.0000	0.0000	0.3805	0.3805	0.4339
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5046	0.1009	0.4037	0.0000	0.4037	0.4357
Group 2	0.5046	0.1009	0.4037	0.0000	0.4037	0.4357
P Shares (Net Accumulation)						
Group 1	0.5096	0.1019	0.4077	0.0000	0.4077	0.4400
Group 2	0.5096	0.1019	0.4077	0.0000	0.4077	0.4400

**Interim interest distribution in pence per Share**

	Period					
	Group 1: Shares purchased prior to 1 October 2013			Group 2: Shares purchased 1 October 2013 to 31 October 2013		
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/10/2012</b>
Sterling Income Shares						
Group 1	0.3590	0.0718	0.2872	0.0000	0.2872	0.3185
Group 2	0.1118	0.0224	0.0894	0.1978	0.2872	0.3185
X Shares (Net Accumulation)						
Group 1	0.5685	0.1137	0.4548	0.0000	0.4548	0.4714
Group 2	0.3274	0.0655	0.2619	0.1929	0.4548	0.4714
X Shares (Net Income)						
Group 1	0.4910	0.0982	0.3928	0.0000	0.3928	0.4307
Group 2	0.3508	0.0702	0.2806	0.1122	0.3928	0.4307
Institutional Shares W (Net Income)						
Group 1	0.5741	0.1148	0.4593	0.0000	0.4593	0.5062
Group 2	0.2026	0.0405	0.1621	0.2972	0.4593	0.5062
Institutional Shares W (Net Accumulation)						
Group 1	0.6101	0.1220	0.4881	0.0000	0.4881	0.5084
Group 2	0.2359	0.0472	0.1887	0.2994	0.4881	0.5084
Retail Advised Shares B (Net Income)						
Group 1	0.5529	0.1106	0.4423	0.0000	0.4423	0.3866
Group 2	0.0000	0.0000	0.0000	0.4423	0.4423	0.3866

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 October 2013
						<b>Prior Period 31/10/2012</b>
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5840	0.1168	0.4672	0.0000	0.4672	0.3866
Group 2	0.5840	0.1168	0.4672	0.0000	0.4672	0.3866
P Shares (Net Accumulation)						
Group 1	0.5890	0.1178	0.4712	0.0000	0.4712	0.2328
Group 2	0.5890	0.1178	0.4712	0.0000	0.4712	0.2328

**Interim interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 September 2013
						Group 2: Shares purchased 1 September 2013 to 30 September 2013
						<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.2785	0.0557	0.2228	0.0000	0.2228	0.3030
Group 2	0.1174	0.0235	0.0939	0.1289	0.2228	0.3030
X Shares (Net Accumulation)						
Group 1	0.4404	0.0881	0.3523	0.0000	0.3523	0.4460
Group 2	0.2945	0.0589	0.2356	0.1167	0.3523	0.4460
X Shares (Net Income)						
Group 1	0.3816	0.0763	0.3053	0.0000	0.3053	0.4095
Group 2	0.0233	0.0047	0.0186	0.2867	0.3053	0.4095
Institutional Shares W (Net Income)						
Group 1	0.4465	0.0893	0.3572	0.0000	0.3572	0.4394
Group 2	0.2280	0.0456	0.1824	0.1748	0.3572	0.4394
Institutional Shares W (Net Accumulation)						
Group 1	0.4729	0.0946	0.3783	0.0000	0.3783	0.4394
Group 2	0.2144	0.0429	0.1715	0.2068	0.3783	0.4394
Retail Advised Shares B (Net Income)						
Group 1	0.4289	0.0858	0.3431	0.0000	0.3431	n/a
Group 2	0.0589	0.0118	0.0471	0.2960	0.3431	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.4516	0.0903	0.3613	0.0000	0.3613	n/a
Group 2	0.4516	0.0903	0.3613	0.0000	0.3613	n/a
P Shares (Net Accumulation)						
Group 1	0.4566	0.0913	0.3653	0.0000	0.3653	n/a
Group 2	0.4566	0.0913	0.3653	0.0000	0.3653	n/a

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 August 2013
						Group 2: Shares purchased 1 August 2013 to 31 August 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/08/2012</b>
Sterling Income Shares						
Group 1	0.4248	0.0850	0.3398	0.0000	0.3398	0.3663
Group 2	0.1485	0.0297	0.1188	0.2210	0.3398	0.3663
X Shares (Net Accumulation)						
Group 1	0.6645	0.1329	0.5316	0.0000	0.5316	0.5349
Group 2	0.4779	0.0956	0.3823	0.1493	0.5316	0.5349
X Shares (Net Income)						
Group 1	0.5790	0.1158	0.4632	0.0000	0.4632	0.4939
Group 2	0.3300	0.0660	0.2640	0.1992	0.4632	0.4939
Institutional Shares W (Net Income)						
Group 1	0.6776	0.1355	0.5421	0.0000	0.5421	n/a
Group 2	0.3298	0.0660	0.2638	0.2783	0.5421	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.7139	0.1428	0.5711	0.0000	0.5711	n/a
Group 2	0.3443	0.0689	0.2754	0.2957	0.5711	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.6539	0.1308	0.5231	0.0000	0.5231	n/a
Group 2	0.0355	0.0071	0.0284	0.4947	0.5231	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.6848	0.1370	0.5478	0.0000	0.5478	n/a
Group 2	0.6848	0.1370	0.5478	0.0000	0.5478	n/a
P Shares (Net Income)						
Group 1	0.6626	0.1325	0.5301	0.0000	0.5301	n/a
Group 2	0.0091	0.0018	0.0073	0.5228	0.5301	n/a
P Shares (Net Accumulation)						
Group 1	0.6896	0.1379	0.5517	0.0000	0.5517	n/a
Group 2	0.6896	0.1379	0.5517	0.0000	0.5517	n/a

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 July 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/07/2012</b>
Sterling Income Shares						
Group 1	0.4773	0.0955	0.3818	0.0000	0.3818	0.3543
Group 2	0.2226	0.0445	0.1781	0.2037	0.3818	0.3543
X Shares (Net Accumulation)						
Group 1	0.7413	0.1483	0.5930	0.0000	0.5930	0.5140
Group 2	0.3275	0.0655	0.2620	0.3310	0.5930	0.5140

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 July 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/07/2012</b>
X Shares (Net Income)						
Group 1	0.6494	0.1299	0.5195	0.0000	0.5195	0.4774
Group 2	0.4651	0.0930	0.3721	0.1474	0.5195	0.4774
Institutional Shares W (Net Income)						
Group 1	0.7604	0.1521	0.6083	0.0000	0.6083	n/a
Group 2	0.4186	0.0837	0.3349	0.2734	0.6083	n/a
Institutional Shares W (Net Accumulation)						
Group 1	0.7965	0.1593	0.6372	0.0000	0.6372	n/a
Group 2	0.4829	0.0966	0.3863	0.2509	0.6372	n/a
Retail Advised Shares B (Net Income)						
Group 1	0.7346	0.1469	0.5877	0.0000	0.5877	n/a
Group 2	0.0000	0.0000	0.0000	0.5877	0.5877	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7651	0.1530	0.6121	0.0000	0.6121	n/a
Group 2	0.7651	0.1530	0.6121	0.0000	0.6121	n/a
P Shares (Net Income)						
Group 1	0.7424	0.1485	0.5939	0.0000	0.5939	n/a
Group 2	0.0079	0.0016	0.0063	0.5876	0.5939	n/a
P Shares (Net Accumulation)						
Group 1	0.7699	0.1540	0.6159	0.0000	0.6159	n/a
Group 2	0.7699	0.1540	0.6159	0.0000	0.6159	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
(Losses)/gains on non-derivative securities	(7,026,240)	11,757,602
Gains/(losses) on forward currency contracts	15,797,291	(5,922,755)
Currency exchange (losses)/gains	(90,155)	33,010
Activity charges	(20,382)	(12,607)
<b>Net capital gains</b>	<b>8,660,514</b>	<b>5,855,250</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
Bank interest	40,902	24,843
Interest on debt securities	15,820,619	9,836,988
Stock lending	6,669	5,659
<b>Total revenue</b>	<b>15,868,190</b>	<b>9,867,490</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	837,855	724,997
Administration fees	129,933	91,403
Registrar's disbursement fees	114	1,858
Safe custody charges	30,926	17,279
	<b>998,828</b>	<b>835,537</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	28,842	22,376
Distribution reconciliation service	5,063	1,043
	<b>33,905</b>	<b>23,419</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	8,460	8,280
- Non-audit services (tax compliance fee)†	1,764	1,883
Financial Conduct Authority fee	286	286
	<b>10,510</b>	<b>10,449</b>
<b>Total expenses</b>	<b>1,043,243</b>	<b>869,405</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £7,050 (2013: £6,900) and £1,470 (2013: £1,930) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	14,824,772	8,998,076
<b>Corporation tax @ 20%</b>	2,964,954	1,799,615
Effects of:		
Excess management expenses	-	(646,679)
Tax deductible interest distributions	(2,964,954)	(1,152,936)
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of nil (30/06/13: nil) in relation to surplus management expenses of nil (30/06/13: nil). Current period income has been set off against excess management expense brought forward. No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 31 July - Sterling Income Shares	446,823	303,474
Interim interest 31 July - X Shares (Net Accumulation)	239,724	154,074
Interim interest 31 July - X Shares (Net Income)	243,990	84,501
Interim interest 31 July - Institutional Shares W (Net Income)	12,083	-
Interim interest 31 July - Institutional Shares W (Net Accumulation)	5,464	-
Interim interest 31 July - Retail Advised Shares B (Net Income)	207	-
Interim interest 31 July - Retail Advised Shares B (Net Accumulation)	31	-
Interim interest 31 July - P Shares (Net Income)	31	-
Interim interest 31 July - P Shares (Net Accumulation)	381	-
Interim interest 31 August - Sterling Income Shares	395,070	320,192
Interim interest 31 August - X Shares (Net Accumulation)	280,388	166,287
Interim interest 31 August - X Shares (Net Income)	224,050	92,854
Interim interest 31 August - Institutional Shares W (Net Income)	12,307	-
Interim interest 31 August - Institutional Shares W (Net Accumulation)	5,393	-
Interim interest 31 August - Retail Advised Shares B (Net Income)	841	-
Interim interest 31 August - Retail Advised Shares B (Net Accumulation)	27	-
Interim interest 31 August - P Shares (Net Income)	28	-
Interim interest 31 August - P Shares (Net Accumulation)	342	-
Interim interest 30 September - Sterling Income Shares	262,386	286,252
Interim interest 30 September - X Shares (Net Accumulation)	227,556	206,911

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim interest 30 September - X Shares (Net Income)	159,119	85,235
Interim interest 30 September - Institutional Shares W (Net Income)	9,205	22
Interim interest 30 September - Institutional Shares W (Net Accumulation)	4,174	22
Interim interest 30 September - Retail Advised Shares B (Net Income)	552	-
Interim interest 30 September - Retail Advised Shares B (Net Accumulation)	18	-
Interim interest 30 September - P Shares (Net Income)	-	-
Interim interest 30 September - P Shares (Net Accumulation)	226	5
Interim interest 31 October - Sterling Income Shares	337,877	350,922
Interim interest 31 October - X Shares (Net Accumulation)	449,437	234,358
Interim interest 31 October - X Shares (Net Income)	238,269	105,251
Interim interest 31 October - Institutional Shares W (Net Income)	15,536	25
Interim interest 31 October - Institutional Shares W (Net Accumulation)	6,214	25
Interim interest 31 October - Retail Advised Shares B (Net Income)	711	19
Interim interest 31 October - Retail Advised Shares B (Net Accumulation)	23	19
Interim interest 31 October - P Shares (Net Income)	-	538
Interim interest 31 October - P Shares (Net Accumulation)	292	144
Interim interest 30 November - Sterling Income Shares	290,999	316,571
Interim interest 30 November - X Shares (Net Accumulation)	410,780	203,782
Interim interest 30 November - X Shares (Net Income)	260,484	96,127
Interim interest 30 November - Institutional Shares W (Net Income)	19,464	47
Interim interest 30 November - Institutional Shares W (Net Accumulation)	6,249	23
Interim interest 30 November - Retail Advised Shares B (Net Income)	612	22
Interim interest 30 November - Retail Advised Shares B (Net Accumulation)	20	22
Interim interest 30 November - P Shares (Net Income)	-	479
Interim interest 30 November - P Shares (Net Accumulation)	252	272
Interim interest 31 December - Sterling Income Shares	356,809	387,000
Interim interest 31 December - X Shares (Net Accumulation)	512,080	245,622
Interim interest 31 December - X Shares (Net Income)	310,027	116,772
Interim interest 31 December - Institutional Shares W (Net Income)	24,861	91
Interim interest 31 December - Institutional Shares W (Net Accumulation)	8,060	28
Interim interest 31 December - Retail Advised Shares B (Net Income)	767	26
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	67	26
Interim interest 31 December - P Shares (Net Income)	-	670
Interim interest 31 December - P Shares (Net Accumulation)	296	331
Interim interest 31 January - Sterling Income Shares	336,602	428,590
Interim interest 31 January - X Shares (Net Accumulation)	490,621	255,643
Interim interest 31 January - X Shares (Net Income)	334,323	130,557
Interim interest 31 January - Institutional Shares W (Net Income)	23,830	765
Interim interest 31 January - Institutional Shares W (Net Accumulation)	8,082	139
Interim interest 31 January - Retail Advised Shares B (Net Income)	687	28
Interim interest 31 January - Retail Advised Shares B (Net Accumulation)	162	28
Interim interest 31 January - P Shares (Net Income)	-	713
Interim interest 31 January - P Shares (Net Accumulation)	275	354
Interim interest 28 February - Sterling Income Shares	311,630	336,067
Interim interest 28 February - X Shares (Net Accumulation)	430,487	189,943
Interim interest 28 February - X Shares (Net Income)	332,741	134,331
Interim interest 28 February - Institutional Shares W (Net Income)	30,060	1,026
Interim interest 28 February - Institutional Shares W (Net Accumulation)	8,199	278
Interim interest 28 February - Retail Advised Shares B (Net Income)	641	23
Interim interest 28 February - Retail Advised Shares B (Net Accumulation)	433	23
Interim interest 28 February - P Shares (Net Income)	-	563
Interim interest 28 February - P Shares (Net Accumulation)	258	281
Interim interest 31 March - Sterling Income Shares	368,442	303,159
Interim interest 31 March - X Shares (Net Accumulation)	451,128	155,951



**Notes to the Financial Statements (continued)****5 Finance costs (continued)****Distributions (continued)**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Interim interest 31 March - X Shares (Net Income)	381,722	104,837
Interim interest 31 March - Institutional Shares W (Net Income)	37,785	1,523
Interim interest 31 March - Institutional Shares W (Net Accumulation)	11,600	823
Interim interest 31 March - Retail Advised Shares B (Net Income)	857	138
Interim interest 31 March - Retail Advised Shares B (Net Accumulation)	494	20
Interim interest 31 March - P Shares (Net Income)	-	504
Interim interest 31 March - P Shares (Net Accumulation)	309	253
Interim interest 30 April - Sterling Income Shares	353,543	443,209
Interim interest 30 April - X Shares (Net Accumulation)	417,346	211,008
Interim interest 30 April - X Shares (Net Income)	374,040	140,990
Interim interest 30 April - Institutional Shares W (Net Income)	46,394	3,308
Interim interest 30 April - Institutional Shares W (Net Accumulation)	12,468	1,953
Interim interest 30 April - Retail Advised Shares B (Net Income)	777	189
Interim interest 30 April - Retail Advised Shares B (Net Accumulation)	479	28
Interim interest 30 April - P Shares (Net Income)	-	684
Interim interest 30 April - P Shares (Net Accumulation)	299	344
Interim interest 31 May - Sterling Income Shares	286,071	439,165
Interim interest 31 May - X Shares (Net Accumulation)	350,344	222,684
Interim interest 31 May - X Shares (Net Income)	329,575	154,310
Interim interest 31 May - Institutional Shares W (Net Income)	47,801	4,533
Interim interest 31 May - Institutional Shares W (Net Accumulation)	12,529	2,549
Interim interest 31 May - Retail Advised Shares B (Net Income)	674	186
Interim interest 31 May - Retail Advised Shares B (Net Accumulation)	417	27
Interim interest 31 May - P Shares (Net Income)	-	674
Interim interest 31 May - P Shares (Net Accumulation)	260	341
Final interest 30 June - Sterling Income Shares	309,000	265,902
Final interest 30 June - X Shares (Net Accumulation)	393,654	121,139
Final interest 30 June - X Shares (Net Income)	375,551	120,350
Final interest 30 June - Institutional Shares W (Net Income)	63,339	5,549
Final interest 30 June - Institutional Shares W (Net Accumulation)	14,547	1,805
Final interest 30 June - Retail Advised Shares B (Net Income)	790	115
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	452	17
Final interest 30 June - P Shares (Net Income)	-	399
Final interest 30 June - P Shares (Net Accumulation)	282	213
Income tax withheld	3,132,525	1,944,615
	<b>15,865,127</b>	<b>9,891,887</b>
Amounts added on issue of shares	(379,926)	(263,012)
Amounts deducted on cancellation of shares	177,410	94,234
<b>Net distributions for the year</b>	<b>15,662,611</b>	<b>9,723,109</b>
Interest	175	9
<b>Total finance costs</b>	<b>15,662,786</b>	<b>9,723,118</b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	14,824,772	8,998,076
ACD's periodic charge less tax relief paid from capital	837,855	724,997
Equalisation on conversions	111	16
Undistributed revenue brought forward	28	48
Undistributed revenue carried forward	(155)	(28)
	<b>15,662,611</b>	<b>9,723,109</b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	5,111,410	3,401,933
Amount receivable for issue of shares	232,006	5,788,693
Overseas tax recoverable	-	9,408
Sales awaiting settlement	3,143,707	1,392,987
	<b>8,487,123</b>	<b>10,593,021</b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held in BNY Mellon Sterling Liquidity Fund	20,090,269	9,961,886
	<b>20,090,269</b>	<b>9,961,886</b>
<b>Overdrawn cash and bank balances</b>		
Bank overdraft	(1)	(58,513)
	<b>(1)</b>	<b>(58,513)</b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	99,073	91,801
Amount payable for cancellation of shares	971,403	2,911,466
Income tax payable	1,107,085	636,547
Purchases awaiting settlement	14,391,002	2,795,885
	<b>16,568,563</b>	<b>6,435,699</b>

## Notes to the Financial Statements (continued)

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £824,954. (30/06/13: £2,799,263 due from the ACD).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	20,090,269	42,476,001	263,452,362	326,018,632	8.08	5.45
Australia	-	694,843	2,263	697,106	13.00	7.00
Brazil	2,147,816	-	-	2,147,816		
China	435,556	-	12,132	447,688		
Europe	3,379,289	115,994,895	7,982,365	127,356,549	7.89	5.03
Mexico	-	-	4,445,250	4,445,250		
New Zealand	-	-	2,971,653	2,971,653		
Norway	2,668,821	-	29,108	2,697,929		
Philippines	-	-	11,306,319	11,306,319		
Sweden	-	2,656,595	54,127	2,710,722	9.25	4.00
Switzerland	-	5,787,254	1,219,438	7,006,692	6.98	4.62
United States of America	-	94,908,359	16,778,446	111,686,805	8.05	5.54
	28,721,751	262,517,947	308,253,463	599,493,161		
<b>Liabilities</b>						
United Kingdom	(1)	-	(44,070,184)	(44,070,185)		
Australia	-	-	(709,888)	(709,888)		
Brazil	-	-	(2,141,353)	(2,141,353)		
China	-	-	(403,068)	(403,068)		
Europe	-	-	(128,696,540)	(128,696,540)		
Mexico	-	-	(4,445,250)	(4,445,250)		
Norway	-	-	(2,647,348)	(2,647,348)		
Philippines	-	-	(11,306,319)	(11,306,319)		
Switzerland	-	-	(6,789,429)	(6,789,429)		
United States of America	-	-	(111,917,646)	(111,917,646)		
	(1)	-	(313,127,025)	(313,127,026)		
<b>Total</b>	<b>28,721,750</b>	<b>262,517,947</b>	<b>(4,873,562)</b>	<b>286,366,135</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	10,008,326	22,113,819	136,629,484	168,751,629	8.72	5.62
Australia	-	737,545	2,024	739,569	13.00	8.00
China	642,396	-	-	642,396		
Europe	3,674,841	67,584,329	5,251,118	76,510,288	8.57	4.85
Sweden	-	1,448,018	29,517	1,477,535	9.25	5.00
Switzerland	-	3,915,981	115,237	4,031,218	7.07	4.95
Turkey	-	689,871	24,502	714,373	9.00	3.00
United States of America	1,254,010	41,855,260	3,674,066	46,783,336	8.61	5.15
	15,579,573	138,344,823	145,725,948	299,650,344		
<b>Liabilities</b>						
United Kingdom	(58,513)	-	(9,829,982)	(9,888,495)		
Australia	-	-	(608,883)	(608,883)		
Europe	-	-	(79,122,614)	(79,122,614)		
Sweden	-	-	(1,496,477)	(1,496,477)		
Switzerland	-	-	(3,944,794)	(3,944,794)		
United States of America	-	-	(48,716,502)	(48,716,502)		
	(58,513)	-	(143,719,252)	(143,777,765)		
<b>Total</b>	<b>15,521,060</b>	<b>138,344,823</b>	<b>2,006,696</b>	<b>155,872,579</b>		

### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Royal Bank Of Scotland	1,046,537	1,046,537
JP Morgan	2,969,254	2,969,254
BNY Mellon	7,769	7,769
UBS	(171,675)	(171,675)
Barclays	104,453	104,453
	<b>3,956,338</b>	<b>3,956,338</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	267,297,607	14,650,840	281,948,447	158,863,134
Australia	(15,045)	2,263	(12,782)	130,686
Brazil	6,463	-	6,463	-
China	32,488	12,132	44,620	642,396
Europe	4,050,814	(5,390,805)	(1,339,991)	(2,612,326)
New Zealand	2,971,653	-	2,971,653	-
Norway	21,473	29,108	50,581	-
Sweden	2,656,595	54,127	2,710,722	(18,942)
Switzerland	67,642	149,621	217,263	86,424
Turkey	-	-	-	714,373
United States of America	(1,983,703)	1,752,862	(230,841)	(1,933,166)
<b>Total</b>	<b>275,105,987</b>	<b>11,260,148</b>	<b>286,366,135</b>	<b>155,872,579</b>

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014 (30/06/13: nil).

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £2,078,615 of investments were subject to stock lending agreements and the Fund held £2,182,546 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £2,194,602 of investments were subject to stock lending agreements and the Fund held £2,279,336 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £8,336 (30/06/13: £7,074) and £1,667 (30/06/13: £1,415).

### 15 Shareholders' funds

The Fund currently has eight share classes; Sterling Income Shares, X Shares (Net Accumulation), X Shares (Net Income), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and P Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.00%	0.10%
X Shares (Net Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Institutional Shares W (Net Income)	0.50%	0.03%
Institutional Shares W (Net Accumulation)	0.50%	0.03%
Retail Advised Shares B (Net Income)	0.75%	0.10%
Retail Advised Shares B (Net Accumulation)	0.75%	0.10%
P Shares (Net Accumulation)	1.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 360. The distributions are given in the distribution statements on pages 369 to 378. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL HIGHER INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £4,215.94m

Comparative Index: FTSE World TR GBP

Sector: IMA Global Equity Income

Yield as at 30 June 2014:

Sterling Income Shares	3.84%
Institutional Shares (Income)	3.90%
Institutional Shares (Accumulation)	3.80%
Exempt Shares 2 (Net Income)	3.90%
X Shares (Net Accumulation)	3.77%
X Shares (Net Income)	3.88%
Sterling Accumulation Shares	3.75%
Institutional Shares W (Net Income)	3.90%
Institutional Shares W (Net Accumulation)	3.80%
Retail Advised Shares B (Net Income)	3.83%
Retail Advised Shares B (Net Accumulation)	3.73%
Exempt Shares 2 (Net Accumulation)	3.79%
U Shares (Net Income)	3.85%
U Shares (Net Accumulation)	3.85%

Key Dates: Fund Launch 30 November 2005

**Investment Objective**

To achieve increasing annual distributions together with long-term capital growth from investing predominantly in global securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	5.58%	17.09%	3.89%	20.32%	21.91%
Institutional Shares (Income)	6.18%	17.76%	4.49%	21.00%	22.60%
Institutional Shares (Accumulation)	6.18%	17.78%	4.48%	21.01%	22.63%
Exempt Shares 2 (Net Income)	6.45%	18.06%	4.74%	21.31%	22.89%
X Shares (Net Accumulation)	7.24%	18.95%	5.51%	22.18%	23.83%
X Shares (Net Income)*	7.26%	18.93%	5.51%	n/a	n/a
Sterling Accumulation Shares*	5.58%	17.13%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	6.45%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	6.45%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	6.12%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	6.10%	n/a	n/a	n/a	n/a
Exempt Shares 2 (Net Accumulation)*	6.45%	n/a	n/a	n/a	n/a
U Shares (Net Income)*	n/a	n/a	n/a	n/a	n/a
U Shares (Net Accumulation)*	n/a	n/a	n/a	n/a	n/a
FTSE World TR GBP	10.01%	22.13%	-3.46%	22.36%	22.87%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +5.58% against +10.01% for the FTSE World Index.

The Fund delivered a positive return over the 12 months but underperformed its comparative index. Among the chief detractors were Philip Morris International and China Mobile, which were affected by volatility in emerging markets and uncertainty about the strength of Chinese growth. Not holding Apple also detracted from relative returns. On the positive side, the Fund’s oil-company holdings performed well, as conflicts and tension escalated in the Middle East pushed up the oil price. Statoil of Norway benefited as it boosted reserves and future growth potential with positive exploration news, while France’s Total made headway as it began to deliver on its business plans to improve returns. US aerospace and defence firm Lockheed Martin and courier company Deutsche Post were also beneficial to performance.

We initiated a holding in Vodafone to take advantage of the company’s sale of Verizon Wireless. New positions were also added in Dexus Property, which provides exposure to the Australian prime-office market; IT company CA, which we believed to be more robust than the market estimates; and Northeast Utilities, which offers exposure to stable pricing and volume growth opportunities, and was introduced to replace Wisconsin Energy. We bought a new holding in US food producer Kraft, which benefits from an array of long-established brands and has scope for improvements in cost efficiencies, and established positions in Tesco and Cisco, where valuations implied declines greater than the manager thought likely. The Fund sold Unilever, a global consumer-goods company, as its outlook appears challenging. We also disposed of the positions in Syngenta, a Swiss company engaged in production of agrochemicals, and healthcare holding AbbVie. Other outright sales included Taiwan Semiconductor Manufacturing Company, Cable and Wireless Communications and China Mobile, all on valuation grounds.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
Vodafone	Unilever
CA	Lockheed Martin
Sanofi	China Mobile (Hong Kong)
Mattel	AbbVie
Wolters Kluwer	Reynolds American
Northeast Utilities	Taiwan Semiconductor Manufacturing
Microsoft	MTN
Centrica	Husky Energy
Reynolds American	SSE
Dexus Property	Bilfinger



## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	127.41	108.53	6.0220
2011	130.42	111.11	5.8884
2012	133.20	121.74	5.7863
2013	152.74	130.17	5.8240
2014	147.66	135.50	3.5781
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	130.73	111.06	6.2497
2011	134.10	114.35	6.1414
2012	137.79	125.78	6.0721
2013	158.61	134.90	6.1578
2014	154.14	141.19	3.7918
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	162.55	136.38	7.5722
2011	171.03	147.58	7.8299
2012	188.12	166.52	8.1222
2013	220.34	185.70	8.6065
2014	222.90	202.64	5.4713
<b>Exempt Shares 2 (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	132.14	112.12	6.2980
2011	135.68	115.76	6.2142
2012	139.87	127.58	6.1586
2013	161.29	137.05	6.2774
2014	157.16	143.83	3.8691
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	157.06	130.57	7.2592
2011	166.07	143.42	7.5326
2012	184.91	162.49	7.9258
2013	217.91	182.95	8.5142
2014	222.75	201.81	5.4788
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010 (from 8 October)	107.25	100.00	0.7396
2011	110.60	94.50	5.0324
2012	115.19	104.75	5.0315
2013	133.45	113.07	5.1905
2014	131.06	119.63	3.2318
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 13 March)	105.63	93.99	3.7931
2013	123.29	104.13	4.7296
2014	123.98	112.93	2.9962
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.20	97.81	1.0379
2013	117.85	100.14	4.5823
2014	114.84	105.10	2.8274
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.45	98.05	1.0419
2013	120.19	101.20	4.7065
2014	121.92	110.74	2.9958

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>P Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 September)	101.24	96.86	0.8962
2013 (to 23 September)	116.56	99.14	2.8287

\*\*P Shares (Net Income) share class closed 23 September 2013

<b>P Shares (Net Accumulation)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	100.92	96.56	0.7321
2013 (to 26 July)	118.21	99.62	2.8575

\*\*\*P Shares (Net Accumulations) share class closed 26 July 2013

<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 1 October)	101.42	97.03	0.7719
2013	116.74	99.31	4.4615
2014	113.47	103.94	2.7518

<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 1 October)	101.42	97.03	0.7719
2013	118.74	100.09	4.5657
2014	120.04	109.15	2.9074

<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 14 February)	110.70	99.77	4.3201
2014	112.29	101.99	2.7579

<b>U Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 20 May)	102.34	99.44	1.7807

<b>U Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 20 May)	102.34	99.44	1.7807

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	1,683,679,517	125.26	1,344,147,459
30/06/2013	1,896,306,885	140.78	1,346,975,201
30/06/2014	1,441,525,755	142.02	1,014,994,625
<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2012	563,291,435	129.48	435,045,095
30/06/2013	494,375,606	146.25	338,027,982
30/06/2014	421,756,833	148.27	284,449,670
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	173,598,840	175.05	99,172,471
30/06/2013	222,794,843	206.62	107,828,574
30/06/2014	193,416,096	218.28	88,608,604

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 2 (Net Income)</b>			
30/06/2012	18,602,576	131.37	14,159,989
30/06/2013	25,544,731	148.77	17,170,787
30/06/2014	48,910,669	151.20	32,349,137
<b>X Shares (Net Accumulation)</b>			
30/06/2012	78,327,767	171.60	45,646,830
30/06/2013	102,565,587	204.55	50,142,415
30/06/2014	184,498,930	218.25	84,534,771
<b>X Shares (Net Income)</b>			
30/06/2012	132,528,302	107.97	122,741,486
30/06/2013	181,681,344	123.19	147,483,560
30/06/2014	212,966,225	126.13	168,848,143
<b>Sterling Accumulation Shares</b>			
30/06/2012	4,052,689	98.43	4,117,309
30/06/2013	114,407,801	115.54	99,016,827
30/06/2014	89,019,563	121.37	73,344,797
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	829,087,339	108.70	762,701,811
30/06/2014	1,273,347,945	110.48	1,152,610,310
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	75,650,292	112.74	67,099,215
30/06/2014	286,573,572	119.41	239,994,704
<b>P Shares (Net Income)**</b>			
30/06/2013	458,377	107.48	426,471
**P Shares (Net Income) share class closed 23 September 2013			
<b>P Shares (Net Accumulation)***</b>			
30/06/2013	486,914	110.84	439,277
***P Shares (Net Accumulations) share class closed 26 July 2013			
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	3,108,991	107.67	2,887,458
30/06/2014	2,774,522	109.16	2,541,692
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	701,639	111.34	630,180
30/06/2014	1,425,690	117.54	1,212,905
<b>Exempt Shares 2 (Net Accumulation)</b>			
30/06/2013	56,381,872	103.84	54,298,365
30/06/2014	59,713,149	109.97	54,298,365
<b>U Shares (Net Income)</b>			
30/06/2014	4,922	98.44	5,000
<b>U Shares (Net Accumulation)</b>			
30/06/2014	5,011	100.22	5,000

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.62	1.62
Institutional Shares (Income)	1.05	1.05
Institutional Shares (Accumulation)	1.05	1.05
Exempt Shares 2 (Net Income)	0.80	0.80
X Shares (Net Accumulation)	0.05	0.05
X Shares (Net Income)	0.05	0.05
Sterling Accumulation Shares	1.62	1.62
Institutional Shares W (Net Income)	0.80	0.80
Institutional Shares W (Net Accumulation)	0.80	0.80
Retail Advised Shares B (Net Income)	1.12	1.12
Retail Advised Shares B (Net Accumulation)	1.12	1.12
Exempt Shares 2 (Net Accumulation)	0.80	0.80
U Shares (Net Income)	0.72	n/a
U Shares (Net Accumulation)	0.72	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges figures for U Shares (Net Income) and U Shares Net Accumulation have been annualised as the share classes launched during the year.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 14.14% (12.08%)</b>			
BAE Systems	9,995,602	43,250,970	1.03
Balfour Beatty	21,794,803	50,890,865	1.21
Cable & Wireless Communications	25,700,000	12,654,680	0.30
Centrica	33,500,000	104,687,500	2.48
GlaxoSmithKline	8,100,000	126,643,500	3.00
ICAP	9,507,856	36,129,853	0.86
SSE	6,006,439	94,120,899	2.23
Tesco	14,138,826	40,182,543	0.95
Vodafone	45,000,000	87,727,500	2.08
<b>Canada 0.98% (2.74%)</b>			
Husky Energy	2,175,718	41,107,250	0.98
<b>United States of America 43.27% (35.58%)</b>			
Annaly Capital Management	7,310,817	48,828,570	1.16
CA	5,017,227	84,302,677	2.00
Cisco	2,956,303	42,965,248	1.02
Clorox	1,600,000	85,509,255	2.03
ConocoPhillips	1,981,293	99,316,679	2.36
Kraft Foods	1,279,905	44,875,460	1.06
Lockheed Martin	424,928	39,931,825	0.95
Mattel	3,142,507	71,622,363	1.70
Merck	2,457,416	83,128,310	1.97
Microsoft	8,923,498	217,627,199	5.16
Northeast Utilities	3,035,886	83,893,683	1.99
Paychex	3,490,000	84,808,317	2.01
PDL BioPharma	4,734,720	26,749,361	0.63
Pfizer	4,550,000	78,953,417	1.87
Philip Morris International	3,578,404	176,382,659	4.18
Procter & Gamble	1,791,867	82,328,316	1.95
Reynolds American	6,681,819	235,799,022	5.59
Sysco	6,122,370	134,095,246	3.18
Two Harbors Investment	6,800,000	41,638,740	0.99
Verizon Communications	2,170,718	62,080,364	1.47
<b>Brazil 1.17% (2.63%)</b>			
CCR	10,300,000	49,167,613	1.17
<b>Australia 1.02% (0.77%)</b>			
Dexus Property	70,312,920	43,082,708	1.02
<b>Hong Kong 1.08% (1.74%)</b>			
Link Real Estate	14,506,500	45,593,016	1.08
<b>South Korea 0.85% (0.99%)</b>			
MacQuarie Korea Infrastructure	9,900,270	35,995,234	0.85
<b>Singapore 0.94% (2.66%)</b>			
Singapore Technologies Engineering	22,282,000	39,617,834	0.94
<b>Thailand 0.99% (0.98%)</b>			
Bangkok Bank	12,000,000	41,842,978	0.99
<b>South Africa 1.00% (2.80%)</b>			
MTN	3,415,593	42,003,306	1.00
<b>Denmark 2.24% (2.04%)</b>			
TDC	15,611,171	94,483,846	2.24

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>France 6.11% (3.96%)</b>			
Sanofi	1,340,000	83,242,876	1.97
SES FDR	1,903,115	42,044,504	1.00
Suez Environnement	3,445,000	38,550,813	0.91
Total	2,221,915	93,816,174	2.23
<b>Germany 3.56% (4.27%)</b>			
Deutsche Post	3,890,911	82,423,598	1.96
Deutsche Telekom	6,553,113	67,349,757	1.60
<b>Ireland 0.51% (0.00%)</b>			
CRH	1,435,539	21,593,284	0.51
<b>Netherlands 6.35% (4.41%)</b>			
Reed Elsevier	7,120,000	95,467,962	2.26
Royal Dutch Shell 'A'	3,634,780	87,912,265	2.09
Wolters Kluwer	4,860,000	84,117,046	2.00
<b>Norway 4.49% (3.79%)</b>			
Orkla	19,150,000	99,745,734	2.37
Statoil	4,970,000	89,242,694	2.12
<b>Sweden 1.87% (2.00%)</b>			
TeliaSonera	18,430,632	78,698,574	1.87
<b>Switzerland 9.66% (9.33%)</b>			
Credit Suisse	2,331,538	38,979,544	0.92
Nestle	1,085,359	49,175,235	1.17
Novartis	2,252,632	119,220,678	2.83
Roche	655,311	114,311,370	2.71
Zurich Insurance	486,581	85,712,731	2.03
<b>Derivatives 0.01% (0.19%)</b>			
<b>BRL Forward Foreign Currency Contracts -0.02% (0.05%)</b>			
Forward Foreign Currency Contracts 12/09/14	BRL(132,301,000)	(34,231,319)	(0.81)
Forward Foreign Currency Contracts 12/09/14	USD56,635,702	33,123,199	0.79
<b>EUR Forward Foreign Currency Contracts 0.06% (0.14%)</b>			
Forward Foreign Currency Contracts 14/08/14	EUR(213,484,000)	(171,010,060)	(4.06)
Forward Foreign Currency Contracts 14/08/14	USD297,114,251	173,766,268	4.12
<b>JPY Forward Foreign Currency Contracts -0.03% (0.00%)</b>			
Forward Foreign Currency Contracts 14/08/14	JPY14,017,865,922	80,967,497	1.92
Forward Foreign Currency Contracts 14/08/14	£(82,182,000)	(82,182,000)	(1.95)
<b>Portfolio of investments*</b>		<b>4,226,057,230</b>	<b>100.24</b>
<b>Net current liabilities</b>		<b>(10,118,348)</b>	<b>(0.24)</b>
<b>Total Net Assets</b>		<b>4,215,938,882</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Preference Shares, China and Taiwan portfolio categories, which, at 30 June 2013, represented 1.25%, 2.00% and 1.09% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities issued by the relevant companies or issuers.

FDR = French Depositary Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		92,421,765	413,068,341
Revenue	2	184,680,586		170,286,131
Expenses	3	(47,529,488)		(42,845,147)
Finance costs: Interest	5	-	-	
Net revenue before taxation		137,151,098		127,440,984
Taxation	4	(13,690,477)		(14,522,948)
Net revenue after taxation			123,460,621	112,918,036
<b>Total return before distributions</b>			<b>215,882,386</b>	<b>525,986,377</b>
Finance costs: Distributions	5		(167,075,707)	(151,795,123)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>48,806,679</b>	<b>374,191,254</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		4,003,552,221	2,654,081,126
Amounts receivable on issue of shares	820,519,623		1,284,966,921
Amounts payable on cancellation of shares	(685,190,500)		(328,939,657)
		135,329,123	956,027,264
Stamp Duty Reserve Tax		(579,582)	(502,192)
Change in net assets attributable to Shareholders from investment activities (see above)		48,806,679	374,191,254
Retained distributions on accumulation shares		28,826,392	19,753,492
Unclaimed distributions		4,049	1,277
<b>Closing net assets attributable to Shareholders</b>		<b>4,215,938,882</b>	<b>4,003,552,221</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			4,228,379,853		3,902,297,270
Debtors	7	59,125,442		65,739,399	
Cash and bank balances	8	29,788,181		104,359,375	
Total other assets			88,913,623		170,098,774
Total assets			4,317,293,476		4,072,396,044
<b>LIABILITIES</b>					
Investment liabilities			(2,322,623)		(6,658,761)
Creditors	9	(37,974,716)		(4,335,909)	
Distribution payable on income shares		(61,057,255)		(57,849,153)	
Total other liabilities			(99,031,971)		(62,185,062)
Total liabilities			(101,354,594)		(68,843,823)
<b>Net assets attributable to Shareholders</b>			<b>4,215,938,882</b>		<b>4,003,552,221</b>

\*Gross of investment liabilities



**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	2.8111	0.2811	2.5300	0.0000	2.5300	2.3624
Group 2	1.1881	0.1188	1.0693	1.4607	2.5300	2.3624
Institutional Shares (Income)						
Group 1	2.9703	0.2970	2.6733	0.0000	2.6733	2.4802
Group 2	0.7936	0.0794	0.7142	1.9591	2.6733	2.4802
Institutional Shares (Accumulation)						
Group 1	4.2954	0.4295	3.8659	0.0000	3.8659	3.4461
Group 2	2.5842	0.2584	2.3258	1.5401	3.8659	3.4461
Exempt Shares 2 (Net Income)						
Group 1	3.0323	0.3032	2.7291	0.0000	2.7291	2.5345
Group 2	0.5488	0.0549	0.4939	2.2352	2.7291	2.5345
X Shares (Net Accumulation)						
Group 1	4.3100	0.4310	3.8790	0.0000	3.8790	3.4098
Group 2	0.8128	0.0813	0.7315	3.1475	3.8790	3.4098
X Shares (Net Income)						
Group 1	2.5359	0.2536	2.2823	0.0000	2.2823	2.0893
Group 2	0.1483	0.0148	0.1335	2.1488	2.2823	2.0893
Sterling Accumulation Shares						
Group 1	2.3584	0.2358	2.1226	0.0000	2.1226	1.9049
Group 2	1.2110	0.1211	1.0899	1.0327	2.1226	1.9049
Institutional Shares W (Net Income)						
Group 1	2.2160	0.2216	1.9944	0.0000	1.9944	1.8445
Group 2	0.9796	0.0980	0.8816	1.1128	1.9944	1.8445
Institutional Shares W (Net Accumulation)						
Group 1	2.3530	0.2353	2.1177	0.0000	2.1177	1.8811
Group 2	1.0930	0.1093	0.9837	1.1340	2.1177	1.8811
Retail Advised Shares B (Net Income)						
Group 1	2.1633	0.2163	1.9470	0.0000	1.9470	1.8031
Group 2	0.6869	0.0687	0.6182	1.3288	1.9470	1.8031
Retail Advised Shares B (Net Accumulation)						
Group 1	2.2913	0.2291	2.0622	0.0000	2.0622	1.8290
Group 2	0.9758	0.0976	0.8782	1.1840	2.0622	1.8290
Exempt Shares 2 (Net Accumulation)						
Group 1	2.1661	0.2166	1.9495	0.0000	1.9495	1.7234
Group 2	2.1661	0.2166	1.9495	0.0000	1.9495	1.7234

**Distribution Statements (continued)****Final dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased at launch 19 May 2014
						Group 2: Shares purchased 20 May 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
U Shares (Net Income)						
Group 1	1.9786	0.1979	1.7807	0.0000	1.7807	n/a
Group 2	1.9786	0.1979	1.7807	0.0000	1.7807	n/a
U Shares (Net Accumulation)						
Group 1	1.9786	0.1979	1.7807	0.0000	1.7807	n/a
Group 2	1.9786	0.1979	1.7807	0.0000	1.7807	n/a

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	1.1646	0.1165	1.0481	0.0000	1.0481	1.2957
Group 2	0.7921	0.0792	0.7129	0.3352	1.0481	1.2957
Institutional Shares (Income)						
Group 1	1.2428	0.1243	1.1185	0.0000	1.1185	1.3685
Group 2	0.6997	0.0700	0.6297	0.4888	1.1185	1.3685
Institutional Shares (Accumulation)						
Group 1	1.7838	0.1784	1.6054	0.0000	1.6054	1.8838
Group 2	1.1273	0.1127	1.0146	0.5908	1.6054	1.8838
Exempt Shares 2 (Net Income)						
Group 1	1.2667	0.1267	1.1400	0.0000	1.1400	1.3890
Group 2	0.7830	0.0783	0.7047	0.4353	1.1400	1.3890
X Shares (Net Accumulation)						
Group 1	1.7776	0.1778	1.5998	0.0000	1.5998	1.8506
Group 2	1.7776	0.1778	1.5998	0.0000	1.5998	1.8506
X Shares (Net Income)						
Group 1	1.0550	0.1055	0.9495	0.0000	0.9495	1.1440
Group 2	0.4181	0.0418	0.3763	0.5732	0.9495	1.1440
Sterling Accumulation Shares						
Group 1	0.9707	0.0971	0.8736	0.0000	0.8736	1.0391
Group 2	0.7119	0.0712	0.6407	0.2329	0.8736	1.0391
Institutional Shares W (Net Income)						
Group 1	0.9256	0.0926	0.8330	0.0000	0.8330	1.0174
Group 2	0.5667	0.0567	0.5100	0.3230	0.8330	1.0174
Institutional Shares W (Net Accumulation)						
Group 1	0.9757	0.0976	0.8781	0.0000	0.8781	1.0323
Group 2	0.6333	0.0633	0.5700	0.3081	0.8781	1.0323

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Retail Advised Shares B (Net Income)						
Group 1	0.8942	0.0894	0.8048	0.0000	0.8048	0.9959
Group 2	0.7320	0.0732	0.6588	0.1460	0.8048	0.9959
Retail Advised Shares B (Net Accumulation)						
Group 1	0.9391	0.0939	0.8452	0.0000	0.8452	1.0088
Group 2	0.5963	0.0596	0.5367	0.3085	0.8452	1.0088
Exempt Shares 2 (Net Accumulation)						
Group 1	0.8982	0.0898	0.8084	0.0000	0.8084	0.9475
Group 2	0.8982	0.0898	0.8084	0.0000	0.8084	0.9475

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.0661	0.1066	0.9595	0.0000	0.9595	1.0144
Group 2	0.6902	0.0690	0.6212	0.3383	0.9595	1.0144
Institutional Shares (Income)						
Group 1	1.1390	0.1139	1.0251	0.0000	1.0251	1.0732
Group 2	0.7193	0.0719	0.6474	0.3777	1.0251	1.0732
Institutional Shares (Accumulation)						
Group 1	1.6237	0.1624	1.4613	0.0000	1.4613	1.4658
Group 2	1.1474	0.1147	1.0327	0.4286	1.4613	1.4658
Exempt Shares 2 (Net Income)						
Group 1	1.1600	0.1160	1.0440	0.0000	1.0440	1.0908
Group 2	1.1566	0.1157	1.0409	0.0031	1.0440	1.0908
X Shares (Net Accumulation)						
Group 1	1.6196	0.1620	1.4576	0.0000	1.4576	1.4421
Group 2	0.5148	0.0515	0.4633	0.9943	1.4576	1.4421
X Shares (Net Income)						
Group 1	0.9640	0.0964	0.8676	0.0000	0.8676	0.8941
Group 2	0.5189	0.0519	0.4670	0.4006	0.8676	0.8941
Sterling Accumulation Shares						
Group 1	0.8828	0.0883	0.7945	0.0000	0.7945	0.8068
Group 2	0.5804	0.0580	0.5224	0.2721	0.7945	0.8068
Institutional Shares W (Net Income)						
Group 1	0.8474	0.0847	0.7627	0.0000	0.7627	0.7976
Group 2	0.5321	0.0532	0.4789	0.2838	0.7627	0.7976

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
						<b>Prior Period 31/12/2012</b>
Institutional Shares W (Net Accumulation)						
Group 1	0.8870	0.0887	0.7983	0.0000	0.7983	0.8015
Group 2	0.4906	0.0491	0.4415	0.3568	0.7983	0.8015
Retail Advised Shares B (Net Income)						
Group 1	0.8173	0.0817	0.7356	0.0000	0.7356	0.7719
Group 2	0.5660	0.0566	0.5094	0.2262	0.7356	0.7719
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8524	0.0852	0.7672	0.0000	0.7672	0.7719
Group 2	0.5532	0.0553	0.4979	0.2693	0.7672	0.7719
Exempt Shares 2 (Net Accumulation)						
Group 1	0.8169	0.0817	0.7352	0.0000	0.7352	n/a
Group 2	0.8169	0.0817	0.7352	0.0000	0.7352	n/a

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
						<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	1.3404	0.1340	1.2064	0.0000	1.2064	1.3234
Group 2	0.7481	0.0748	0.6733	0.5331	1.2064	1.3234
Institutional Shares (Income)						
Group 1	1.4267	0.1427	1.2840	0.0000	1.2840	1.3929
Group 2	0.7233	0.0723	0.6510	0.6330	1.2840	1.3929
Institutional Shares (Accumulation)						
Group 1	2.0170	0.2017	1.8153	0.0000	1.8153	1.8831
Group 2	1.1211	0.1121	1.0090	0.8063	1.8153	1.8831
Exempt Shares 2 (Net Income)						
Group 1	1.4554	0.1455	1.3099	0.0000	1.3099	1.4125
Group 2	0.6771	0.0677	0.6094	0.7005	1.3099	1.4125
X Shares (Net Accumulation)						
Group 1	1.9958	0.1996	1.7962	0.0000	1.7962	1.8368
Group 2	0.8407	0.0841	0.7566	1.0396	1.7962	1.8368
X Shares (Net Income)						
Group 1	1.2107	0.1211	1.0896	0.0000	1.0896	1.1572
Group 2	0.6654	0.0665	0.5989	0.4907	1.0896	1.1572
Sterling Accumulation Shares						
Group 1	1.1012	0.1101	0.9911	0.0000	0.9911	1.0525
Group 2	0.7028	0.0703	0.6325	0.3586	0.9911	1.0525

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Institutional Shares W (Net Income)						
Group 1	1.0641	0.1064	0.9577	0.0000	0.9577	0.2403
Group 2	0.6517	0.0652	0.5865	0.3712	0.9577	0.2403
Institutional Shares W (Net Accumulation)						
Group 1	1.1053	0.1105	0.9948	0.0000	0.9948	0.2404
Group 2	0.6098	0.0610	0.5488	0.4460	0.9948	0.2404
Retail Advised Shares B (Net Income)						
Group 1	1.0299	0.1030	0.9269	0.0000	0.9269	n/a
Group 2	0.6610	0.0661	0.5949	0.3320	0.9269	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	1.0674	0.1067	0.9607	0.0000	0.9607	n/a
Group 2	0.7156	0.0716	0.6440	0.3167	0.9607	n/a
Exempt Shares 2 (Net Accumulation)						
Group 1	1.0156	0.1016	0.9140	0.0000	0.9140	n/a
Group 2	1.0156	0.1016	0.9140	0.0000	0.9140	n/a

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	104,319,517	423,324,014
Losses on forward currency contracts	(11,957,049)	(8,674,082)
Currency exchange gains/(losses)	95,150	(1,556,249)
Activity charges	(28,600)	(26,659)
Overseas transaction tax	(7,253)	1,317
<b>Net capital gains</b>	<b>92,421,765</b>	<b>413,068,341</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	29,984,157	20,904,639
Overseas dividends	153,264,453	145,480,982
Bank interest	130,281	139,512
Interest on debt securities	864,644	3,400,260
Stock lending	437,051	360,738
<b>Total revenue</b>	<b>184,680,586</b>	<b>170,286,131</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	44,342,729	39,722,378
Administration fees	2,526,143	2,357,054
Registrar's disbursement fees	1,435	68,928
Safe custody charges	570,805	625,092
	<b>47,441,112</b>	<b>42,773,452</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	5,534	2,089
	<b>64,934</b>	<b>61,407</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,320	7,140
- Non-audit services (tax compliance fee)†	2,832	2,862
Financial Conduct Authority fee	287	286
Expenses associated with making tax reclaims	13,003	-
	<b>23,442</b>	<b>10,288</b>
<b>Total expenses</b>	<b>47,529,488</b>	<b>42,845,147</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,100 (2013: £5,950) and £2,360 (2013: £2,295) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
Overseas tax withheld	13,702,795	14,522,948
Prior year adjustment	5,997	-
Repayment of French withholding tax	(18,315)	-
<b>Total tax charge (see note 4b)</b>	<b>13,690,477</b>	<b>14,522,948</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	137,151,098	127,440,984
<b>Corporation tax @ 20%</b>	<b>27,430,220</b>	<b>25,488,197</b>
Effects of:		
Dividends not subject to corporation tax	(33,808,473)	(31,568,316)
Excess management expenses	7,022,203	6,080,119
Movement in revenue accruals taxable on receipt	(643,950)	-
Repayment of French withholding tax	(18,315)	-
Overseas tax withheld	13,702,795	14,522,948
Prior year adjustment	5,997	-
<b>Total tax charge (see note 4a)</b>	<b>13,690,477</b>	<b>14,522,948</b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £102,820,638 (30/06/13: £67,709,620), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £20,564,127 (30/06/13: £13,541,924).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 30 September - Sterling Income Shares	16,069,065	18,864,329
Interim dividend 30 September - Institutional Shares (Income)	4,210,179	6,866,804
Interim dividend 30 September - Institutional Shares (Accumulation)	2,001,172	1,811,200
Interim dividend 30 September - Exempt Shares 2 (Net Income)	232,918	197,229
Interim dividend 30 September - X Shares (Net Accumulation)	949,057	899,801
Interim dividend 30 September - X Shares (Net Income)	1,589,517	1,459,986
Interim dividend 30 September - Sterling Accumulation Shares	1,078,812	270,887
Interim dividend 30 September - Institutional Shares W (Net Income)	8,253,541	705
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	990,870	12
Interim dividend 30 September - P Shares (Net Income)	-	5
Interim dividend 30 September - Retail Advised Shares B (Net Income)	26,039	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	8,930	-
Interim dividend 30 September - Exempt Shares 2 (Net Accumulation)	496,287	-
Interim dividend 31 December - Sterling Income Shares	11,731,482	13,829,360
Interim dividend 31 December - Institutional Shares (Income)	3,160,551	4,629,716

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Institutional Shares (Accumulation)	1,414,724	1,423,987
Interim dividend 31 December - Exempt Shares 2 (Net Income)	341,580	134,710
Interim dividend 31 December - X Shares (Net Accumulation)	517,498	736,347
Interim dividend 31 December - X Shares (Net Income)	1,292,456	1,121,254
Interim dividend 31 December - Sterling Accumulation Shares	748,680	429,541
Interim dividend 31 December - Institutional Shares W (Net Income)	7,405,817	2,778,396
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	1,136,315	154,226
Interim dividend 31 December - P Shares (Net Income)	-	3,361
Interim dividend 31 December - P Shares (Net Accumulation)	-	3,324
Interim dividend 31 December - Retail Advised Shares B (Net Income)	24,197	39
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	7,865	39
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	399,202	-
Interim dividend 31 March - Sterling Income Shares	11,879,983	17,917,640
Interim dividend 31 March - Institutional Shares (Income)	3,302,058	4,925,648
Interim dividend 31 March - Institutional Shares (Accumulation)	1,489,985	2,008,573
Interim dividend 31 March - Exempt Shares 2 (Net Income)	354,574	162,322
Interim dividend 31 March - X Shares (Net Accumulation)	287,549	1,163,897
Interim dividend 31 March - X Shares (Net Income)	1,425,979	1,498,530
Interim dividend 31 March - Sterling Accumulation Shares	789,665	781,841
Interim dividend 31 March - Institutional Shares W (Net Income)	8,498,814	5,549,553
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	1,633,854	325,105
Interim dividend 31 March - P Shares (Net Income)	-	4,288
Interim dividend 31 March - P Shares (Net Accumulation)	-	4,713
Interim dividend 31 March - Retail Advised Shares B (Net Income)	25,772	15,526
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	9,521	3,020
Interim dividend 31 March - Exempt Shares 2 (Net Accumulation)	438,948	207,551
Final dividend 30 June - Sterling Income Shares	25,679,364	31,820,941
Final dividend 30 June - Institutional Shares (Income)	7,604,193	8,383,770
Final dividend 30 June - Institutional Shares (Accumulation)	3,425,520	3,715,880
Final dividend 30 June - Exempt Shares 2 (Net Income)	882,841	435,194
Final dividend 30 June - X Shares (Net Accumulation)	3,279,104	1,709,756
Final dividend 30 June - X Shares (Net Income)	3,853,621	3,081,374
Final dividend 30 June - Sterling Accumulation Shares	1,556,817	1,886,172
Final dividend 30 June - Institutional Shares W (Net Income)	22,987,660	14,068,035
Final dividend 30 June - Institutional Shares W (Net Accumulation)	5,082,368	1,262,203
Final dividend 30 June - P Shares (Net Income)	-	7,775
Final dividend 30 June - P Shares (Net Accumulation)	-	8,113
Final dividend 30 June - Retail Advised Shares B (Net Income)	49,487	52,064
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	25,013	11,526
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	1,058,547	935,778
Final dividend 30 June - U Shares (Net Income)	89	-
Final dividend 30 June - U Shares (Net Accumulation)	89	-
	<b>169,708,169</b>	<b>157,562,046</b>
Amounts added on issue of shares	(5,449,048)	(7,337,718)
Amounts deducted on cancellation of shares	2,816,586	1,570,795
<b>Net distributions for the year</b>	<b>167,075,707</b>	<b>151,795,123</b>
Interest	-	-
<b>Total finance costs</b>	<b>167,075,707</b>	<b>151,795,123</b>



**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	123,460,621	112,918,036
ACD's periodic charge less tax relief paid from capital	43,584,031	38,865,050
Equalisation on conversions	32,450	11,100
Undistributed revenue brought forward	585	1,522
Undistributed revenue carried forward	(1,980)	(585)
	<b><u>167,075,707</u></b>	<b><u>151,795,123</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	21,602,874	16,277,861
Amount receivable for issue of shares	17,247,808	45,961,555
Corporation Tax due from HMRC	198,129	204,126
Overseas tax recoverable	5,200,383	3,295,857
Sales awaiting settlement	14,876,248	-
	<b><u>59,125,442</u></b>	<b><u>65,739,399</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	29,788,181	47,564,272
Cash held in BNY Mellon Sterling Liquidity Fund	-	56,795,103
	<b><u>29,788,181</u></b>	<b><u>104,359,375</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	3,978,111	4,024,775
Amount payable for cancellation of shares	11,573,719	311,134
Purchases awaiting settlement	22,422,886	-
	<b><u>37,974,716</u></b>	<b><u>4,335,909</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £1,176,689. (30/06/13: £41,650,028).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

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

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	(1,108,120)	(1,108,120)
JP Morgan	(1,214,873)	(1,214,873)
UBS	2,756,578	2,756,578
	<b>433,585</b>	<b>433,585</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014 Investments £	30/06/2014 Net Current Liabilities £	30/06/2014 Total £	30/06/2013 Total £
United Kingdom	514,106,310	(25,559,663)	488,546,647	579,882,540
Australia	43,082,708	1,240,347	44,323,055	30,706,800
Brazil	14,936,294	-	14,936,294	57,215,048
Canada	41,107,250	300,320	41,407,570	78,588,861
Denmark	94,483,846	-	94,483,846	81,654,239
Europe	525,508,219	5,016,031	530,524,250	364,624,305
Hong Kong	45,593,016	942,603	46,535,619	150,896,733
Japan	80,967,497	-	80,967,497	-
Korea	35,995,234	939,768	36,935,002	40,496,562
Norway	188,988,428	-	188,988,428	151,988,231
Singapore	39,617,834	-	39,617,834	106,688,123
South Africa	42,003,306	-	42,003,306	112,032,947
Sweden	78,698,574	-	78,698,574	80,163,830
Switzerland	407,399,558	3,657,331	411,056,889	376,453,453
Taiwan	-	1,005	1,005	43,559,852
Thailand	41,842,978	(3,106,669)	38,736,309	39,221,563
United States of America	2,031,726,178	6,450,579	2,038,176,757	1,709,379,134
<b>Total</b>	<b>4,226,057,230</b>	<b>(10,118,348)</b>	<b>4,215,938,882</b>	<b>4,003,552,221</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		1,471,296,030		1,605,275,430
Commissions	1,078,792		1,443,110	
Taxes	1,804,688		1,492,218	
Total purchase costs		2,883,480		2,935,328
<b>Gross purchases total</b>		<b>1,474,179,510</b>		<b>1,608,210,758</b>
Analysis of total sales proceeds:				
Sales before transaction costs		1,241,909,836		745,199,553
Commissions	(1,227,017)		(756,980)	
Taxes	(281,128)		(230,719)	
Total sales costs		(1,508,145)		(987,699)
<b>Total sales net of transaction costs</b>		<b>1,240,401,691</b>		<b>744,211,854</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £175,328,620 of investments were subject to stock lending agreements and the Fund held £185,204,624 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £77,953,929 of investments were subject to stock lending agreements and the Fund held £82,170,816 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £546,314 (30/06/13: £466,752) and £109,263 (30/06/13: £106,014).

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund currently has fourteen share classes; Sterling Income Shares, Institutional Shares (Income), Institutional Shares (Accumulation), Exempt Shares 2 (Net Income), X Shares (Net Accumulation), X Shares (Net Income), Sterling Accumulation Shares, Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation), Exempt Shares 2 (Net Accumulation), U Shares (Net Income) and U Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Income)	1.00%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
Exempt Shares 2 (Net Income)	0.75%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Sterling Accumulation Shares	1.50%	0.10%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
U Shares (Net Income)	0.65%	0.03%
U Shares (Net Accumulation)	0.65%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 391 to 392. The distributions are given in the distribution statements on pages 398 to 402. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON GLOBAL OPPORTUNITIES FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £482.50m

Comparative Index: FTSE All World TR GBP

Sector: IMA Global

Yield as at 30 June 2014:

Sterling Income Shares	0.49%
Exempt Shares 2 (Net Accumulation)	1.18%
X Shares (Net Accumulation)	1.81%
Institutional Shares W (Net Income)	1.20%
Institutional Shares W (Net Accumulation)	1.18%
Retail Advised Shares B (Net Income)	0.96%
Retail Advised Shares B (Net Accumulation)	0.95%
Exempt Shares 2 (Net Income)	1.20%

Key Dates: Fund Launch 01 July 2005

**Investment Objective**

To achieve long-term capital growth from a concentrated portfolio predominantly invested in the securities of companies located worldwide. The Fund does not have a bias towards any economic sector or company size. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	6.39%	21.22%	-4.04%	20.29%	20.13%
Exempt Shares 2 (Net Accumulation)	7.26%	22.21%	-3.23%	21.27%	21.10%
X Shares (Net Accumulation)	8.06%	23.14%	-2.50%	22.18%	22.01%
Institutional Shares W (Net Income)*	7.26%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.25%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	6.91%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	6.91%	n/a	n/a	n/a	n/a
Exempt Shares 2 (Net Income)*	7.25%	n/a	n/a	n/a	n/a
FTSE All World TR GBP	9.64%	21.41%	-4.05%	21.74%	23.78%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +6.39% against +9.64% for the FTSE All World Index.

The Fund generated a positive return but underperformed the FTSE All World Index. Within the equity sectors, the Fund's exposure to the healthcare, technology, basic materials and industrials sectors were disappointing for performance over the review period. However, this was partially offset by consumer goods, financials and oil and gas. At a stock level, the Fund's holdings in the dialysis provider Fresenius Medical Care and Laboratory Corporation America were disadvantageous. Further drags on performance came from the positions in Yamana Gold and Syngenta. Entertainment company and toy manufacturer Mattel suffered from disappointing final-quarter-2013 results on account of unsatisfactory performance from some of its core brands in the run-up to Christmas. Among financials holdings, Citigroup was thwarted by the US Federal Reserve (Fed) in its attempts to return a significant amount of capital to shareholders. More positively, the German tyre-maker Continental performed well on the back of another solid earnings report, which highlighted evidence that the European car market may have bottomed out in 2013 and is slowly beginning to recover. The publisher Reed Elsevier also added value, along with Principal Financial, which was subsequently sold. Elsewhere, Associated British Foods enjoyed strong growth and this was reflected in a significant share-price rise.

We bought a holding of AGCO, one of three leading global manufacturers of farm machinery, a well-consolidated market with strong barriers to entry. Another significant purchase over the review period was Apple, whose competitive strengths, in an evolving industry, position the company as an attractive long-term investment. Our concerns about profitability were allayed, and the firm's high quality of service and impressive customer retention are strong features in its favour. A holding in TJX, the world's leading discount retailer of apparel and home fashion, was also established. We believe that the company will continue to benefit from the consumer shift to value. In terms of sales, we removed Syngenta, a Swiss company that sells seeds and crop-protection products. This has been a rewarding long-term investment for the portfolio. In light of a more challenging outlook for crop prices, we decided that the business no longer justified its relatively high valuation. Finally, we sold the holding in Mattel as we were sufficiently concerned about its ability to grow its core, longstanding toy-brands.

The table below shows the top ten purchases and sales (excluding any derivative and short term cash transactions) for the year

#### Purchases

Apple  
Citigroup  
TJX  
Teva Pharmaceutical Industries ADR  
Vodafone  
PNC Financial  
eBay  
Mattel  
AGCO  
Kraft Foods

#### Sales

Altria  
Principal Financial  
Laboratory Corporation America  
Syngenta  
Mattel  
Keycorp  
Associated British Foods  
Total  
Xylem  
Fresenius Medical Care

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	154.79	124.63	1.4509
2011	157.54	128.34	1.3851
2012	154.42	139.40	1.2922
2013	184.76	152.66	0.9166
2014	188.51	174.64	0.7591
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	169.75	134.15	2.6939
2011	174.34	142.90	2.8276
2012	174.95	155.54	2.7386
2013	211.62	173.24	2.5484
2014	217.58	201.00	2.6056
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	174.42	136.92	3.7976
2011	179.82	147.66	4.1321
2012	182.16	161.02	4.0654
2013	221.83	180.69	4.1074
2014	229.41	211.38	4.3822
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.38	98.36	n/a
2013	123.13	101.41	1.4152
2014	125.84	116.25	1.5073
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.38	98.36	n/a
2013	123.86	101.41	1.4151
2014	127.35	117.65	1.5312
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 September)	100.60	96.61	n/a
2013	120.75	99.57	1.0657
2014	123.34	114.07	1.0894
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 September)	100.60	96.61	n/a
2013	121.40	99.57	1.0600
2014	124.48	115.12	1.1490
<b>Exempt Shares 2 (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 11 June)	104.32	96.39	1.2739
2014	107.26	99.09	1.2855

\*Distributions are shown in the year declared rather than paid.

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	5,951,212	145.10	4,101,352
30/06/2013	6,300,893	175.07	3,599,021
30/06/2014	4,224,318	185.12	2,281,955



**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 2 (Net Accumulation)</b>			
30/06/2012	74,547,028	Pence 164.00	45,454,203
30/06/2013	64,333,845	200.51	32,084,891
30/06/2014	57,022,577	214.63	26,567,389
<b>X Shares (Net Accumulation)</b>			
30/06/2012	303,204,610	Pence 170.40	177,931,894
30/06/2013	351,251,051	209.91	167,330,383
30/06/2014	392,919,276	226.39	173,559,221
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	19,939	Pence 115.97	17,193
30/06/2014	1,721,455	122.63	1,403,737
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	56,102	Pence 117.36	47,803
30/06/2014	302,814	125.62	241,047
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	149,715	Pence 114.01	131,318
30/06/2014	452,271	120.56	375,152
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	5,754	Pence 115.08	5,000
30/06/2014	2,040,061	122.77	1,661,654
<b>Exempt Shares 2 (Net Income)</b>			
30/06/2013	26,205,334	Pence 98.85	26,510,938
30/06/2014	23,817,617	104.52	22,786,724

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.63	1.63
Exempt Shares 2 (Net Accumulation)	0.81	0.81
X Shares (Net Accumulation)	0.06	0.06
Institutional Shares W (Net Income)	0.81	0.81
Institutional Shares W (Net Accumulation)	0.81	0.81
Retail Advised Shares B (Net Income)	1.13	1.13
Retail Advised Shares B (Net Accumulation)	1.13	1.13
Exempt Shares 2 (Net Income)	0.81	0.81

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Overseas Government Bonds 6.48% (7.44%)</b>			
USA Treasury Bills 0.00% 2014	USD31,500,000	18,420,771	3.81
USA Treasury Bills 0.00% 2014	USD22,000,000	12,864,567	2.67
<b>United Kingdom 11.43% (10.27%)</b>			
British American Tobacco	278,345	9,680,839	2.01
Centrica	3,375,375	10,548,047	2.19
Compass	505,978	5,140,736	1.07
GlaxoSmithKline	729,172	11,400,604	2.36
Vodafone	4,690,808	9,144,730	1.90
Wood (John)	1,139,374	9,183,354	1.90
<b>Canada 2.97% (1.49%)</b>			
Suncor Energy	364,982	9,116,298	1.89
Yamana Gold	1,080,071	5,200,954	1.08
<b>United States of America 42.29% (40.91%)</b>			
Accenture	260,322	12,303,197	2.55
AGCO	353,379	11,617,062	2.41
Apple	221,972	12,064,133	2.50
CH Robinson Worldwide	265,128	9,889,677	2.05
Citigroup	418,481	11,525,146	2.39
eBay	351,624	10,294,644	2.13
EMC	570,804	8,789,817	1.82
Equifax	241,158	10,229,663	2.12
Express Scripts	302,251	12,253,729	2.54
Intuit	235,264	11,080,393	2.30
Kraft Foods	320,984	11,254,198	2.33
Medtronic	248,165	9,255,480	1.92
Microsoft	535,137	13,050,977	2.70
National Oilwell Varco	168,723	8,125,071	1.68
PNC Financial	227,398	11,841,692	2.45
RenaissanceRe	133,646	8,363,378	1.73
TJX Companies	371,040	11,533,629	2.39
United Technologies	159,772	10,786,023	2.24
Walt Disney	196,633	9,858,963	2.04
<b>Hong Kong 2.33% (2.06%)</b>			
AIA	2,919,600	8,592,284	1.78
Belle International	4,106,000	2,655,342	0.55
<b>Japan 4.33% (3.12%)</b>			
Japan Tobacco	445,100	9,489,602	1.97
Toyota Motor	324,500	11,397,642	2.36
<b>Belgium 2.32% (2.34%)</b>			
Anheuser-Busch InBev	166,762	11,202,112	2.32
<b>France 1.93% (3.18%)</b>			
Air Liquide	117,665	9,289,082	1.93
<b>Germany 7.13% (8.42%)</b>			
Bayer	122,598	10,145,804	2.10
Brenntag	68,732	7,193,284	1.49
Continental	49,772	6,751,358	1.40
SAP	228,333	10,335,709	2.14

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Underlying Exposure - Derivatives (£)</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Israel 3.08% (0.00%)</b>				
Bank Hapoalim		1,178,878	3,989,484	0.83
Teva Pharmaceutical ADR		353,582	10,837,929	2.25
<b>Netherlands 6.16% (4.98%)</b>				
Reed Elsevier		897,107	12,028,792	2.49
Royal Dutch Shell 'A'		485,151	11,734,062	2.43
Wolters Kluwer		347,071	6,007,118	1.24
<b>Switzerland 7.11% (10.39%)</b>				
Nestle		234,839	10,640,040	2.21
Novartis		227,813	12,057,016	2.50
Roche		66,289	11,563,344	2.40
<b>Derivatives 0.01% (0.08%)</b>				
<b>Options 0.01% (0.06%)</b>				
S&P 500 Index July 2014 1810 (Put Option)	1,650,337	£360	25,265	0.01
<b>EUR Forward Foreign Currency Contracts 0.00% (0.00%)</b>				
Forward Foreign Currency Contracts 11/07/14		EUR(8,351,000)	(6,686,996)	(1.39)
Forward Foreign Currency Contracts 11/07/14		USD11,461,748	6,703,360	1.39
<b>Portfolio of investments</b>			<b>470,769,405</b>	<b>97.57</b>
<b>Net current assets</b>			<b>11,730,984</b>	<b>2.43</b>
<b>Total Net Assets</b>			<b>482,500,389</b>	<b>100.00</b>
Total unapproved and unquoted securities				0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Australia, Brazil and China portfolio categories, which, at 30 June 2013, represented 0.96%, 1.25% and 0.62% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		25,095,323	74,828,341
Revenue	2	10,540,127	9,757,304	
Expenses	3	(1,010,570)	(802,988)	
Finance costs: Interest	5	-	(10)	
Net revenue before taxation		9,529,557	8,954,306	
Taxation	4	(957,402)	(1,013,828)	
Net revenue after taxation			8,572,155	7,940,478
<b>Total return before distributions</b>			<b>33,667,478</b>	<b>82,768,819</b>
Finance costs: Distributions	5		(8,572,280)	(7,940,462)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>25,095,198</b>	<b>74,828,357</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		448,322,633	383,702,850
Amounts receivable on issue of shares	64,542,456	28,375,088	
Amounts payable on cancellation of shares	(63,851,331)	(46,307,717)	
		691,125	(17,932,629)
Dilution adjustment		71,224	39,606
Stamp Duty Reserve Tax		(526)	(6,859)
Change in net assets attributable to Shareholders from investment activities (see above)		25,095,198	74,828,357
Retained distributions on accumulation shares		8,320,735	7,691,308
<b>Closing net assets attributable to Shareholders</b>		<b>482,500,389</b>	<b>448,322,633</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			470,769,405	437,179,300
Debtors	7	1,345,626		1,313,678
Cash and bank balances	8	<u>11,051,547</u>	<u>10,302,851</u>	
Total other assets			<u>12,397,173</u>	<u>11,616,529</u>
Total assets			483,166,578	448,795,829
<b>LIABILITIES</b>				
Creditors	9	(330,698)		(100,842)
Distribution payable on income shares		<u>(335,491)</u>	<u>(372,354)</u>	
Total other liabilities			<u>(666,189)</u>	<u>(473,196)</u>
Total liabilities			(666,189)	(473,196)
<b>Net assets attributable to Shareholders</b>			<u><b>482,500,389</b></u>	<u><b>448,322,633</b></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.8434	0.0843	0.7591	0.0000	0.7591	0.9166
Group 2	0.7879	0.0788	0.7091	0.0500	0.7591	0.9166
Exempt Shares 2 (Net Accumulation)						
Group 1	2.8951	0.2895	2.6056	0.0000	2.6056	2.5484
Group 2	2.1384	0.2138	1.9246	0.6810	2.6056	2.5484
X Shares (Net Accumulation)						
Group 1	4.8691	0.4869	4.3822	0.0000	4.3822	4.1074
Group 2	2.8106	0.2811	2.5295	1.8527	4.3822	4.1074
Institutional Shares W (Net Income)						
Group 1	1.6748	0.1675	1.5073	0.0000	1.5073	1.4152
Group 2	0.2359	0.0236	0.2123	1.2950	1.5073	1.4152
Institutional Shares W (Net Accumulation)						
Group 1	1.7013	0.1701	1.5312	0.0000	1.5312	1.4151
Group 2	1.1012	0.1101	0.9911	0.5401	1.5312	1.4151
Retail Advised Shares B (Net Income)						
Group 1	1.2104	0.1210	1.0894	0.0000	1.0894	1.0657
Group 2	0.9247	0.0925	0.8322	0.2572	1.0894	1.0657
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2767	0.1277	1.1490	0.0000	1.1490	1.0600
Group 2	1.2763	0.1276	1.1487	0.0003	1.1490	1.0600
Exempt Shares 2 (Net Income)						
Group 1	1.4283	0.1428	1.2855	0.0000	1.2855	1.2739
Group 2	1.1639	0.1164	1.0475	0.2380	1.2855	1.2739

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	25,702,806	75,824,419
Losses on forward currency contracts	(528,728)	(662,268)
Currency exchange losses	(56,000)	(313,842)
Activity charges	(22,755)	(19,968)
<b>Net capital gains</b>	<b>25,095,323</b>	<b>74,828,341</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	2,190,400	1,757,479
Overseas dividends	8,233,727	7,909,484
Bank interest	19,641	34,169
Interest on debt securities	12,125	13,131
Stock lending	84,234	43,041
<b>Total revenue</b>	<b>10,540,127</b>	<b>9,757,304</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	765,792	575,813
Administration fees	145,475	124,350
Collection charges	-	5,486
Registrar's disbursement fees	1,523	6,641
Safe custody charges	44,088	42,567
	<b>956,878</b>	<b>754,857</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	42,307	38,252
Distribution reconciliation service	26	56
	<b>42,333</b>	<b>38,308</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,840	6,660
- Non-audit services (tax compliance fee)†	2,940	2,877
Financial Conduct Authority fee	288	286
Expenses associated with making tax reclaims	1,291	-
	<b>11,359</b>	<b>9,823</b>
<b>Total expenses</b>	<b>1,010,570</b>	<b>802,988</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,700 (2013: £5,550) and £2,450 (2013: £2,390) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Income tax suffered	54,708	-
	<u>54,708</u>	<u>-</u>
Overseas tax withheld	903,958	1,013,828
Prior year adjustment	554	-
Repayment of French withholding tax	(1,818)	-
<b>Total tax charge (see note 4b)</b>	<b><u>957,402</u></b>	<b><u>1,013,828</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	9,529,557	8,954,306
	<u>9,529,557</u>	<u>8,954,306</u>
<b>Corporation tax @ 20%</b>	1,905,911	1,790,861
Effects of:		
Dividends not subject to corporation tax	(2,023,060)	(1,916,132)
Excess management expenses	117,149	125,271
Income tax suffered	54,708	-
Repayment of French withholding tax	(1,818)	-
Overseas tax withheld	903,958	1,013,828
Prior year adjustment	554	-
<b>Total tax charge (see note 4a)</b>	<b><u>957,402</u></b>	<b><u>1,013,828</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £3,694,997 (30/06/13: £3,109,251), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £738,999 (30/06/13: £621,850). The prior year figures for excess management expenses and deferred tax asset not recognised have been updated, this is only a disclosure change and has no impact on the NAV/Distributions.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Final dividend 30 June - Sterling Income Shares	17,322	32,989
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	692,240	817,651
Final dividend 30 June - X Shares (Net Accumulation)	7,605,712	6,872,928
Final dividend 30 June - Institutional Shares W (Net Income)	21,159	243
Final dividend 30 June - Institutional Shares W (Net Accumulation)	3,691	676
Final dividend 30 June - Retail Advised Shares B (Net Income)	4,087	1,399
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	19,092	53
Final dividend 30 June - Exempt Shares 2 (Net Income)	292,923	337,723
	<u>8,656,226</u>	<u>8,063,662</u>
Amounts added on issue of shares	(491,267)	(326,369)
Amounts deducted on cancellation of shares	407,321	203,169
<b>Net distributions for the year</b>	<b><u>8,572,280</u></b>	<b><u>7,940,462</u></b>
Interest	-	10
<b>Total finance costs</b>	<b><u>8,572,280</u></b>	<b><u>7,940,472</u></b>



**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	8,572,155	7,940,478
Equalisation on conversions	119	40
Undistributed revenue brought forward	120	64
Undistributed revenue carried forward	(114)	(120)
	<b>8,572,280</b>	<b>7,940,462</b>

**7 Debtors**

	30/06/2014	30/06/2013
	£	£
Accrued revenue	778,920	634,526
Amount receivable for issue of shares	122,665	51,096
Overseas tax recoverable	444,041	628,056
	<b>1,345,626</b>	<b>1,313,678</b>

**8 Cash & bank balances**

	30/06/2014	30/06/2013
	£	£
Cash held at bank	7,513,266	6,873,581
Cash held in BNY Mellon Sterling Liquidity Fund	3,538,281	3,429,270
	<b>11,051,547</b>	<b>10,302,851</b>

**9 Creditors**

	30/06/2014	30/06/2013
	£	£
Accrued expenses	91,509	85,708
Amount payable for cancellation of shares	131,227	15,134
Corporation tax payable	554	-
Purchases awaiting settlement	107,408	-
	<b>330,698</b>	<b>100,842</b>

**10 Related party transactions**

ACD's periodic charge, administration fees, collection charges, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £89,389 (30/06/13: £37,354).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The Fund has no significant investments in 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.

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	16,364	16,364
	<b>16,364</b>	<b>16,364</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities. Exchange traded index options are used for hedging purposes to protect the value of the Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	55,098,310	11,100,295	66,198,605	52,681,984
Australia	-	-	-	4,294,580
Brazil	-	-	-	1,271,303
Canada	14,317,252	20,244	14,337,496	6,686,966
Europe	78,000,325	299,381	78,299,706	77,864,719
Hong Kong	11,247,626	-	11,247,626	12,025,570
Israel	3,989,484	(107,408)	3,882,076	-
Japan	20,887,244	-	20,887,244	14,014,566
Switzerland	34,260,400	258,552	34,518,952	47,090,071
Taiwan	-	855	855	960
United States of America	252,968,764	159,065	253,127,829	232,391,914
<b>Total</b>	<b>470,769,405</b>	<b>11,730,984</b>	<b>482,500,389</b>	<b>448,322,633</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		415,551,662		207,001,897
Commissions	178,157		96,387	
Taxes	<u>197,832</u>		<u>17,139</u>	
Total purchase costs		375,989		113,526
<b>Gross purchases total</b>		<b><u>415,927,651</u></b>		<b><u>207,115,423</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		408,156,331		217,282,570
Commissions	(174,847)		(131,578)	
Taxes	<u>(11,821)</u>		<u>(9,179)</u>	
Total sales costs		(186,668)		(140,757)
<b>Total sales net of transaction costs</b>		<b><u>407,969,663</u></b>		<b><u>217,141,813</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £19,560,822 of investments were subject to stock lending agreements and the Fund held £26,508,652 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £33,357,417 of investments were subject to stock lending agreements and the Fund held £34,229,860 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £105,293 (30/06/13: £54,588) and £21,059 (30/06/13: £11,547).

Notes to the Financial Statements (continued)

15 Shareholders’ funds

The Fund currently has eight share classes; Sterling Income Shares, Exempt Shares 2 (Net Accumulation), X Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and Exempt Shares 2 (Net Income). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%
Exempt Shares 2 (Net Income)	0.75%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 413 to 414. The distribution is given in the distribution statement on page 419. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON HIGHER INCOME FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £1,992.16m

Comparative Index: FTSE All Share TR

Sector: IMA UK Equity Income

Yield as at 30 June 2014:

Sterling Income Shares	3.70%
Exempt Shares 1 (Net Accumulation)	3.64%
Exempt Shares 2 (Net Accumulation)	3.65%
Institutional Shares (Accumulation)	3.65%
Institutional Shares (Income)	3.75%
X Shares (Net Accumulation)	3.63%
X Shares (Net Income)	3.72%
Institutional Shares W (Net Income)	3.74%
Institutional Shares W (Net Accumulation)	3.65%
Retail Advised Shares B (Net Income)	3.66%
Retail Advised Shares B (Net Accumulation)	3.60%

Key Dates: Fund Launch 01 June 1987 (Managed by Newton since November 1994)

**Investment Objective**

To achieve increasing distributions on a calendar year basis with long-term capital growth. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	10.85%	15.17%	1.92%	16.69%	14.50%
Exempt Shares 1 (Net Accumulation)	12.06%	16.44%	3.01%	17.96%	15.79%
Exempt Shares 2 (Net Accumulation)	11.81%	16.15%	2.75%	17.66%	15.50%
Institutional Shares (Accumulation)	11.50%	15.87%	2.50%	17.37%	15.22%
Institutional Shares (Income)	11.50%	15.81%	2.50%	17.36%	15.15%
X Shares (Net Accumulation)	12.62%	16.96%	3.53%	18.54%	16.37%
X Shares (Net Income)*	12.62%	16.92%	3.53%	n/a	n/a
Institutional Shares W (Net Income)*	11.77%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	11.78%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	11.40%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	11.41%	n/a	n/a	n/a	n/a
FTSE All Share TR	13.12%	17.93%	-3.13%	25.63%	21.14%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +10.85% against +13.12% for the FTSE All-Share Index.

The last year saw markets continuing to climb higher as investors became more optimistic about the economic recovery in developed markets. The Fund delivered a positive return but lagged the FTSE All-Share Index. The main detractor to performance was our underweight positions in two large stocks which received takeover bids during the year – Vodafone and AstraZeneca. We have a cautious view on the economic recovery which led us to be underweight materials and financials. Our underweight in financials was one of the biggest positive contributors to performance. Also, the financials we did own performed very well. For example, the insurance company Prudential, where its US life business experienced stronger margins and expectations for Asian growth increased. Avoiding Barclays and HSBC made a positive contribution to performance. We continue to avoid the banks as we see further risks to earnings forecasts from regulatory fines. Materials performed quite strongly during the period and while our stock selection was good our underweight position was negative. In an environment of low GDP growth it is important to identify companies which can deliver growth through self-help. An example of this was one of our top performers, Reed Elsevier, a media company, which benefited from margin expansion and share buybacks.

The pharmaceutical sector looks particularly attractive at the moment. We believe the sector will experience greater productivity in research and development and see the environment for drug approvals improving in the large US market. During the year, we increased our position in Roche and introduced Sanofi and AstraZeneca into the portfolio. We believe these companies are well placed to benefit from the improving trends and have under-appreciated drug pipelines. We bought United Utilities as we grew incrementally positive about its ability to deliver better financial performance in the next five year pricing review. We sold half of our holding in Severn Trent to fund the purchase. We added Vodafone to the portfolio as we have grown more positive on the outlook for consolidation and hence pricing power in Europe. It is attractively valued and has a high dividend yield. We also increased the position in Swisscom as the company has invested heavily to differentiate itself in an 'all-intellectual-property-world', a move which reflects our net effects theme. Other significant transactions included buying Cable & Wireless Communications following the disposal of its Macau and Islands divisions, which leaves the business with a greatly simplified business structure and strong balance sheet; selling Unilever due to its emerging market exposure and share price vulnerability to currencies; buying BP, as it is attractively valued relative to the market and it has a strong and growing dividend yield and buying Wolters Kluwer, as expectations for growth are very low and it looks cheap on the sum of its parts basis.

The table below shows the top ten purchases and sales for the year

#### Purchases

Vodafone  
AstraZeneca  
BHP Billiton  
BP  
Standard Chartered  
Sanofi  
United Utilities  
Wolters Kluwer  
Cable & Wireless Communications  
Standard Life

#### Sales

BHP Billiton  
Pearson  
Severn Trent  
Verizon Communications  
GlaxoSmithKline  
Unilever  
Standard Chartered  
British Sky Broadcasting  
Diageo  
Royal Dutch Shell B

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	57.59	48.80	3.9736
2011	56.47	47.04	3.6283
2012	54.47	49.91	2.8548
2013	61.99	53.62	2.4990
2014	62.57	58.24	1.5661
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	227.55	192.30	15.5712
2011	236.72	201.76	15.4451
2012	252.69	224.69	13.1124
2013	300.96	253.27	12.2469
2014	315.74	290.62	7.9794
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	143.20	121.16	9.8113
2011	148.77	126.76	9.7080
2012	158.24	140.90	8.2284
2013	188.04	158.59	7.6610
2014	197.05	181.53	4.9817
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	137.14	116.17	9.4071
2011	142.28	121.20	9.2859
2012	150.80	134.46	7.8521
2013	178.67	151.11	7.2919
2014	187.03	172.44	4.7300
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	59.59	50.55	4.1552
2011	58.75	49.01	3.8153
2012	57.06	52.19	3.0243
2013	65.16	56.25	2.6701
2014	66.12	61.43	1.6760
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	231.31	195.03	15.7912
2011	241.29	205.77	15.7381
2012	259.36	230.02	13.3067
2013	310.43	259.96	12.5976
2014	326.38	299.91	8.2424
<b>X Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010 (to 27 April)	206.54	186.81	3.4741
2010 (from 08 October)	105.17	98.84	1.4496
2011	105.84	88.53	6.8797
2012	104.19	95.00	5.4542
2013	119.80	103.01	4.9134
2014	122.86	113.76	3.1095

\*\*X Shares (Net Income) Share Class was closed on 27 April 2010 and was reopened on 8 October 2010 at £1.00.

<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.40	97.80	1.3406
2013	117.75	101.54	4.8275
2014	119.80	111.21	3.0355

\*Distributions are shown in the year declared rather than paid



**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	102.68	98.07	1.3429
2013	121.97	102.90	4.9706
2014	127.81	117.74	3.2313
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 September)	100.87	96.36	1.1521
2013 (to 23 September)	115.86	100.01	3.0293
***P Shares (Net Income) share class closed 23 September 2013			
<b>P Shares (Net Accumulation)****</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 October)	100.72	96.22	1.0384
2013 (to 26 July)	118.34	100.92	3.0781
****P Shares (Net Accumulations) share class closed 26 July 2013			
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	101.10	96.59	1.0256
2013	116.15	100.26	4.6609
2014	117.85	109.51	2.9476
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	101.10	96.58	1.0254
2013	119.69	101.30	4.8099
2014	125.25	115.51	3.1258

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	1,646,722,940	51.71	3,184,671,082
30/06/2013	1,471,544,944	56.52	2,603,648,282
30/06/2014	1,356,510,849	60.24	2,251,827,489
<b>Exempt Shares 1 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	127,546,056	237.31	53,747,062
30/06/2013	97,635,228	275.98	35,377,635
30/06/2014	96,814,517	309.76	31,254,392
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	9,293,346	148.77	6,246,652
30/06/2013	8,592,001	172.60	4,978,115
30/06/2014	1,560,855	193.29	807,500
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	272,719,847	141.93	192,145,175
30/06/2013	266,817,544	164.25	162,443,836
30/06/2014	174,979,169	183.44	95,388,877

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Institutional Shares (Income)</b>			
30/06/2012	54,103,705	Pence 54.11	99,996,972
30/06/2013	28,345,193	59.44	47,690,604
30/06/2014	22,146,550	63.67	34,784,362
<b>X Shares (Net Accumulation)</b>			
30/06/2012	84,004,236	Pence 243.07	34,559,873
30/06/2013	118,953,113	283.95	41,891,715
30/06/2014	151,443,522	320.30	47,281,377
<b>X Shares (Net Income)</b>			
30/06/2012	55,862,948	Pence 98.59	56,664,306
30/06/2013	81,464,490	109.39	74,468,767
30/06/2014	87,741,783	118.37	74,125,928
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	28,047,544	Pence 107.43	26,107,988
30/06/2014	87,248,907	115.37	75,626,678
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	775,114	Pence 111.99	692,144
30/06/2014	13,413,996	125.38	10,699,002
<b>P Shares (Net Income)***</b>			
30/06/2013	505,490	Pence 105.68	478,319
***P Shares (Net Income) share class closed 23 September 2013			
<b>P Shares (Net Accumulation)****</b>			
30/06/2013	120,276	Pence 109.70	109,638
****P Shares (Net Accumulations) share class closed 26 July 2013			
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	26,284	Pence 108.36	24,256
30/06/2014	137,985	113.50	121,575
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	36,076	Pence 108.32	33,304
30/06/2014	158,671	122.84	129,166

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.61	1.61
Exempt Shares 1 (Net Accumulation)	0.54	0.54
Exempt Shares 2 (Net Accumulation)	0.79	0.79
Institutional Shares (Accumulation)	1.04	1.04
Institutional Shares (Income)	1.04	1.04
X Shares (Net Accumulation)	0.04	0.04
X Shares (Net Income)	0.04	0.04
Institutional Shares W (Net Income)	0.79	0.79
Institutional Shares W (Net Accumulation)	0.79	0.79
Retail Advised Shares B (Net Income)	1.11	1.11
Retail Advised Shares B (Net Accumulation)	1.11	1.11

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 79.29% (79.92%)</b>			
<b>Oil &amp; Gas Producers 10.76% (8.19%)</b>			
BP	12,000,000	61,788,000	3.10
Royal Dutch Shell B	6,000,000	152,550,000	7.66
<b>Oil &amp; Gas Equipment, Services &amp; Distribution 0.98% (1.08%)</b>			
AMEC	1,600,000	19,424,000	0.98
<b>Aerospace &amp; Defence 2.50% (3.88%)</b>			
BAE Systems	4,260,000	18,433,020	0.93
Cobham	10,000,000	31,230,000	1.57
<b>Chemicals 1.13% (1.31%)</b>			
Johnson Matthey	726,000	22,506,000	1.13
<b>Industrial Engineering 0.97% (2.20%)</b>			
Domino Printing Sciences	1,378,845	8,266,176	0.41
IMI	750,000	11,145,000	0.56
<b>Support Services 4.79% (4.22%)</b>			
Atkins (WS)	2,000,000	26,380,000	1.32
Berendsen	1,760,000	17,221,600	0.86
Bunzl	1,600,000	25,936,000	1.30
Capita	2,260,000	25,854,400	1.31
<b>Beverages 1.52% (3.54%)</b>			
Diageo	1,626,000	30,333,030	1.52
<b>Food Producers 0.45% (2.74%)</b>			
Tate & Lyle	1,296,000	8,871,120	0.45
<b>Household Goods &amp; Home Construction 0.76% (0.00%)</b>			
Berkeley	626,000	15,136,680	0.76
<b>Tobacco 4.74% (4.48%)</b>			
British American Tobacco	2,600,000	90,428,000	4.54
Imperial Tobacco	150,000	3,943,500	0.20
<b>Pharmaceuticals &amp; Biotechnology 7.98% (6.40%)</b>			
AstraZeneca	1,500,000	65,100,000	3.27
GlaxoSmithKline	6,000,000	93,810,000	4.71
<b>Media 4.51% (8.58%)</b>			
Reed Elsevier	6,926,000	65,104,400	3.27
WPP	1,946,000	24,792,040	1.24
<b>Travel &amp; Leisure 4.55% (4.22%)</b>			
Compass	5,360,000	54,457,600	2.73
Domino's Pizza	4,529,386	23,666,042	1.19
Ladbroke's	2,600,000	3,647,800	0.18
National Express	3,460,000	9,054,820	0.45
<b>Fixed Line Telecommunications 1.67 % (0.00%)</b>			
Cable & Wireless Communications	67,500,000	33,237,000	1.67
<b>Mobile Telecommunications 3.88% (0.00%)</b>			
Vodafone	39,600,000	77,200,200	3.88
<b>Electricity 1.78% (3.25%)</b>			
SSE	2,260,000	35,414,200	1.78

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Gas, Water &amp; Multiutilities 11.84% (11.07%)</b>			
Centrica	18,960,000	59,250,000	2.97
National Grid	9,200,000	77,280,000	3.88
Severn Trent	2,360,000	45,595,200	2.29
United Utilities	6,096,000	53,766,720	2.70
<b>Nonlife Insurance 4.32% (4.12%)</b>			
Admiral	1,750,000	27,107,500	1.36
Amlin	4,600,000	21,523,400	1.08
Catlin	3,096,000	16,548,120	0.83
Hiscox	2,960,000	20,927,200	1.05
<b>Life Insurance 6.02% (4.49%)</b>			
Old Mutual	5,600,000	11,071,200	0.56
Prudential	3,096,000	41,517,360	2.08
Standard Life	18,000,000	67,320,000	3.38
<b>Financial Services 1.04% (4.60%)</b>			
Close Brothers	969,000	12,374,130	0.62
Intermediate Capital	2,162,718	8,441,088	0.42
<b>Software &amp; Computer Services 3.10% (1.55%)</b>			
Sage	16,096,000	61,824,736	3.10
<b>Investment Trusts 1.66% (0.00%)</b>			
BBGI	6,000,000	7,140,000	0.36
HICL Infrastructure	8,860,000	12,395,140	0.62
John Laing Infrastructure Fund	11,560,000	13,467,400	0.68
<b>Overseas Equities 16.99% (11.78%)</b>			
<b>United States of America 4.39% (6.49%)</b>			
Merck	860,000	29,091,675	1.46
Microsoft	1,200,000	29,265,725	1.47
Reynolds	826,000	29,149,247	1.46
<b>Thailand 0.33% (0.00%)</b>			
Intouch (NVDR)	5,000,000	6,599,910	0.33
<b>Frances 2.56% (0.00%)</b>			
Sanofi	820,000	50,939,683	2.56
<b>Netherlands 2.26% (0.00%)</b>			
Wolters Kluwer	2,600,000	45,000,900	2.26
<b>Switzerland 7.45% (5.29%)</b>			
Nestle	600,000	27,184,684	1.36
Novartis	1,000,000	52,925,057	2.66
Roche	280,000	48,842,738	2.45
Swisscom	57,500	19,548,472	0.98
<b>Portfolio of investments</b>		<b>1,951,027,913</b>	<b>97.94</b>
<b>Net current assets</b>		<b>41,128,891</b>	<b>2.06</b>
<b>Total Net Assets</b>		<b>1,992,156,804</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Industrial Transportation, General Retailers and Norway portfolio categories, which, at 30 June 2013, represented 0.89%, 0.27% and 1.04% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		164,735,749	240,418,053
Revenue	2	88,696,634	121,375,081	
Expenses	3	(27,262,865)	(30,611,723)	
Finance costs: Interest	5	(412)	-	
Net revenue before taxation		61,433,357	90,763,358	
Taxation	4	(1,325,788)	(857,105)	
Net revenue after taxation			60,107,569	89,906,253
<b>Total return before distributions</b>			<b>224,843,318</b>	<b>330,324,306</b>
Finance costs: Distributions	5		(85,573,518)	(117,441,798)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>139,269,800</b>	<b>212,882,508</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		2,102,863,297	2,250,253,078
Amounts receivable on issue of shares	192,821,243	269,074,626	
Amounts payable on cancellation of shares	(460,443,611)	(653,680,972)	
		(267,622,368)	(384,606,346)
Dilution adjustment		109,362	70,265
Stamp Duty Reserve Tax		(1,079,720)	(1,660,443)
Change in net assets attributable to Shareholders from investment activities (see above)		139,269,800	212,882,508
Retained distributions on accumulation shares		18,544,592	25,808,719
Unclaimed distributions		71,841	115,516
<b>Closing net assets attributable to Shareholders</b>		<b>1,992,156,804</b>	<b>2,102,863,297</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets			1,951,027,913		1,974,677,354
Debtors	7	30,100,676		40,629,378	
Cash and bank balances	8	<u>69,355,945</u>		<u>132,961,092</u>	
Total other assets			<u>99,456,621</u>		<u>173,590,470</u>
Total assets			2,050,484,534		2,148,267,824
<b>LIABILITIES</b>					
Creditors	9	(29,662,634)		(19,335,102)	
Distribution payable on income shares		<u>(28,665,096)</u>		<u>(26,069,425)</u>	
Total other liabilities			<u>(58,327,730)</u>		<u>(45,404,527)</u>
Total liabilities			(58,327,730)		(45,404,527)
<b>Net assets attributable to Shareholders</b>			<u><b>1,992,156,804</b></u>		<u><b>2,102,863,297</b></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	1.2336	0.1234	1.1102	0.0000	1.1102	0.9144
Group 2	0.6337	0.0634	0.5703	0.5399	1.1102	0.9144
Exempt Shares 1 (Net Accumulation)						
Group 1	6.2787	0.6279	5.6508	0.0000	5.6508	4.4364
Group 2	3.0937	0.3094	2.7843	2.8665	5.6508	4.4364
Exempt Shares 2 (Net Accumulation)						
Group 1	3.9193	0.3919	3.5274	0.0000	3.5274	2.7768
Group 2	2.1566	0.2157	1.9409	1.5865	3.5274	2.7768
Institutional Shares (Accumulation)						
Group 1	3.7208	0.3721	3.3487	0.0000	3.3487	2.6427
Group 2	1.8374	0.1837	1.6537	1.6950	3.3487	2.6427
Institutional Shares (Income)						
Group 1	1.3154	0.1315	1.1839	0.0000	1.1839	0.9716
Group 2	0.5069	0.0507	0.4562	0.7277	1.1839	0.9716
X Shares (Net Accumulation)						
Group 1	6.4876	0.6488	5.8388	0.0000	5.8388	4.5612
Group 2	2.3390	0.2339	2.1051	3.7337	5.8388	4.5612
X Shares (Net Income)						
Group 1	2.4420	0.2442	2.1978	0.0000	2.1978	1.7872
Group 2	0.4240	0.0424	0.3816	1.8162	2.1978	1.7872
Institutional Shares W (Net Income)						
Group 1	2.3828	0.2383	2.1445	0.0000	2.1445	1.7570
Group 2	0.9767	0.0977	0.8790	1.2655	2.1445	1.7570
Institutional Shares W (Net Accumulation)						
Group 1	2.5422	0.2542	2.2880	0.0000	2.2880	1.8034
Group 2	1.3557	0.1356	1.2201	1.0679	2.2880	1.8034
Retail Advised Shares B (Net Income)						
Group 1	2.3223	0.2322	2.0901	0.0000	2.0901	1.7045
Group 2	0.6562	0.0656	0.5906	1.4995	2.0901	1.7045
Retail Advised Shares B (Net Accumulation)						
Group 1	2.4681	0.2468	2.2213	0.0000	2.2213	1.7588
Group 2	0.0094	0.0009	0.0085	2.2128	2.2213	1.7588



**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	0.5066	0.0507	0.4559	0.0000	0.4559	0.6871
Group 2	0.3003	0.0300	0.2703	0.1856	0.4559	0.6871
Exempt Shares 1 (Net Accumulation)						
Group 1	2.5873	0.2587	2.3286	0.0000	2.3286	3.2969
Group 2	1.7328	0.1733	1.5595	0.7691	2.3286	3.2969
Exempt Shares 2 (Net Accumulation)						
Group 1	1.6159	0.1616	1.4543	0.0000	1.4543	2.0636
Group 2	1.2679	0.1268	1.1411	0.3132	1.4543	2.0636
Institutional Shares (Accumulation)						
Group 1	1.5348	0.1535	1.3813	0.0000	1.3813	1.9656
Group 2	0.8267	0.0827	0.7440	0.6373	1.3813	1.9656
Institutional Shares (Income)						
Group 1	0.5468	0.0547	0.4921	0.0000	0.4921	0.7314
Group 2	0.3062	0.0306	0.2756	0.2165	0.4921	0.7314
X Shares (Net Accumulation)						
Group 1	2.6707	0.2671	2.4036	0.0000	2.4036	3.3876
Group 2	1.5204	0.1520	1.3684	1.0352	2.4036	3.3876
X Shares (Net Income)						
Group 1	1.0130	0.1013	0.9117	0.0000	0.9117	1.3419
Group 2	0.1204	0.0120	0.1084	0.8033	0.9117	1.3419
Institutional Shares W (Net Income)						
Group 1	0.9900	0.0990	0.8910	0.0000	0.8910	1.3213
Group 2	0.5234	0.0523	0.4711	0.4199	0.8910	1.3213
Institutional Shares W (Net Accumulation)						
Group 1	1.0481	0.1048	0.9433	0.0000	0.9433	1.3399
Group 2	0.4951	0.0495	0.4456	0.4977	0.9433	1.3399
Retail Advised Shares B (Net Income)						
Group 1	0.9528	0.0953	0.8575	0.0000	0.8575	1.2876
Group 2	0.4673	0.0467	0.4206	0.4369	0.8575	1.2876
Retail Advised Shares B (Net Accumulation)						
Group 1	1.0050	0.1005	0.9045	0.0000	0.9045	1.2993
Group 2	0.1373	0.0137	0.1236	0.7809	0.9045	1.2993

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.4514	0.0451	0.4063	0.0000	0.4063	0.5557
Group 2	0.2639	0.0264	0.2375	0.1688	0.4063	0.5557
Exempt Shares 1 (Net Accumulation)						
Group 1	2.2903	0.2290	2.0613	0.0000	2.0613	2.6336
Group 2	1.1218	0.1122	1.0096	1.0517	2.0613	2.6336
Exempt Shares 2 (Net Accumulation)						
Group 1	1.4313	0.1431	1.2882	0.0000	1.2882	1.6501
Group 2	0.9289	0.0929	0.8360	0.4522	1.2882	1.6501
Institutional Shares (Accumulation)						
Group 1	1.3606	0.1361	1.2245	0.0000	1.2245	1.5734
Group 2	1.0673	0.1067	0.9606	0.2639	1.2245	1.5734
Institutional Shares (Income)						
Group 1	0.4879	0.0488	0.4391	0.0000	0.4391	0.5918
Group 2	0.3639	0.0364	0.3275	0.1116	0.4391	0.5918
X Shares (Net Accumulation)						
Group 1	2.3608	0.2361	2.1247	0.0000	2.1247	2.6434
Group 2	0.3329	0.0333	0.2996	1.8251	2.1247	2.6434
X Shares (Net Income)						
Group 1	0.9017	0.0902	0.8115	0.0000	0.8115	1.0584
Group 2	0.2844	0.0284	0.2560	0.5555	0.8115	1.0584
Institutional Shares W (Net Income)						
Group 1	0.8842	0.0884	0.7958	0.0000	0.7958	1.0680
Group 2	0.4940	0.0494	0.4446	0.3512	0.7958	1.0680
Institutional Shares W (Net Accumulation)						
Group 1	0.9284	0.0928	0.8356	0.0000	0.8356	1.0647
Group 2	0.4103	0.0410	0.3693	0.4663	0.8356	1.0647
Retail Advised Shares B (Net Income)						
Group 1	0.8493	0.0849	0.7644	0.0000	0.7644	1.0256
Group 2	0.2076	0.0208	0.1868	0.5776	0.7644	1.0256
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8889	0.0889	0.8000	0.0000	0.8000	1.0254
Group 2	0.8509	0.0851	0.7658	0.0342	0.8000	1.0254

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	0.5458	0.0546	0.4912	0.0000	0.4912	0.6987
Group 2	0.3262	0.0326	0.2936	0.1976	0.4912	0.6987
Exempt Shares 1 (Net Accumulation)						
Group 1	2.7248	0.2725	2.4523	0.0000	2.4523	3.2374
Group 2	1.5142	0.1514	1.3628	1.0895	2.4523	3.2374
Exempt Shares 2 (Net Accumulation)						
Group 1	1.7027	0.1703	1.5324	0.0000	1.5324	2.0359
Group 2	0.6371	0.0637	0.5734	0.9590	1.5324	2.0359
Institutional Shares (Accumulation)						
Group 1	1.6212	0.1621	1.4591	0.0000	1.4591	1.9428
Group 2	1.3591	0.1359	1.2232	0.2359	1.4591	1.9428
Institutional Shares (Income)						
Group 1	0.5867	0.0587	0.5280	0.0000	0.5280	0.7406
Group 2	0.2974	0.0297	0.2677	0.2603	0.5280	0.7406
X Shares (Net Accumulation)						
Group 1	2.8046	0.2805	2.5241	0.0000	2.5241	3.2544
Group 2	2.3607	0.2361	2.1246	0.3995	2.5241	3.2544
X Shares (Net Income)						
Group 1	1.0809	0.1081	0.9728	0.0000	0.9728	1.3199
Group 2	0.5704	0.0570	0.5134	0.4594	0.9728	1.3199
Institutional Shares W (Net Income)						
Group 1	1.0593	0.1059	0.9534	0.0000	0.9534	0.2726
Group 2	0.4227	0.0423	0.3804	0.5730	0.9534	0.2726
Institutional Shares W (Net Accumulation)						
Group 1	1.1019	0.1102	0.9917	0.0000	0.9917	0.2782
Group 2	0.7164	0.0716	0.6448	0.3469	0.9917	0.2782
Retail Advised Shares B (Net Income)						
Group 1	1.0049	0.1005	0.9044	0.0000	0.9044	n/a
Group 2	0.2511	0.0251	0.2260	0.6784	0.9044	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	1.0576	0.1058	0.9518	0.0000	0.9518	n/a
Group 2	0.7726	0.0773	0.6953	0.2565	0.9518	n/a

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	164,578,634	246,810,902
Losses on derivative contracts	-	(6,797,028)
Currency exchange gains	167,671	427,291
Activity charges	(10,556)	(23,112)
<b>Net capital gains</b>	<b>164,735,749</b>	<b>240,418,053</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	71,842,726	99,132,414
Overseas dividends	16,564,824	14,791,592
Bank interest	181,057	258,497
Premium on written call options	-	6,022,597
Property income distribution	-	960,692
Stock lending	108,027	209,289
<b>Total revenue</b>	<b>88,696,634</b>	<b>121,375,081</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	25,454,692	28,626,635
Administration fees	1,656,877	1,830,505
Registrar's disbursement fees	30	22,353
Safe custody charges	66,211	53,219
	<b>27,177,810</b>	<b>30,532,712</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	15,516	9,817
	<b>74,916</b>	<b>69,135</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,320	7,140
- Non-audit services (tax compliance fee)†	2,532	2,450
Financial Conduct Authority fee	287	286
	<b>10,139</b>	<b>9,876</b>
<b>Total expenses</b>	<b>27,262,865</b>	<b>30,611,723</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,100 (2013: £5,950) and £2,110 (2013: £2,550) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013 £
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	1,325,788	857,105
<b>Total tax charge (see note 4b)</b>	<b><u>1,325,788</u></b>	<b><u>857,105</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>61,433,357</u>	<u>90,763,358</u>
<b>Corporation tax @ 20%</b>	12,286,671	18,152,672
Effects of:		
Dividends not subject to corporation tax	(17,681,510)	(22,781,871)
Excess management expenses	5,394,839	4,629,199
Overseas tax withheld	1,325,788	857,105
<b>Total tax charge (see note 4a)</b>	<b><u>1,325,788</u></b>	<b><u>857,105</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £249,027,265 (30/06/13: £222,053,072), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £49,805,453 (30/06/13: £44,410,614).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013 £
Interim dividend 30 September - Sterling Income Shares	12,652,413	21,778,858
Interim dividend 30 September - Exempt Shares 1 (Net Accumulation)	834,278	1,733,194
Interim dividend 30 September - Exempt Shares 2 (Net Accumulation)	11,703	117,762
Interim dividend 30 September - Institutional Shares (Accumulation)	2,305,908	3,620,117
Interim dividend 30 September - Institutional Shares (Income)	243,513	681,670
Interim dividend 30 September - X Shares (Net Accumulation)	1,299,988	1,151,625
Interim dividend 30 September - X Shares (Net Income)	721,645	840,931
Interim dividend 30 September - Institutional Shares W (Net Income)	277,709	35
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	11,584	14
Interim dividend 30 September - P Shares (Net Income)	-	5
Interim dividend 30 September - Retail Advised Shares B (Net Income)	553	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	907	-
Interim dividend 31 December - Sterling Income Shares	9,986,121	16,590,654
Interim dividend 31 December - Exempt Shares 1 (Net Accumulation)	699,195	1,196,957
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	9,998	95,857

**Notes to the Financial Statements (continued)****5 Finance costs (continued)****Distributions (continued)**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Interim dividend 31 December - Institutional Shares (Accumulation)	1,322,310	2,805,274
Interim dividend 31 December - Institutional Shares (Income)	184,351	628,348
Interim dividend 31 December - X Shares (Net Accumulation)	894,502	763,102
Interim dividend 31 December - X Shares (Net Income)	606,365	724,731
Interim dividend 31 December - Institutional Shares W (Net Income)	363,409	98,776
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	17,517	1,483
Interim dividend 31 December - P Shares (Net Income)	-	5,032
Interim dividend 31 December - P Shares (Net Accumulation)	-	1,138
Interim dividend 31 December - Retail Advised Shares B (Net Income)	959	51
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	833	51
Interim dividend 31 March - Sterling Income Shares	10,696,502	19,848,577
Interim dividend 31 March - Exempt Shares 1 (Net Accumulation)	763,525	1,500,457
Interim dividend 31 March - Exempt Shares 2 (Net Accumulation)	11,507	113,772
Interim dividend 31 March - Institutional Shares (Accumulation)	1,452,761	3,437,231
Interim dividend 31 March - Institutional Shares (Income)	195,590	507,972
Interim dividend 31 March - X Shares (Net Accumulation)	882,771	1,337,075
Interim dividend 31 March - X Shares (Net Income)	703,208	929,765
Interim dividend 31 March - Institutional Shares W (Net Income)	524,293	295,164
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	27,118	5,596
Interim dividend 31 March - P Shares (Net Income)	-	6,222
Interim dividend 31 March - P Shares (Net Accumulation)	-	1,439
Interim dividend 31 March - Retail Advised Shares B (Net Income)	1,036	652
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	966	179
Final dividend 30 June - Sterling Income Shares	24,999,789	23,807,760
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	1,766,123	1,569,493
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	28,484	138,232
Final dividend 30 June - Institutional Shares (Accumulation)	3,194,287	4,292,903
Final dividend 30 June - Institutional Shares (Income)	411,812	463,362
Final dividend 30 June - X Shares (Net Accumulation)	2,760,665	1,910,765
Final dividend 30 June - X Shares (Net Income)	1,629,140	1,330,906
Final dividend 30 June - Institutional Shares W (Net Income)	1,621,814	458,717
Final dividend 30 June - Institutional Shares W (Net Accumulation)	244,793	12,482
Final dividend 30 June - P Shares (Net Income)	-	8,267
Final dividend 30 June - P Shares (Net Accumulation)	-	1,935
Final dividend 30 June - Retail Advised Shares B (Net Income)	2,541	413
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	2,869	586
	<b>84,367,355</b>	<b>114,815,587</b>
Amounts added on issue of shares	(985,996)	(1,974,295)
Amounts deducted on cancellation of shares	2,192,159	4,600,506
<b>Net distributions for the year</b>	<b>85,573,518</b>	<b>117,441,798</b>
Interest	412	-
<b>Total finance costs</b>	<b>85,573,930</b>	<b>117,441,798</b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	60,107,569	89,906,253
ACD's periodic charge less tax relief paid from capital	25,454,692	27,533,438
Equalisation on conversions	10,786	889
Undistributed revenue brought forward	1,635	2,853
Undistributed revenue carried forward	(1,164)	(1,635)
	<b><u>85,573,518</u></b>	<b><u>117,441,798</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	14,011,564	10,721,648
Amount receivable for issue of shares	874,001	14,313,771
Income tax recoverable	-	146,085
Overseas tax recoverable	1,394,559	605,294
Sales awaiting settlement	13,820,552	14,842,580
	<b><u>30,100,676</u></b>	<b><u>40,629,378</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	21,493,484	22,647,393
Cash held in BNY Mellon Sterling Liquidity Fund	47,862,461	110,313,699
	<b><u>69,355,945</u></b>	<b><u>132,961,092</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	2,235,135	2,368,347
Amount payable for cancellation of shares	5,124,886	16,966,755
Purchases awaiting settlement	22,302,613	-
	<b><u>29,662,634</u></b>	<b><u>19,335,102</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £6,471,252 (30/06/13: £5,001,064).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

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

#### Derivative risk

The Fund may enter into derivative transactions in the form of written covered call options. The ACD follows a strict yield discipline to all holdings and sells a stock when its prospective (predominantly consensus) dividend yield reaches the current dividend yield on the FTSE All Share. This means that each holding has a mathematically derived sell-price. For holdings that are approximately 10% below that sell price, writing covered calls can generate additional revenue. The yield-derived sell price is set as the exercise price for the call option. Thus meaning that the fund may deliver stock below the market price but at the mathematically derived sell price, while also receiving the revenue from the sale of the call option. The Fund may enter into derivative transactions in the form of forward foreign currency contracts. Forward currency contracts may be used to manage currency risk arising from holdings of overseas securities.

Sensitivity analysis would be required if the exposure of the Fund was deemed significant. At the balance sheet date there is no exposure on the Newton Higher Income Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
UK	1,612,479,822	39,262,600	1,651,742,422	1,831,910,436
Europe	95,940,583	60,689	96,001,272	-
Norway	-	46,398	46,398	21,951,183
Switzerland	148,500,951	1,287,472	149,788,423	111,796,000
Thailand	6,599,910	-	6,599,910	-
United States of America	87,506,647	471,732	87,978,379	137,205,678
<b>Total</b>	<b>1,951,027,913</b>	<b>41,128,891</b>	<b>1,992,156,804</b>	<b>2,102,863,297</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	1,188,810,708	1,721,825,626
Commissions	759,474	1,263,909
Taxes	4,482,939	5,985,935
<b>Total purchase costs</b>	<b>5,242,413</b>	<b>7,249,844</b>
<b>Gross purchases total</b>	<b>1,194,053,121</b>	<b>1,729,075,470</b>
Analysis of total sales proceeds:		
Sales before transaction costs	1,383,147,213	2,189,128,103
Commissions	(968,328)	(1,498,600)
Taxes	(2,652)	(40,899)
<b>Total sales costs</b>	<b>(970,980)</b>	<b>(1,539,499)</b>
<b>Total sales net of transaction costs</b>	<b>1,382,176,233</b>	<b>2,187,588,604</b>



## Notes to the Financial Statements (continued)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014 £35,797,884 of investments were subject to stock lending agreements and the Fund held £38,741,015 in collateral. The collateral is held in debt securities.

As at 30 June 2013 £13,238,766 of investments were subject to stock lending agreements and the Fund held £13,926,709 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £135,034 (30/06/13: £279,226) and £27,007 (30/06/13: £69,937).

### 15 Shareholders' funds

The Fund currently has eleven share classes; Sterling Income Shares, Exempt Shares 1 (Net Accumulation), Exempt Shares 2 (Net Accumulation), Institutional Shares (Accumulation), Institutional Shares (Income), X Shares (Net Accumulation), X Shares (Net Income), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
Institutional Shares (Income)	1.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 430 to 431. The distributions are given in the distribution statements on pages 437 to 440. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON INDEX LINKED GILT FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£86.32m
Comparative Index:	FTSE A (Index Linked) British Govt over 5 years TR
Sector:	IMA UK Index Linked Gilts

Distribution Yield as at 30 June 2014:

Exempt Shares 2 (Gross Accumulation)	1.84%
Institutional Shares (Accumulation)	1.54%
X Shares (Gross Accumulation)	2.04%
X Shares (Net Income)	2.04%

Key Dates:	Fund Launch	24 February 1998
	Converted to ICVC	02 August 2004

**Investment Objective**

To maximise returns by investment in a portfolio of predominantly sterling index-linked gilts. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Exempt Shares 2 (Gross Accumulation)	3.21%	3.60%	15.31%	10.45%	8.39%
Institutional Shares (Accumulation)	2.65%	2.88%	14.32%	9.76%	7.69%
X Shares (Gross Accumulation)	3.42%	3.81%	15.54%	10.67%	8.60%
X Shares (Net Income)*	3.06%	3.31%	n/a	n/a	n/a
FTSE A (Index Linked)	4.31%	2.71%	16.87%	9.67%	8.37%
British Govt Over 5 Years TR					

Source: Lipper as at 30 June 2014 – Institutional Shares (Accumulation) and X Shares (Net Income) - Total return including revenue net of UK tax and annual charges. Exempt Shares 2 (Gross Accumulation) and Sterling X Shares (Gross Accumulation) - Total return including gross revenue and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Institutional Shares (Accumulation) Share Class of the Fund returned +2.65% against +4.31% for the FTSE Actuaries Government Securities Index-Linked (over 5 years) Index.

The Fund posted a positive return but underperformed its comparative index. In the second half of 2013 the Fund's underweight position in very long-dated index-linked UK Gilts was unfavourable but was offset by positive contributions from corporate bonds – debt issued by companies – and US inflation-linked Treasuries. In the first half of 2014 the Fund's overall short duration stance was a source of relative underperformance. Offsetting this, US Treasury holdings comfortably outperformed Gilts in local currency terms. Throughout the review period the Fund's exposure to corporate bond holdings, which outperformed the Gilt market, proved advantageous and were a positive contributor to relative performance.

Notable purchases included 2.75% UK Gilt 2015 and 1.25% Index-Linked 2017. Meanwhile, the manager sold the New South Wales Treasury index-linked bonds and inflation-protected US Treasuries.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
Treasury 1.25% Index-Linked 2027	Treasury 2.50% Index-Linked 2020
Treasury 2.75% Gilt 2015	Treasury 1.25% Index-Linked 2027
Treasury 1.25% Index-Linked 2055	Treasury 4.125% Index-Linked 2030
Treasury 1.25% Index-Linked 2017	Treasury 1.875% Index-Linked 2022
Treasury 4.125% Index-Linked 2030	Treasury 1.25% Index-Linked 2055
Treasury 0.125% Index-Linked 2019	Treasury 2.00% Index-Linked 2035
Treasury 1.875% Index-Linked 2022	Treasury 2.50% Index-Linked 2024
Treasury 0.625% Index-Linked 2042	Treasury 0.375% Index-Linked 2062
Treasury 2.00% Index-Linked 2035	Treasury 1.125% Index-Linked 2037
Treasury 2.50% Index-Linked 2020	Treasury 0.50% Index-Linked 2050

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Exempt Shares 2 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	241.12	211.71	3.3205
2011	296.62	230.70	7.0889
2012	299.95	279.72	8.3937
2013	329.94	287.01	5.1022
2014	316.45	294.32	2.6784
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	232.12	204.52	1.9845
2011	282.97	221.77	4.8380
2012	286.03	265.37	5.7214
2013	311.64	271.54	3.1601
2014	297.05	276.88	1.6712
<b>X Shares (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	242.72	212.84	3.7932
2011	299.32	232.36	7.6634
2012	302.70	282.38	9.0651
2013	333.79	290.21	5.7818
2014	320.85	298.20	3.0221
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2011 (from 25 May)	297.44	250.62	4.1464
2012 (from 3 January to 14 March)**	297.11	280.20	N/A
2012 (from 12 April to 31 May)**	289.23	278.41	N/A
2012 (from 6 June)**	282.67	265.20	3.7142
2013	308.59	268.49	4.2576
2014	290.92	270.77	2.1342

\*\*The X Shares (Net Income) shareclass closed and re-opened at the dates above.

\*Distributions are shown in the year declared rather than paid.

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 2 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	106,348,971	290.69	36,584,628
30/06/2013	93,966,232	297.52	31,582,813
30/06/2014	52,091,992	310.27	16,789,110
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	15,116,658	276.11	5,474,907
30/06/2013	22,652,814	280.63	8,072,205
30/06/2014	16,922,630	291.05	5,814,308
<b>X Shares (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	19,348,985	293.63	6,589,585
30/06/2013	16,663,538	301.13	5,533,642
30/06/2014	17,299,167	314.66	5,497,669
<b>X Shares (Net Income)</b>		<b>Pence</b>	
30/06/2012	4,850	275.57	1,760
30/06/2013	5,028,969	275.59	1,824,815
30/06/2014	2,107	282.82	745

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Exempt Shares 2 (Gross Accumulation)	0.26	0.26
Institutional Shares (Accumulation)	0.56	0.56
X Shares (Gross Accumulation)	0.06	0.06
X Shares (Net Income)	0.06	0.06

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 92.08% (91.80%)</b>			
Treasury 2.75% Gilt 2015	£800,000	810,032	0.94
Treasury 1.875% Index-Linked 2022	£3,950,000	5,890,955	6.82
Treasury 0.75% Index-Linked 2047	£2,900,000	4,517,700	5.23
Treasury 1.25% Index-Linked 2032	£3,000,000	4,405,343	5.10
Treasury 0.625% Index-Linked 2040	£3,370,000	4,659,955	5.40
Treasury 0.625% Index-Linked 2042	£3,920,000	5,639,095	6.53
Treasury 0.125% Index-Linked 2029	£2,910,000	3,204,638	3.71
Treasury 0.50% Index-Linked 2050	£3,300,000	4,740,839	5.49
Treasury 0.75% Index-Linked 2034	£2,370,000	3,013,136	3.49
Treasury 0.375% Index-Linked 2062	£2,830,000	3,751,351	4.35
Treasury 0.25% Index-Linked 2052	£2,450,000	2,855,679	3.31
Treasury 2.00% Index-Linked 2035	£1,800,000	3,720,240	4.31
Treasury 0.125% Index-Linked 2044	£850,000	929,092	1.08
Treasury 0.125% Index-Linked 2019	£2,250,000	2,419,583	2.80
Treasury 0.125% Index-Linked 2068	£1,230,000	1,392,680	1.61
Treasury 4.125% Index-Linked 2030	£1,310,000	4,111,501	4.76
Treasury 2.50% Index-Linked 2024	£1,330,000	4,387,205	5.08
Treasury 2.50% Index-Linked 2020	£1,000,000	3,613,000	4.19
Treasury 1.25% Index-Linked 2055	£2,315,000	4,783,730	5.54
Treasury 1.25% Index-Linked 2017	£1,550,000	2,219,711	2.57
Treasury 1.25% Index-Linked 2027	£3,030,000	4,745,068	5.50
Treasury 1.125% Index-Linked 2037	£2,280,000	3,684,454	4.27
<b>Overseas Government Bonds 2.37% (2.75%)</b>			
France Government 0.25% Index-Linked 2024	EUR560,000	463,471	0.54
New Zealand Government 2.00% Index-Linked 2025	NZD1,800,000	894,269	1.04
USA Treasury Bonds 0.125% Index-Linked 2018	USD1,100,000	681,306	0.79
<b>Sterling Denominated Corporate Bonds 4.59% (3.28%)</b>			
Anglian Water Services Finance 4.125% Index-Linked 2020	£435,000	796,846	0.92
DWR Cymru Financing 1.859% Index-Linked 2048	£650,000	880,060	1.02
National Grid Gas 1.25% Index-Linked 2021	£600,000	653,586	0.76
Network Rail Infra Finance 1.125% Index-Linked 2047	£550,000	892,329	1.03
Scotland Gas Networks 2.127% Index-Linked 2022	£500,000	735,105	0.86
<b>Derivatives 0.01% (0.13%)</b>			
<b>EUR Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	EUR(567,641)	(454,705)	(0.53)
Forward Foreign Currency Contracts 13/08/14	£460,992	460,992	0.53
<b>NZD Forward Foreign Currency Contracts 0.01% (0.05%)</b>			
Forward Foreign Currency Contracts 13/08/14	NZD(1,901,305)	(970,941)	(1.12)
Forward Foreign Currency Contracts 13/08/14	£964,137	964,137	1.12
Forward Foreign Currency Contracts 13/08/14	NZD 196,549	100,371	0.12
Forward Foreign Currency Contracts 13/08/14	£(98,995)	(98,995)	(0.11)
<b>Portfolio of investments*</b>		<b>85,492,818</b>	<b>99.05</b>
<b>Net current assets</b>		<b>823,078</b>	<b>0.95</b>
<b>Total Net Assets</b>		<b>86,315,896</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt securities issued by the relevant companies or issuers.

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	81,069	93.90	94.92
AA	1,629	1.90	1.09
A	1,677	1.94	1.36
BBB	654	0.76	0.46
Not Rated	463	0.54	0.00
Derivatives	1	0.01	0.13
<b>Portfolio of investments</b>	<b>85,493</b>	<b>99.05</b>	<b>97.96</b>
<b>Net current assets</b>	<b>823</b>	<b>0.95</b>	<b>2.04</b>
<b>Total Net Assets</b>	<b>86,316</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D



## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains/(losses)	1		2,217,490	(1,160,511)
Revenue	2	2,023,248		3,565,443
Expenses	3	(318,879)		(382,130)
Finance costs: Interest	5	-	-	-
Net revenue before taxation		1,704,369		3,183,313
Taxation	4	-	-	-
Net revenue after taxation			1,704,369	3,183,313
<b>Total return before distributions</b>			<b>3,921,859</b>	<b>2,022,802</b>
Finance costs: Distributions	5		(1,704,390)	(3,183,290)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>2,217,469</b>	<b>(1,160,488)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		138,311,553	140,819,464
Amounts receivable on issue of shares	26,127,625		76,124,655
Amounts payable on cancellation of shares	(81,802,068)		(80,520,899)
		(55,674,443)	(4,396,244)
Dilution adjustment		139,021	181,612
Change in net assets attributable to Shareholders from investment activities (see above)		2,217,469	(1,160,488)
Retained distributions on accumulation shares		1,322,296	2,867,209
<b>Closing net assets attributable to Shareholders</b>		<b>86,315,896</b>	<b>138,311,553</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			85,499,622	135,537,716
Debtors	7	1,253,177	625,708	
Cash and bank balances	8	<u>399,276</u>	<u>2,501,324</u>	
Total other assets			<u>1,652,453</u>	<u>3,127,032</u>
Total assets			87,152,075	138,664,748
<b>LIABILITIES</b>				
Investment liabilities			(6,804)	(43,227)
Creditors	9	(829,359)	(263,580)	
Distribution payable on income shares		<u>(16)</u>	<u>(46,388)</u>	
Total other liabilities			<u>(829,375)</u>	<u>(309,968)</u>
Total liabilities			(836,179)	(353,195)
<b>Net assets attributable to Shareholders</b>			<u><b>86,315,896</b></u>	<u><b>138,311,553</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Institutional Shares (Accumulation)						
Group 1	2.0890	0.4178	1.6712	0.0000	1.6712	1.9836
Group 2	0.6209	0.1242	0.4967	1.1745	1.6712	1.9836
X Shares (Net Income)						
Group 1	2.6678	0.5336	2.1342	0.0000	2.1342	2.5421
Group 2	2.6678	0.5336	2.1342	0.0000	2.1342	2.5421
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			2.6784	0.0000	2.6784	3.0886
Group 2			1.1856	1.4928	2.6784	3.0886
X Shares (Gross Accumulation)						
Group 1			3.0221	0.0000	3.0221	3.4371
Group 2			1.3707	1.6514	3.0221	3.4371

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Institutional Shares (Accumulation)						
Group 1	1.4706	0.2941	1.1765	0.0000	1.1765	2.5266
Group 2	0.9820	0.1964	0.7856	0.3909	1.1765	2.5266
X Shares (Net Income)						
Group 1	2.1444	0.4289	1.7155	0.0000	1.7155	3.0755
Group 2	2.1444	0.4289	1.7155	0.0000	1.7155	3.0755
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			2.0136	0.0000	2.0136	3.7678
Group 2			1.3283	0.6853	2.0136	3.7678
X Shares (Gross Accumulation)						
Group 1			2.3447	0.0000	2.3447	4.1018
Group 2			1.1677	1.1770	2.3447	4.1018

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains/(losses) on non-derivative securities	2,005,977	(1,315,735)
Gains on forward currency contracts	253,088	143,060
Currency exchange (losses)/gains	(38,072)	14,179
Activity charges	(3,503)	(2,015)
<b>Net capital gains/(losses)</b>	<b>2,217,490</b>	<b>(1,160,511)</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
Bank interest	4,317	8,138
Interest on debt securities	2,018,343	3,554,913
Stock lending	588	2,392
<b>Total revenue</b>	<b>2,023,248</b>	<b>3,565,443</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	251,918	304,662
Administration fees	34,308	42,345
Registrar's disbursement fees	3	101
Safe custody charges	2,407	3,568
	<b>288,636</b>	<b>350,676</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	21,436	22,830
	<b>21,436</b>	<b>22,830</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	5,580	5,460
- Non-audit services (tax compliance fee)†	2,940	2,878
Financial Conduct Authority fee	287	286
	<b>8,807</b>	<b>8,624</b>
<b>Total expenses</b>	<b>318,879</b>	<b>382,130</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £4,650 (2013: £4,550) and £2,450 (2013: £2,390) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	1,704,369	3,183,313
<b>Corporation tax @ 20%</b>	340,874	636,663
Effects of:		
Excess management expenses	63,658	76,426
Tax deductible interest distributions	-	(636,658)
Tax relief due to capital indexation loss	(542,328)	(858,111)
Unutilised loan relationship debits	137,796	781,680
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of £3,154,640 (30/06/13: £2,953,186) in relation to surplus management expenses and non trade loan relationship deficits of £15,773,198 (30/06/2013: £14,765,929). No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim Interest 31 December - Exempt Shares 2 (Gross Accumulation)	401,872	1,153,383
Interim Interest 31 December - Institutional Shares (Accumulation)	77,790	165,132
Interim Interest 31 December - X Shares (Gross Accumulation)	129,641	222,910
Interim Interest 31 December - X Shares (Net Income)	9,664	12,673
Final Interest 30 June - Exempt Shares 2 (Gross Accumulation)	449,679	975,467
Final Interest 30 June - Institutional Shares (Accumulation)	97,169	160,120
Final Interest 30 June - X Shares (Gross Accumulation)	166,145	190,197
Final Interest 30 June - X Shares (Net Income)	16	46,388
Income tax withheld	53,381	92,600
	<u>1,385,357</u>	<u>3,018,870</u>
Amounts added on issue of shares	(69,185)	(337,336)
Amounts deducted on cancellation of shares	388,218	501,756
<b>Net distributions for the year</b>	<u>1,704,390</u>	<u>3,183,290</u>
Interest	-	-
<b>Total finance costs</b>	<u>1,704,390</u>	<u>3,183,290</u>

## Notes to the Financial Statements (continued)

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	1,704,369	3,183,313
Undistributed revenue brought forward	28	5
Undistributed revenue carried forward	(7)	(28)
	<b>1,704,390</b>	<b>3,183,290</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	213,422	397,195
Amount receivable for issue of shares	13,565	228,513
Sales awaiting settlement	1,026,190	-
	<b>1,253,177</b>	<b>625,708</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	89,195	241,574
Cash held in BNY Mellon Sterling Liquidity Fund	310,081	2,259,750
	<b>399,276</b>	<b>2,501,324</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	27,876	38,532
Amount payable for cancellation of shares	774,182	53,129
Income tax payable	27,301	49,754
Purchases awaiting settlement	-	122,165
	<b>829,359</b>	<b>263,580</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £779,720 (30/06/13: £146,461 due from the ACD).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	83,852,189	-	2,676,557	86,528,746		
Europe	463,471	-	1,063	464,534		
New Zealand	894,269	-	100,885	995,154		
United States of America	681,306	-	172	681,478		
	85,891,235	-	2,778,677	88,669,912		
<b>Liabilities</b>						
United Kingdom	-	-	(928,370)	(928,370)		
Europe	-	-	(454,705)	(454,705)		
New Zealand	-	-	(970,941)	(970,941)		
United States of America	-	-	-	-		
	-	-	(2,354,016)	(2,354,016)		
<b>Total</b>	<b>85,891,235</b>	<b>-</b>	<b>424,661</b>	<b>86,315,896</b>		

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	132,637,863	1,379,441	5,561,714	139,579,018	4.25	14.00
Australia	1,046,121	-	596,777	1,642,898		
New Zealand	963,084	-	427	963,511		
United States of America	1,784,097	-	5,563	1,789,660		
	136,431,165	1,379,441	6,164,481	143,975,087		
<b>Liabilities</b>						
United Kingdom	-	-	(947,082)	(947,082)		
Australia	-	-	(1,658,682)	(1,658,682)		
New Zealand	-	-	(1,035,722)	(1,035,722)		
United States of America	-	-	(2,022,048)	(2,022,048)		
	-	-	(5,663,534)	(5,663,534)		
<b>Total</b>	<b>136,431,165</b>	<b>1,379,441</b>	<b>500,947</b>	<b>138,311,553</b>		

## Notes to the Financial Statements (continued)

### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	(517)	(517)
Royal Bank Of Scotland	1,376	1,376
	<b>859</b>	<b>859</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

### Foreign currency risk

The fund has no significant exposure to foreign currency risk.

## 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014 (30/06/13: nil).

## 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

## 14 Stock lending

As at 30 June 2014 £665,820 of investments were subject to stock lending agreements and the Fund held £732,428 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £735 (30/06/13: £3,171) and £147 (30/06/13: £779).



Notes to the Financial Statements (continued)

15 Shareholders' funds

The Fund currently has four share classes; Exempt Shares 2 (Gross Accumulation), Institutional Shares (Accumulation), X Shares (Gross Accumulation) and X Shares (Net Income). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Exempt Shares 2 (Gross Accumulation)	0.20%	0.03%
Institutional Shares (Accumulation)	0.50%	0.03%
X Shares (Gross Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 450. The distributions are given in the distribution statements on page 456. All share classes have the same rights on winding up.

Exempt Shares 2 (Gross Accumulation) and X Shares (Gross Accumulation) are gross paying Shares which are available only to institutional investors who are wholly exempt from UK taxation otherwise than by reason of non-residence. The ACD may pay or accumulate interest distributions without deducting income tax from them in the case of institutional investors. Any eligible investor who wishes to benefit from this should contact the ACD who will provide an appropriate form to be completed and returned to it.

**BNY MELLON INVESTMENT FUNDS – NEWTON INTERNATIONAL BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£576.81m
Comparative Index:	JP Morgan Global Government Bond Index (GBI) (unhedged)
Sector:	IMA Global Bonds

Distribution Yield as at 30 June 2014:

Sterling Income Shares	0.95%
Euro Accumulation Shares	0.44%
Institutional Shares (Accumulation)	1.53%
Institutional Shares (Income)	1.53%
Exempt Shares 2 (Gross Accumulation)	1.73%
Institutional Shares W (Net Income)	1.53%
Institutional Shares W (Net Accumulation)	1.53%
P Shares (Net Accumulation)	1.03%
Retail Advised Shares B (Net Income)	1.21%
Retail Advised Shares B (Net Accumulation)	1.21%

Key Dates: Fund Launch 01 February 1991

**Investment Objective**

To maximise the total return from income and capital growth in the world bond markets through investment predominantly in Government and other public securities. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	-6.58%	-2.77%	5.63%	3.32%	16.01%
Euro Accumulation Shares	-6.93%	-3.61%	5.71%	2.62%	15.79%
Institutional Shares (Accumulation)	-6.16%	-2.32%	6.12%	3.78%	16.54%
Institutional Shares (Income)	-6.15%	-2.32%	6.12%	3.79%	16.55%
Exempt Shares 2 (Gross Accumulation)	-5.71%	-1.79%	6.63%	4.53%	17.55%
Institutional Shares W (Net Income)*	-6.16%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	-6.16%	n/a	n/a	n/a	n/a
P Shares (Net Accumulation)*	-6.54%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	-6.43%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	-6.39%	n/a	n/a	n/a	n/a
JP Morgan Global GBI Unhedged TR	-5.53%	-1.71%	6.06%	2.65%	14.83%

Source: Lipper as at 30 June 2014 – For all share classes except Exempt Shares 2 (Gross Accumulation) – Total return including revenue net of UK tax and annual charges. For Exempt Shares 2 (Gross Accumulation) - Total return including gross revenue and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned -6.58% against -5.53% for the JP Morgan Global GBI.

Over the period, the Fund posted a negative return and underperformed its comparative index. At the start of the review, with investors moderating their expectations for interest rate rises and the US Federal Reserve’s (Fed’s) change of heart over the ‘tapering’ of its asset-purchasing programme, government bond markets rallied. The Japanese bond market was strong and the Fund’s zero weighting in that market led to some underperformance relative to the comparative index. Government bond markets progressed further towards the end of 2013 before succumbing to fears of the Fed reducing its bond buying programme amid stronger economic growth, which it duly did. The Fund’s duration (interest rate risk) was lower than that of the index, and this protected the Fund partially as yields rose (prices fell). The second half of the period saw a continuation of these themes as the focus remained on European Central Bank (ECB) and Fed policy action. Meanwhile, emerging market sovereign debt recovered well towards the end of the period, having been hurt by initial talk of Fed ‘tapering’ and ECB stimulus.

In addition to the purchase of Italian and Spanish government bonds maturing in 2022 (which were later sold), the manager increased UK Gilt and Canadian sovereign debt holdings. Notable sales included 1.5% USA 2018. The Fund’s currency allocation was run close to that of the comparative index, with a modest underweight Japanese yen position.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
USA Treasury Bonds 2.875% 2043	USA Treasury Notes 1.50% 2018
USA Treasury Notes 1.625% 2022	USA Treasury Notes 1.625% 2022
Italy 5.50% 2022	Italy 5.50% 2022
USA Treasury Bonds 0.125% 2018	UK Treasury Gilt 1.75% 2022
UK Treasury Gilt 1.75% 2022	USA Treasury Notes 2.125% 2021
USA Treasury Notes 1.50% 2018	USA Treasury Bonds 2.875% 2043
USA Treasury Notes 2.50% 2023	USA Treasury Notes 1.00% 2016
France 4.25% 2023	USA Treasury Bonds 4.25% 2039
USA Treasury Notes 2.125% 2021	Italy 4.75% 2017
USA Treasury Notes 1.00% 2019	USA Treasury Notes 2.50% 2023

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	216.42	190.25	3.9288
2011	223.78	197.63	2.6010
2012	223.11	208.41	2.1343
2013	222.07	194.19	1.5204
2014	199.16	193.13	0.6369
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2010	153.41	126.53	2.1971
2011	157.83	134.94	1.2124
2012	172.21	150.76	0.9468
2013	158.89	141.02	0.4897
2014	148.79	142.31	0.1890
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	252.13	218.69	5.6291
2011	266.01	232.68	4.2034
2012	267.48	249.68	3.7513
2013	269.81	237.81	3.0179
2014	244.84	237.33	1.3284
<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	229.18	201.17	5.1490
2011	236.89	209.10	3.7612
2012	236.39	220.65	3.3033
2013	235.01	205.82	2.6209
2014	210.66	204.20	1.1429
<b>Exempt Shares 2 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	167.89	144.67	4.9928
2011	178.05	155.27	3.8422
2012	179.88	167.62	3.5015
2013	182.08	161.12	2.8945
2014	165.96	160.80	1.2884
<b>P Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 22 June)	102.15	98.27	0.5702
2013 (to 23 September)	102.25	92.57	0.4213
***P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	100.81	97.72	0.7459
2013	101.54	88.93	1.1323
2014	91.02	88.23	0.4938
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	100.81	97.72	0.7460
2013	102.33	90.19	1.1445
2014	92.86	90.01	0.5038
<b>P Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 16 October)	100.84	97.71	0.2195
2013	102.23	89.80	0.7554
2014	92.42	89.62	0.3208

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	101.06	97.93	0.5672
2013	101.90	89.15	0.8899
2014	91.35	88.56	0.3813
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 3 October)	101.06	97.93	0.5674
2013	102.50	90.15	0.8973
2014	92.79	89.96	0.3873

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	621,319,252	217.48	285,692,083
30/06/2013	508,256,761	209.80	242,256,803
30/06/2014	338,696,087	194.00	174,582,315
<b>Euro Accumulation Shares</b>		<b>Cents</b>	
30/06/2012	13,335,461	163.53	10,113,064
30/06/2013	688,343	149.21	538,303
30/06/2014	287,177	148.08 **	242,208

\*\*Euro/Sterling exchange rate at close of business 30 June 2014: 1.248841

<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	47,535,892	262.03	18,141,324
30/06/2013	39,379,856	256.33	15,362,675
30/06/2014	41,007,882	239.72	17,106,483

<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2012	138,579,160	229.99	60,253,561
30/06/2013	159,340,966	221.85	71,825,101
30/06/2014	166,765,603	205.11	81,304,165

<b>Exempt Shares 2 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	224,050	176.14	127,197
30/06/2013	286,528	173.25	165,382
30/06/2014	305,269	162.80	187,514

<b>P Shares (Net Income)***</b>		<b>Pence</b>	
30/06/2012	15,019	100.13	15,000
30/06/2013	317,457	96.59	328,666

\*\*\*P Shares (Net Income) share class closed 23 September 2013

<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	22,018,001	95.85	22,970,726
30/06/2014	23,746,006	88.62	26,794,585

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	1,645,011	Pence 97.22	1,692,113
30/06/2014	5,906,151	90.91	6,496,355
<b>P Shares (Net Accumulation)</b>			
30/06/2013	8,524	Pence 97.00	8,788
30/06/2014	7,939	90.35	8,787
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	4,839	Pence 96.23	5,029
30/06/2014	66,826	88.96	75,121
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	15,967	Pence 97.29	16,412
30/06/2014	18,837	90.75	20,756

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.13	1.13
Euro Accumulation Shares	1.63	1.63
Institutional Shares (Accumulation)	0.56	0.56
Institutional Shares (Income)	0.56	0.56
Exempt Shares 2 (Gross Accumulation)	0.36	0.36
Institutional Shares W (Net Income)	0.56	0.56
Institutional Shares W (Net Accumulation)	0.56	0.56
P Shares (Net Accumulation)	1.06	1.06
Retail Advised Shares B (Net Income)	0.88	0.88
Retail Advised Shares B (Net Accumulation)	0.88	0.88

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 8.96% (4.73%)</b>			
UK Treasury Stock 1.00% 2017	£9,600,000	9,447,360	1.64
UK Treasury Gilt 1.25% 2018	£13,600,000	13,306,920	2.31
UK Treasury Stock 8.75% 2017	£7,800,000	9,544,261	1.65
UK Treasury Gilt 1.25% Index-Linked 2017	£13,530,000	19,375,928	3.36
<b>USA Government Bonds 19.21% (22.78%)</b>			
USA Treasury Notes 1.00% 2017	USD68,080,000	40,046,546	6.94
USA Treasury Notes 1.125% 2019	USD31,500,000	18,002,402	3.12
USA Treasury Bonds 2.875% 2043	USD33,570,000	17,863,236	3.10
USA Treasury Bonds 3.375% 2032	USD17,800,000	20,005,629	3.47
USA Treasury Bonds 0.125% 2018	USD14,300,000	8,856,975	1.54
USA Treasury Notes 0.625% 2024	USD9,800,000	6,023,354	1.04
<b>Azerbaijan Government Bonds 0.54% (0.00%)</b>			
Azerbaijan 4.75% Bonds 2024	USD5,200,000	3,128,485	0.54
<b>Belgium Government Bonds 1.91% (3.82%)</b>			
Belgium 0.875% Bonds 2015	USD5,460,000	3,213,891	0.56
Belgium 3.00% Bonds 2019	EUR8,670,000	7,778,300	1.35
<b>Bermuda Government Bonds 0.26% (0.22%)</b>			
Bermuda 4.138% Bonds 2023	USD2,500,000	1,470,962	0.26
<b>Brazil Government Bonds 2.67% (0.00%)</b>			
Brazil 0.00% LTN 2018	BRL86,000	15,392,683	2.67
<b>Bulgaria Government Bonds 1.01% (0.00%)</b>			
Bulgaria 2.95% Bonds 2024	EUR7,450,000	5,850,272	1.01
<b>Canada Government Bonds 2.16% (4.79%)</b>			
Canada 1.00% Bonds 2015	CAD22,670,000	12,442,785	2.16
<b>France Government Bonds 3.42% (1.95%)</b>			
France 4.25% Bonds 2023	EUR7,330,000	7,301,052	1.27
France 3.25% Bonds 2045	EUR3,760,000	3,346,101	0.58
France 0.25% Index Linked 2024	EUR10,910,000	9,029,395	1.57
<b>Germany Government Bonds 1.52% (1.05%)</b>			
Germany 2.50% Bonds 2044	EUR10,210,000	8,765,034	1.52
<b>Ireland Government Bonds 1.28% (0.00%)</b>			
Ireland 5.40% Bonds 2025	EUR7,300,000	7,409,356	1.28
<b>Italy Government Bonds 4.25% (3.84%)</b>			
Italy 4.25% Bonds 2019	EUR13,260,000	12,092,548	2.10
Italy 4.75% Bonds 2044	EUR13,550,000	12,375,135	2.15
<b>South Korea Government Bonds 1.03% (0.00%)</b>			
Korea 2.125% Bonds 2024	EUR7,330,000	5,924,610	1.03
<b>Mexico Government Bonds 1.74% (2.53%)</b>			
Mexico 6.50% Bonds 2022	MXN129,560,000	6,212,569	1.08
Mexico 3.625% Bonds 2029	EUR4,540,000	3,806,848	0.66
<b>Netherlands Government Bonds 3.48% (2.14%)</b>			
Netherlands 1.00% Bonds 2017	USD23,830,000	13,997,660	2.43
Netherlands 2.00% Bonds 2024	EUR7,200,000	6,038,849	1.05



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>New Zealand Government Bonds 1.16% (0.94%)</b>			
New Zealand Government 2.00% Index Linked 2025	NZD13,510,000	6,711,988	1.16
<b>Poland Government Bonds 1.51% (0.00%)</b>			
Poland 2.50% Bonds 2018	PLN45,960,000	8,725,874	1.51
<b>Singapore Government Bonds 1.56% (0.00%)</b>			
Singapore 2.50% Bonds 2019	SGD18,020,000	8,979,629	1.56
<b>Slovenia Government Bonds 0.19% (0.00%)</b>			
Slovenia 3.00% Bonds 2021	EUR1,340,000	1,104,926	0.19
<b>Spain Government Bonds 2.08% (0.00%)</b>			
Spain 5.15% Bonds 2044	EUR6,270,000	6,059,876	1.05
Spain 5.85% Bonds 2022	EUR5,890,000	5,939,465	1.03
<b>Sweden Government Bonds 3.34% (2.97%)</b>			
Sweden 4.25% Bonds 2019	SEK117,000,000	11,779,174	2.04
Sweden 1.50% Bonds 2023	SEK51,520,000	4,424,179	0.77
Sweden 2.25% Bonds 2032	SEK35,200,000	3,063,594	0.53
<b>Sterling Denominated Corporate Bonds 4.41% (4.81%)</b>			
Affordable Housing Finance 3.80% Bonds 2042	£1,474,000	1,495,948	0.26
Barclays Bank 1.50% Bonds 2017	£4,880,000	4,871,655	0.84
Lloyds Bank 1.50% Bonds 2017	£7,950,000	7,933,065	1.38
Kreditanstalt Fur Wiederaufbau 2.75% Bonds 2015	£10,880,000	11,120,671	1.93
<b>Non-Sterling Denominated Floating Rate Notes 9.84% (6.70%)</b>			
Asian Development Bank FRN 2015	USD14,650,000	8,564,902	1.48
Canada Housing Trust No1 FRN 2014	CAD10,530,000	5,789,442	1.00
Eurofima FRN 2016	USD11,400,000	6,672,785	1.16
ING Bank (Australia) FRN 2015	AUD4,500,000	2,485,027	0.43
Inter-American Development FRN 2018	USD10,800,000	6,316,660	1.10
International Bank Recovery & Development FRN 2015	USD13,700,000	8,014,611	1.39
Kommunalbanken FRN 2019	USD10,200,000	5,950,522	1.03
Landwirtschaftliche Rentenbank FRN 2016	AUD11,600,000	6,433,573	1.12
NIBC Bank FRN 2014	USD4,755,000	2,776,162	0.48
Swedish Export Credit 2.875% FRN 2023	USD6,509,000	3,766,682	0.65
<b>Non-Sterling Denominated Corporate Bonds 21.70% (18.13%)</b>			
Achmea Bank 3.20% Bonds 2014	USD1,289,000	761,278	0.13
Agence Francaise Development 1.125% Bonds 2016	USD10,800,000	6,361,316	1.10
Asian Development Bank 2.625% Bonds 2015	USD7,180,000	4,260,381	0.74
Asian Development Bank 0.50% Bonds 2017	TRY9,020,000	2,014,139	0.35
Banca Monte Dei Paschi 3.50% Bonds 2017	EUR7,100,000	6,015,126	1.04
Caisse D'amort Dette 1.375% Bonds 2018	USD12,400,000	7,258,262	1.26
Canada Housing Trust No1 2.35% Bonds 2018	CAD11,170,000	6,289,004	1.09
Dexia Credit Local 1.00% Bonds 2016	EUR8,550,000	6,935,071	1.20
European Investment Bank 4.25% Bonds 2017	NOK60,770,000	6,176,359	1.07
European Investment Bank 2.125% Bonds 2019	CAD11,500,000	6,375,604	1.11
European Union 2.75% Bonds 2016	EUR10,255,000	8,629,742	1.50
FMS Wertmanagement 3.00% Bonds 2021	EUR13,300,000	12,127,613	2.10
FMS Wertmanagement 1.625% Bonds 2018	USD9,930,000	5,824,253	1.01
German Postal Pensions 2 4.25% Bonds 2017	EUR8,800,000	7,727,747	1.34
International Bank Recovery & Development 3.375% Bonds 2017	NZD14,250,000	7,050,181	1.22
Kommunekredit 0.875% Bonds 2016	USD11,200,000	6,582,968	1.14
Kreditanstalt Fur Wiederaufbau 3.125% Bonds 2016	EUR7,050,000	5,945,606	1.03
Kreditanstalt Fur Wiederaufbau 1.00% Bonds 2018	USD7,712,000	4,446,155	0.77

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non-Sterling Denominated Corporate Bonds (continued)</b>			
New South Wales Treasury 2.75% Index Linked Bonds 2025	AUD4,630,000	3,475,775	0.60
Oesterreichische Kontroll 1.75% Bonds 2015	USD12,620,000	7,511,921	1.30
Swedish Export Credit 5.125% Bonds 2017	USD5,326,000	3,461,394	0.60
<b>Derivatives -0.19% (0.53%)</b>			
<b>AUD Forward Foreign Currency Contracts -0.02% (0.17%)</b>			
Forward Foreign Currency Contracts 17/09/14	AUD13,120,284	7,201,011	1.25
Forward Foreign Currency Contracts 17/09/14	£(7,244,730)	(7,244,730)	(1.26)
Forward Foreign Currency Contracts 17/09/14	AUD(11,428,000)	(6,272,208)	(1.09)
Forward Foreign Currency Contracts 17/09/14	JPY1,087,089,871	6,275,908	1.09
Forward Foreign Currency Contracts 17/09/14	AUD(11,436,829)	(6,277,053)	(1.09)
Forward Foreign Currency Contracts 17/09/14	USD10,629,979	6,216,907	1.08
<b>BRL Forward Foreign Currency Contracts -0.04% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	BRL(37,025,000)	(9,579,781)	(1.66)
Forward Foreign Currency Contracts 17/09/14	USD16,111,836	9,422,953	1.63
Forward Foreign Currency Contracts 17/09/14	BRL(20,987,000)	(5,430,138)	(0.94)
Forward Foreign Currency Contracts 17/09/14	£5,383,353	5,383,353	0.93
<b>CAD Forward Foreign Currency Contracts -0.05% (0.03%)</b>			
Forward Foreign Currency Contracts 17/09/14	CAD20,695,000	11,346,068	1.97
Forward Foreign Currency Contracts 17/09/14	USD(19,019,776)	(11,123,652)	(1.93)
Forward Foreign Currency Contracts 17/09/14	CAD(26,503,841)	(14,530,774)	(2.52)
Forward Foreign Currency Contracts 17/09/14	USD24,221,542	14,165,887	2.46
Forward Foreign Currency Contracts 17/09/14	CAD(35,843,904)	(19,651,479)	(3.41)
Forward Foreign Currency Contracts 17/09/14	£19,509,558	19,509,558	3.38
<b>EUR Forward Foreign Currency Contracts -0.10% (0.04%)</b>			
Forward Foreign Currency Contracts 17/09/14	EUR23,368,333	18,732,822	3.25
Forward Foreign Currency Contracts 17/09/14	£(18,941,005)	(18,941,005)	(3.28)
Forward Foreign Currency Contracts 17/09/14	EUR(5,705,144)	(4,573,431)	(0.79)
Forward Foreign Currency Contracts 17/09/14	£4,568,650	4,568,650	0.79
Forward Foreign Currency Contracts 17/09/14	EUR(44,452,463)	(35,634,550)	(6.18)
Forward Foreign Currency Contracts 17/09/14	USD60,303,146	35,268,091	6.11
<b>JPY Forward Foreign Currency Contracts -0.27% (0.39%)</b>			
Forward Foreign Currency Contracts 17/09/14	JPY31,556,000,645	182,435,619	31.63
Forward Foreign Currency Contracts 17/09/14	£(183,465,120)	(183,465,120)	(31.81)
Forward Foreign Currency Contracts 17/09/14	JPY(487,525,000)	(2,818,543)	(0.49)
Forward Foreign Currency Contracts 17/09/14	£2,815,898	2,815,898	0.49
Forward Foreign Currency Contracts 17/09/14	JPY(7,454,918,445)	(43,099,335)	(7.47)
Forward Foreign Currency Contracts 17/09/14	USD72,816,160	42,586,285	7.38
<b>MXN Forward Foreign Currency Contracts -0.03% (-0.04%)</b>			
Forward Foreign Currency Contracts 17/09/14	MXN155,572,520	6,975,253	1.21
Forward Foreign Currency Contracts 17/09/14	£(7,128,687)	(7,128,687)	(1.24)
Forward Foreign Currency Contracts 17/09/14	MXN(296,703,000)	(13,302,981)	(2.31)
Forward Foreign Currency Contracts 17/09/14	USD22,772,682	13,318,526	2.31
<b>NOK Forward Foreign Currency Contracts 0.01% (0.04%)</b>			
Forward Foreign Currency Contracts 17/09/14	NOK102,672,381	9,758,873	1.69
Forward Foreign Currency Contracts 17/09/14	USD(17,182,955)	(10,049,393)	(1.74)
Forward Foreign Currency Contracts 17/09/14	NOK(77,778,693)	(7,392,761)	(1.28)
Forward Foreign Currency Contracts 17/09/14	£7,754,253	7,754,253	1.34

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>NZD Forward Foreign Currency Contracts 0.04% (-0.02%)</b>			
Forward Foreign Currency Contracts 17/09/14	NZD25,727,238	13,070,591	2.27
Forward Foreign Currency Contracts 17/09/14	USD(21,700,719)	(12,691,592)	(2.20)
Forward Foreign Currency Contracts 17/09/14	NZD(30,183,000)	(15,334,319)	(2.66)
Forward Foreign Currency Contracts 17/09/14	£15,182,825	15,182,825	2.63
<b>PHP Forward Foreign Currency Contracts -0.02% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	PHP879,948,000	11,792,243	2.04
Forward Foreign Currency Contracts 17/09/14	USD(20,166,105)	(11,794,079)	(2.04)
Forward Foreign Currency Contracts 17/09/14	PHP(879,948,000)	(11,792,243)	(2.04)
Forward Foreign Currency Contracts 17/09/14	USD19,971,584	11,680,314	2.02
<b>SEK Forward Foreign Currency Contracts 0.06% (0.03%)</b>			
Forward Foreign Currency Contracts 17/09/14	SEK104,060,382	9,102,055	1.58
Forward Foreign Currency Contracts 17/09/14	£(9,223,586)	(9,223,586)	(1.60)
Forward Foreign Currency Contracts 17/09/14	SEK(294,927,878)	(25,797,037)	(4.47)
Forward Foreign Currency Contracts 17/09/14	£26,258,993	26,258,993	4.55
Forward Foreign Currency Contracts 17/09/14	SEK135,726,005	11,871,814	2.06
Forward Foreign Currency Contracts 17/09/15	USD(20,307,823)	(11,876,962)	(2.06)
<b>SGD Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 17/09/14	SGD(19,103,000)	(8,968,982)	(1.55)
Forward Foreign Currency Contracts 17/09/14	USD15,268,304	8,929,616	1.55
<b>TRY Forward Foreign Currency Contracts 0.01% (0.01%)</b>			
Forward Foreign Currency Contracts 17/09/14	TRY(7,042,000)	(1,908,203)	(0.33)
Forward Foreign Currency Contracts 17/09/14	£1,975,205	1,975,205	0.34
<b>USD Forward Foreign Currency Contracts 0.22% (-0.13%)</b>			
Forward Foreign Currency Contracts 17/09/14	USD36,465,325	21,342,849	3.70
Forward Foreign Currency Contracts 17/09/14	£(21,693,243)	(21,693,244)	(3.76)
Forward Foreign Currency Contracts 17/09/14	USD(210,703,664)	(123,323,090)	(21.38)
Forward Foreign Currency Contracts 17/09/14	£124,970,073	124,970,073	21.66
<b>Portfolio of investments*</b>		<b>571,252,986</b>	<b>99.04</b>
<b>Net current assets</b>		<b>5,554,791</b>	<b>0.96</b>
<b>Total Net Assets</b>		<b>576,807,777</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Australia Government Bonds, Austria Government Bonds, Czech Republic Government Bonds, Finland Government Bonds, Iceland Government Bonds, Latvia Government Bonds and Lithuania Government Bonds portfolio categories, which, at 30 June 2013, represented 2.06%, 1.50%, 1.98%, 2.00%, 0.25%, 1.07% and 1.04% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt securities issued by the relevant companies or issuers.

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	254,666	44.15	69.38
AA	62,608	10.86	14.91
A	29,377	5.09	2.14
BBB	40,816	7.07	4.87
Not rated (by S&P)	184,792	32.06	-
Derivatives	(1,006)	(0.19)	0.53
<b>Portfolio of investments</b>	<b>571,253</b>	<b>99.04</b>	<b>91.83</b>
<b>Net current assets</b>	<b>5,555</b>	<b>0.96</b>	<b>8.17</b>
<b>Total Net Assets</b>	<b>576,808</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital losses	1		(52,826,112)	(26,985,121)
Revenue	2	12,564,845		17,891,013
Expenses	3	(5,959,003)		(7,760,292)
Finance costs: Interest	5	(364)		(508)
Net revenue before taxation		6,605,478		10,130,213
Taxation	4	-		-
Net revenue after taxation			6,605,478	10,130,213
<b>Total return before distributions</b>			<b>(46,220,634)</b>	<b>(16,854,908)</b>
Finance costs: Distributions	5		(6,641,478)	(10,147,427)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(52,862,112)</b>	<b>(27,002,335)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		731,962,253	821,008,834
Amounts receivable on issue of shares	56,753,702		55,735,867
Amounts payable on cancellation of shares	(159,564,922)		(118,396,197)
		(102,811,220)	(62,660,330)
Dilution adjustment		17,373	5,957
Change in net assets attributable to Shareholders from investment activities (see above)		(52,862,112)	(27,002,335)
Retained distributions on accumulation shares		500,618	606,079
Unclaimed distributions		865	4,048
<b>Closing net assets attributable to Shareholders</b>		<b>576,807,777</b>	<b>731,962,253</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			575,417,544	675,103,033
Debtors	7	16,749,823	10,084,150	
Cash and bank balances	8	<u>5,697,290</u>	<u>56,364,985</u>	
Total other assets			<u>22,447,113</u>	<u>66,449,135</u>
Total assets			597,864,657	741,552,168
<b>LIABILITIES</b>				
Investment liabilities			(4,164,558)	(2,968,408)
Creditors	9	(14,718,584)	(3,386,423)	
Distribution payable on income shares		<u>(2,173,738)</u>	<u>(3,235,084)</u>	
Total other liabilities			<u>(16,892,322)</u>	<u>(6,621,507)</u>
Total liabilities			(21,056,880)	(9,589,915)
<b>Net assets attributable to Shareholders</b>			<u><b>576,807,777</b></u>	<u><b>731,962,253</b></u>

\*Gross of investment liabilities

## Distribution Statements

for the year ended 30 June 2014

### Final interest distribution in pence per Share

						Period
						Group 1: Shares purchased 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 30/06/2013
Sterling Income Shares						
Group 1	0.7961	0.1592	0.6369	0.0000	0.6369	0.8553
Group 2	0.4493	0.0899	0.3594	0.2775	0.6369	0.8553
Institutional Shares (Accumulation)						
Group 1	1.6605	0.3321	1.3284	0.0000	1.3284	1.6315
Group 2	0.9460	0.1892	0.7568	0.5716	1.3284	1.6315
Institutional Shares (Income)						
Group 1	1.4286	0.2857	1.1429	0.0000	1.1429	1.4210
Group 2	0.7011	0.1402	0.5609	0.5820	1.1429	1.4210
Institutional Shares W (Net Income)						
Group 1	0.6173	0.1235	0.4938	0.0000	0.4938	0.6139
Group 2	0.2850	0.0570	0.2280	0.2658	0.4938	0.6139
Institutional Shares W (Net Accumulation)						
Group 1	0.6298	0.1260	0.5038	0.0000	0.5038	0.6187
Group 2	0.3140	0.0628	0.2512	0.2526	0.5038	0.6187
P Shares (Net Accumulation)						
Group 1	0.4010	0.0802	0.3208	0.0000	0.3208	0.4213
Group 2	0.4010	0.0802	0.3208	0.0000	0.3208	0.4213
Retail Advised Shares B (Net Income)						
Group 1	0.4766	0.0953	0.3813	0.0000	0.3813	0.4905
Group 2	0.1079	0.0216	0.0863	0.2950	0.3813	0.4905
Retail Advised Shares B (Net Accumulation)						
Group 1	0.4841	0.0968	0.3873	0.0000	0.3873	0.4934
Group 2	0.3189	0.0638	0.2551	0.1322	0.3873	0.4934
			Gross Revenue	Equalisation	Amount Paid	Prior Period 30/06/2013
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.2884	0.0000	1.2884	1.5518
Group 2			0.6455	0.6429	1.2884	1.5518

### Final interest distribution in cents per Share

	Gross Revenue	Tax Withheld @20%	Net Revenue	Equalisation	Amount Paid	Prior Period 30/06/2013
Euro Accumulation Shares						
Group 1	0.2363	0.0473	0.1890	0.0000	0.1890	0.3035
Group 2	0.2036	0.0407	0.1629	0.0261	0.1890	0.3035

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	0.8314	0.1663	0.6651	0.0000	0.6651	1.1309
Group 2	0.5140	0.1028	0.4112	0.2539	0.6651	1.1309
Institutional Shares (Accumulation)						
Group 1	1.7330	0.3466	1.3864	0.0000	1.3864	1.9667
Group 2	0.7223	0.1445	0.5778	0.8086	1.3864	1.9667
Institutional Shares (Income)						
Group 1	1.4999	0.3000	1.1999	0.0000	1.1999	1.7262
Group 2	0.6696	0.1339	0.5357	0.6642	1.1999	1.7262
Institutional Shares W (Net Income)						
Group 1	0.6480	0.1296	0.5184	0.0000	0.5184	0.7459
Group 2	0.3368	0.0674	0.2694	0.2490	0.5184	0.7459
Institutional Shares W (Net Accumulation)						
Group 1	0.6573	0.1315	0.5258	0.0000	0.5258	0.7460
Group 2	0.2999	0.0600	0.2399	0.2859	0.5258	0.7460
P Shares (Net Accumulation)						
Group 1	0.4176	0.0835	0.3341	0.0000	0.3341	0.2195
Group 2	0.4176	0.0835	0.3341	0.0000	0.3341	0.2195
Retail Advised Shares B (Net Income)						
Group 1	0.4993	0.0999	0.3994	0.0000	0.3994	0.5672
Group 2	0.3553	0.0711	0.2842	0.1152	0.3994	0.5672
Retail Advised Shares B (Net Accumulation)						
Group 1	0.5049	0.1010	0.4039	0.0000	0.4039	0.5674
Group 2	0.3401	0.0680	0.2721	0.1318	0.4039	0.5674
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			1.3427	0.0000	1.3427	1.8328
Group 2			0.7776	0.5651	1.3427	1.8328

**Interim interest distribution in cents per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Euro Accumulation Shares						
Group 1	0.2328	0.0466	0.1862	0.0000	0.1862	0.5145
Group 2	0.1575	0.0315	0.1260	0.0602	0.1862	0.5145



## Notes to the Financial Statements

### 1 Net capital losses

The net capital losses on investments during the year comprise:	30/06/2014 £	30/06/2013 £
(Losses)/gains on non-derivative securities	(39,280,984)	19,639,315
Losses on forward currency contracts	(13,343,373)	(47,981,996)
Currency exchange (losses)/gains	(178,235)	1,377,894
Activity charges	(23,520)	(20,334)
<b>Net capital losses</b>	<b>(52,826,112)</b>	<b>(26,985,121)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
Bank interest	77,561	122,100
Interest on debt securities	12,439,047	17,742,089
Stock lending	48,237	26,824
<b>Total revenue</b>	<b>12,564,845</b>	<b>17,891,013</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	5,316,532	6,889,319
Administration fees	484,845	647,578
Registrar's disbursement fees	361	5,472
Safe custody charges	97,732	154,475
	<b>5,899,470</b>	<b>7,696,844</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	49,053	53,011
Distribution reconciliation service	450	469
	<b>49,503</b>	<b>53,480</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,980	7,800
- Non-audit services (tax compliance fee)†	1,764	1,882
Financial Conduct Authority fee	286	286
	<b>10,030</b>	<b>9,968</b>
<b>Total expenses</b>	<b>5,959,003</b>	<b>7,760,292</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,650 (2013: £6,500) and £1,470 (2013: £1,430) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	6,605,478	10,130,213
<b>Corporation tax @ 20%</b>	1,321,096	2,026,043
Effects of:		
Excess management expenses	-	(196,234)
Tax deductible interest distributions	(1,321,096)	(1,751,013)
Tax relief due to capital indexation loss	-	(78,796)
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of nil (30/06/13: nil) in relation to surplus management expenses of nil (30/06/13: nil). No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 31 December - Sterling Income Shares	1,343,633	3,115,978
Interim interest 31 December - Euro Accumulation Shares	433	13,551
Interim interest 31 December - Institutional Shares (Accumulation)	215,115	324,569
Interim interest 31 December - Institutional Shares (Income)	999,005	1,063,055
Interim interest 31 December - Exempt Shares 2 (Gross Accumulation)	2,396	2,526
Interim interest 31 December - P Shares (Net Income)	-	1,934
Interim interest 31 December - Institutional Shares W (Net Income)	155,122	3,207
Interim interest 31 December - Institutional Shares W (Net Accumulation)	19,688	128
Interim interest 31 December - P Shares (Net Accumulation)	29	19
Interim interest 31 December - Retail Advised Shares B (Net Income)	20	28
Interim interest 31 December - Retail Advised Shares B (Net Accumulation)	94	91
Final interest 30 June - Sterling Income Shares	1,111,915	2,072,022
Final interest 30 June - Euro Accumulation Shares	367	1,400
Final interest 30 June - Institutional Shares (Accumulation)	227,243	250,642
Final interest 30 June - Institutional Shares (Income)	929,225	1,020,635
Final interest 30 June - Exempt Shares 2 (Gross Accumulation)	2,416	2,566
Final interest 30 June - P Shares (Net Income)	-	1,385
Final interest 30 June - Institutional Shares W (Net Income)	132,312	141,017
Final interest 30 June - Institutional Shares W (Net Accumulation)	32,729	10,469
Final interest 30 June - P Shares (Net Accumulation)	28	37
Final interest 30 June - Retail Advised Shares B (Net Income)	286	25
Final interest 30 June - Retail Advised Shares B (Net Accumulation)	80	81
Income tax withheld	1,320,146	2,024,976
	<u>6,492,282</u>	<u>10,050,341</u>

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Amounts added on issue of shares	(154,065)	(212,213)
Amounts deducted on cancellation of shares	303,261	309,299
<b>Net distributions for the year</b>	<b>6,641,478</b>	<b>10,147,427</b>
Interest	364	508
<b>Total finance costs</b>	<b>6,641,842</b>	<b>10,147,935</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	6,605,478	10,130,213
Equalisation on conversions	35,926	17,230
Undistributed revenue brought forward	187	171
Undistributed revenue carried forward	(113)	(187)
	<b>6,641,478</b>	<b>10,147,427</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	4,013,602	4,961,528
Amount receivable for issue of shares	27,543	5,122,622
Sales awaiting settlement	12,708,678	-
	<b>16,749,823</b>	<b>10,084,150</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	174,680	2,410,295
Cash held in BNY Mellon Sterling Liquidity Fund	5,522,610	53,954,690
	<b>5,697,290</b>	<b>56,364,985</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	453,400	597,117
Amount payable for cancellation of shares	1,749,176	1,929,667
Income tax payable	632,982	859,639
Purchases awaiting settlement	11,883,026	-
	<b>14,718,584</b>	<b>3,386,423</b>

## Notes to the Financial Statements (continued)

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £2,162,475 (30/06/13: £2,619,131 due from the ACD).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	25,073,217	57,719,880	211,482,700	294,275,797	2.86	3.49
Australia	12,394,375	-	7,252,138	19,646,513		
Brazil	15,392,683	-	-	15,392,683		
Canada	5,789,442	25,107,393	11,430,022	42,326,857	1.62	2.77
Europe	-	150,202,672	25,026,274	175,228,946	3.36	11.43
Japan	-	-	188,711,527	188,711,527		
Mexico	-	6,212,569	6,986,854	13,199,423	6.50	8.00
New Zealand	6,711,988	7,050,181	13,167,650	26,929,819	3.38	3.00
Norway	-	6,176,359	9,787,198	15,963,557	4.25	3.00
Philippines	-	-	11,792,243	11,792,243		
Poland	-	8,725,874	206,133	8,932,007	2.50	4.00
Singapore	-	8,979,629	16,746	8,996,375	2.50	5.00
Sweden	-	19,266,947	21,155,373	40,422,320	3.30	7.99
Turkey	-	2,014,139	5,391	2,019,530	0.50	3.00
United States of America	42,823,602	178,315,790	169,642,068	390,781,460	1.69	7.81
	108,185,307	469,771,433	676,662,317	1,254,619,057		
<b>Liabilities</b>						
United Kingdom	-	-	(255,692,471)	(255,692,471)		
Australia	-	-	(12,549,261)	(12,549,261)		
Brazil	-	-	(15,009,919)	(15,009,919)		
Canada	-	-	(34,182,253)	(34,182,253)		
Europe	-	-	(49,104,204)	(49,104,204)		
Japan	-	-	(45,917,878)	(45,917,878)		
Mexico	-	-	(13,302,981)	(13,302,981)		
New Zealand	-	-	(15,334,319)	(15,334,319)		
Norway	-	-	(7,392,761)	(7,392,761)		
Philippines	-	-	(11,792,243)	(11,792,243)		
Singapore	-	-	(8,968,982)	(8,968,982)		
Sweden	-	-	(25,797,037)	(25,797,037)		
Turkey	-	-	(1,908,203)	(1,908,203)		
United States of America	-	-	(180,858,768)	(180,858,768)		
	-	-	(677,811,280)	(677,811,280)		
<b>Total</b>	<b>108,185,307</b>	<b>469,771,433</b>	<b>(1,148,963)</b>	<b>576,807,777</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	68,606,316	57,556,293	216,526,935	342,689,544	2.16	7.75
Australia	16,841,718	11,645,705	4,566,074	33,053,497	5.25	9.43
Brazil	-	1,761,264	47,979	1,809,243	6.00	3.00
Canada	6,622,336	42,511,630	71,242	49,205,208	2.40	4.11
Czech Republic	-	14,460,325	133,760	14,594,085	5.00	6.00
Europe	14,736,874	126,101,427	53,927,183	194,765,484	3.21	7.01
Indonesia	1,368,982	-	15,591	1,384,573		
Japan	-	-	210,961,631	210,961,631		
Mexico	-	18,489,044	22,235	18,511,279	6.50	9.00
New Zealand	6,848,036	7,069,876	13,522,347	27,440,259	3.37	4.00
Norway	-	6,984,086	12,248,786	19,232,872	4.25	4.00
Poland	-	-	13,425,644	13,425,644		
Sweden	-	21,732,759	503,207	22,235,966	3.67	11.19
Turkey	-	2,404,493	6,593	2,411,086	0.50	4.00
United States of America	61,993,391	236,991,040	114,975,773	413,960,204	1.92	6.24
	177,017,653	547,707,942	640,954,980	1,365,680,575		
<b>Liabilities</b>						
United Kingdom	-	-	(297,829,973)	(297,829,973)		
Australia	-	-	(33,544,126)	(33,544,126)		
Brazil	-	-	(1,788,058)	(1,788,058)		
Canada	-	-	(38,133,639)	(38,133,639)		
Czech Republic	-	-	(14,875,066)	(14,875,066)		
Europe	-	-	(17,079,712)	(17,079,712)		
Indonesia	-	-	(1,382,852)	(1,382,852)		
Japan	-	-	(26,058,866)	(26,058,866)		
Mexico	-	-	(18,096,741)	(18,096,741)		
New Zealand	-	-	(13,940,734)	(13,940,734)		
Norway	-	-	(8,376,222)	(8,376,222)		
Poland	-	-	(13,425,646)	(13,425,646)		
Sweden	-	-	(20,141,909)	(20,141,909)		
Turkey	-	-	(2,373,860)	(2,373,860)		
United States of America	-	-	(126,670,918)	(126,670,918)		
	-	-	(633,718,322)	(633,718,322)		
<b>Total</b>	<b>177,017,653</b>	<b>547,707,942</b>	<b>7,236,658</b>	<b>731,962,253</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	(178,696)	(178,696)
BNY Mellon	(236,582)	(236,582)
JP Morgan	(521,962)	(521,962)
Royal Bank of Scotland	(71,963)	(71,963)
UBS	2,738	2,738
	<b>(1,006,465)</b>	<b>(1,006,465)</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and exchange traded index options. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	37,818,244	765,082	38,583,326	44,859,571
Australia	7,046,125	51,127	7,097,252	(490,629)
Brazil	382,764	-	382,764	21,185
Canada	8,060,650	83,954	8,144,604	11,071,569
Czech Republic	-	-	-	(280,981)
Europe	128,727,513	(2,602,771)	126,124,742	177,685,772
Indonesia	-	-	-	1,721
Japan	142,793,649	-	142,793,649	184,902,765
Mexico	(115,159)	11,601	(103,558)	414,538
New Zealand	11,498,441	97,059	11,595,500	13,499,525
Norway	8,542,471	28,325	8,570,796	10,856,650
Poland	8,725,874	206,133	8,932,007	(2)
Singapore	10,647	16,746	27,393	-
Sweden	14,443,779	181,504	14,625,283	2,094,057
Turkey	105,936	5,391	111,327	37,226
United States of America	203,212,052	6,710,640	209,922,692	287,289,286
<b>Total</b>	<b>571,252,986</b>	<b>5,554,791</b>	<b>576,807,777</b>	<b>731,962,253</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014 (30/06/13: nil).

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £86,032,703 of investments were subject to stock lending agreements and the Fund held £89,000,557 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £124,523,304 of investments were subject to stock lending agreements and the Fund held £129,061,862 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £60,296 (30/06/13: £34,132) and £12,059 (30/06/13: £7,308).

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Euro Accumulation Shares, Institutional Shares (Accumulation), Institutional Shares (Income), Exempt Shares 2 (Gross Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), P Shares (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.00%	0.10%
Euro Accumulation Shares	1.50%	0.10%
Institutional Shares (Accumulation)	0.50%	0.03%
Institutional Shares (Income)	0.50%	0.03%
Exempt Shares 2 (Gross Accumulation)	0.30%	0.03%
Institutional Shares W (Net Income)	0.50%	0.03%
Institutional Shares W (Net Accumulation)	0.50%	0.03%
P Shares (Net Accumulation)	1.00%	0.03%
Retail Advised Shares B (Net Income)	0.75%	0.10%
Retail Advised Shares B (Net Accumulation)	0.75%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 467 to 468. The distributions are given in the distribution statements on pages 476 to 477. All share classes have the same rights on winding up.

Exempt Shares 2 (Gross Accumulation) are gross paying shares which are available only to institutional investors who are wholly exempt from UK taxation otherwise than by reason of non-residence. The ACD may pay or accumulate interest distributions without deducting income tax from them in the case of institutional investors. Any eligible investor who wishes to benefit from this should contact the ACD who will provide an appropriate form to be completed and returned to it.

**BNY MELLON INVESTMENT FUNDS – NEWTON LONG CORPORATE BOND FUND**

**Annual Report  
for the year ended  
30 June 2014**



**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£272.74m
Comparative Index:	BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade TR
Sector:	IMA £ Corporate Bond

Distribution Yield as at 30 June 2014:

Exempt Shares 1 (Gross Accumulation)	3.84%
Exempt Shares 2 (Gross Accumulation)	3.75%
Institutional Shares (Accumulation)	3.56%
X Shares (Gross Accumulation)	4.04%
X Shares (Net Income)	4.05%
X Shares (Net Accumulation)	4.05%

Key Dates:	Fund Launch	29 June 2000
	Converted to ICVC	02 August 2004

**Investment Objective**

To maximise returns through investment in predominantly sterling denominated fixed interest securities excluding gilts. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Exempt Shares 1 (Gross Accumulation)	8.12%	6.52%	14.41%	4.64%	18.70%
Exempt Shares 2 (Gross Accumulation)	8.01%	6.41%	14.30%	4.53%	18.58%
Institutional Shares (Accumulation)	6.95%	5.38%	12.53%	3.08%	17.26%
X Shares (Gross Accumulation)	8.33%	6.73%	14.65%	4.84%	18.93%
X Shares (Net Income)*	n/a	n/a	n/a	n/a	n/a
X Shares (Net Accumulation)*	n/a	n/a	n/a	n/a	n/a
BofA Merrill Lynch Non-Gilt 10 yr+	8.99%	5.55%	14.71%	4.62%	19.09%
Investment Grade TR					

Source: Lipper as at 30 June 2014 – Institutional Shares (Accumulation); X Shares (Net Income) and X Shares (Net Accumulation) - Total return including revenue net of UK tax and annual charges, but excluding initial charge. Exempt Shares 1 (Gross Accumulation); Exempt Shares 2 (Gross Accumulation) and Sterling X Shares (Gross Accumulation) - Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Institutional Shares (Accumulation) Share Class of the Fund returned +6.95% against +8.99% for the BofA Merrill Lynch Non-Gilt (over 10 year) Investment Grade Index.

Over the 12 months, the Fund generated a positive return but underperformed its comparative index. Over the first half of the period, strong demand for corporate debt globally was exemplified by the performance of the record-breaking US\$49bn issuance by Verizon (three times larger than the previous largest issuance). The longer the maturity and the lower the credit rating, the greater were the returns for corporate bonds as sub-investment grade bonds (debt issued by companies that are rated below BBB-) by the credit rating agency Standard & Poor's – outperformed higher rated bonds over the 12-month period. Although the Fund delivered a positive return, its more 'defensive' stance (preferring higher-rated senior bonds to subordinated and hybrid bonds) led to slightly lower returns than those of the comparative index.

During the period, we built new exposure to several investment-grade issuers (including BHP Billiton 3.25%, and Experian Finance 5.625%). The Fund exited 5.875% Heathrow Funding 2043 and 0.875% Export Development Canada 2016.

The table below shows the top ten purchases and sales for the year

#### Purchases

BHP Billiton Finance 3.25% Bonds 2024  
 Barclays Bank 1.50% Bonds 2017  
 Experian Finance 5.625% EMTN 2013  
 Heathrow Funding 4.625% Bonds 2046/48  
 Export Development Canada 0.875% Bonds 2016  
 Digital Stout 4.75% Bonds 2023  
 Dong Energy 4.875% Bonds 2032  
 Danske Bank 4.00% Bonds 2015  
 Manchester Airport 4.75% Bonds 2034  
 National Westminster Bank 6.50% Bonds 2021

#### Sales

Barclays Bank 1.50% Bonds 2017  
 Heathrow Funding 5.875% Bonds 2041/43  
 Export Development Canada 0.875% Bonds 2016  
 Scottish Widows 5.50% Bonds 2023  
 Digital Stout 4.75% Bonds 2023  
 East Japan Railway 4.875% Bonds 2034  
 UBS Jersey 5.25% EMTN 2021  
 F&C Commercial Property 5.23% FRN 2017  
 RWE Finance 5.50% Bonds 2022  
 Abbey National Treasury Services 5.125% Bonds 2021

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Exempt Shares 1 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	195.31	168.15	9.1059
2011	208.61	181.24	9.3719
2012	238.12	206.58	9.9184
2013	249.87	228.79	10.0907
2014	251.44	236.64	4.7941
<b>Exempt Shares 2 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	131.79	113.53	6.0237
2011	140.60	122.25	6.1882
2012	160.31	139.20	6.5316
2013	168.16	153.97	6.6301
2014	169.04	159.16	3.1415
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	115.60	100.13	4.0581
2011	120.78	106.41	4.0955
2012	136.21	119.23	4.2546
2013	142.31	130.10	4.2650
2014	141.60	133.78	1.9978
<b>X Shares (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	196.52	169.02	9.5240
2011	210.42	182.53	9.8374
2012	240.67	208.48	10.4641
2013	252.77	231.52	10.6924
2014	254.91	239.71	5.1051
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 18 November)	100.39	98.26	1.8530
2014	102.43	96.63	1.6430
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 30 April)	101.92	100.29	1.6346

\*Distributions are shown in the year declared rather than paid.

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 1 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	64,966,343	216.64	29,987,495
30/06/2013	69,320,611	230.07	30,130,121
30/06/2014	46,650,260	249.60	18,689,919
<b>Exempt Shares 2 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	12,757,004	145.93	8,742,086
30/06/2013	14,399,198	154.82	9,300,822
30/06/2014	28,164,580	167.79	16,785,549
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	9,323,930	124.52	7,488,118
30/06/2013	3,933,852	130.81	3,007,191
30/06/2014	106,877	140.40	76,124

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>X Shares (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	147,995,788	218.79	67,642,140
30/06/2013	160,970,908	232.82	69,140,963
30/06/2014	171,017,586	253.08	67,573,296
<b>X Shares (Net Income)</b>		<b>Pence</b>	
30/06/2014	25,599,512	99.97	25,607,905
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2014	1,205,489	101.10	1,192,377

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Exempt Shares 1 (Gross Accumulation)	0.26	0.26
Exempt Shares 2 (Gross Accumulation)	0.36	0.36
Institutional Shares (Accumulation)	0.56	0.56
X Shares (Gross Accumulation)	0.06	0.06
X Shares (Net Income)	0.06	n/a
X Shares (Net Accumulation)	0.06	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges figures for X Shares (Net Income) and X Shares Net Accumulation have been annualised as the share classes launched during the year.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds 96.93% (97.41%)</b>			
3i 5.75% Notes 2032	£2,500,000	2,815,203	1.03
AA Bond 6.269% Bonds (2025/43)	£2,850,000	3,313,752	1.21
ABP Finance 6.25% Bonds 2026	£2,000,000	2,360,920	0.87
Affinity Sutton 4.25% 2042	£1,749,000	1,744,977	0.64
Annington Repackaging 5.3236% Notes 2023	£2,560,000	2,839,808	1.04
Arsenal Securities 5.1418% Bonds 2029	£3,550,000	2,891,488	1.06
Artesian Finance 6.00% Bonds 2033	£2,100,000	2,500,680	0.92
Aspire Defence Finance 4.674% Bonds 2040	£2,750,000	2,844,694	1.04
Barclays Bank 5.75% MTN 2026	£2,650,000	2,897,589	1.06
BAT International Finance 5.75% 2040	£2,180,000	2,597,475	0.95
BG Energy Capital 5.125% Bonds 2025	£3,147,000	3,483,321	1.28
BHP Billiton Finance 3.25% Bonds 2024	£4,000,000	3,856,039	1.40
BUPA Finance 6.125% 2049	£1,014,000	1,084,980	0.40
Centrica 4.25% Bonds 2044	£1,000,000	924,118	0.34
Centrica 7.00% Bonds 2033	£1,850,000	2,413,020	0.88
Chorus 6.75% Bonds 2020	£1,500,000	1,626,458	0.60
Citigroup 5.15% Bonds 2026	£3,500,000	3,899,976	1.43
Close Brothers 3.875% Bonds 2021	£1,380,000	1,390,764	0.51
Clydesdale Bank 4.625% Bonds 2026	£2,450,000	2,658,106	0.97
Coventry Building Society 5.875% Bonds 2022	£1,700,000	1,970,330	0.72
Danske Bank 4.00% Bonds 2015	£2,600,000	2,687,185	0.99
Delamare Finance 6.067% Bonds 2029	£1,510,000	1,702,314	0.62
Deutsche Telekom International Finance 8.875% Bonds 2028	£1,500,000	2,228,824	0.82
DIRECTV 4.375% Bonds 2029	£2,100,000	2,065,689	0.76
Dong Energy 4.875% Bonds 2032	£2,700,000	2,832,415	1.04
DWR Cymru Financing 4.473% EMTN 2057	£1,750,000	1,751,155	0.64
Electricite de France 5.875% FRN 2049	£900,000	935,280	0.34
Electricite de France 6.00% Bonds 2049	£1,400,000	1,489,866	0.55
Electricite de France 6.125% Bonds 2034	£4,350,000	5,238,308	1.92
Enel-Societa per Azioni 5.75% Bonds 2037	£1,280,000	1,387,100	0.51
E.ON International Finance 6.375% EMTN 2032	£2,523,000	3,089,729	1.13
European Investment Bank 0.00% Bonds 2028	£6,656,000	3,905,541	1.43
European Investment Bank 4.50% Bonds 2044	£2,125,000	2,481,359	0.91
European Investment Bank 5.625% Bonds 2032	£2,010,000	2,572,296	0.94
Exchequer Partnership 5.396% 2036	£2,650,000	2,714,433	1.00
GDF Suez 5.00% Bonds 2060	£1,350,000	1,492,965	0.55
GE Capital UK Funding 6.25% Nts 2038	£2,050,000	2,636,947	0.97
General Electric Capital 6.44% Bonds 2022	£6,081,000	2,120,184	0.78
GlaxoSmithKline Capital 6.375% Bonds 2039	£2,450,000	3,225,496	1.18
GlaxoSmithKline Capital 4.25% Bonds 2045	£1,860,000	1,835,626	0.67
Greater Gabbard 4.137% Bonds 2032	£1,520,000	1,523,841	0.56
Harbour Funding 5.28% Bonds 2044	£2,207,000	2,490,291	0.91
HBOS Treasury Services 4.875% EMTN 2024	£2,935,000	3,326,881	1.22
Health Care REIT 4.80% Bonds 2028	£1,624,000	1,671,096	0.61
Heathrow Funding 4.625% Bonds 2046/48	£3,300,000	3,272,417	1.20
High Speed Rail Finance 4.375% Bonds 2038	£2,570,000	2,668,508	0.98
Housing Finance 5.125% Bonds 2037	£1,650,000	1,833,843	0.67
HSBC Bank 5.375% Bonds 2030	£3,380,000	3,602,440	1.32
HSBC 6.75% Unsub Notes 2028	£2,150,000	2,579,522	0.95
Hutchison Whampoa 5.625% Bonds 2026	£1,600,000	1,842,613	0.68
Imperial Tobacco Finance 8.125% Notes 2024	£1,847,000	2,422,608	0.89
International Bank Rec & Dev 4.875% (Var) Bonds 2028	£1,500,000	1,790,066	0.66

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds (continued)</b>			
John Lewis 6.125% Bonds 2025	£1,630,000	1,915,299	0.70
Juturna 5.0636% Bonds 2033	£3,083,000	3,269,579	1.20
Koninklijke 5.75% Bonds 2029	£2,300,000	2,553,922	0.94
Kreditanstalt Fur Wiederaufbau 5.00% Bonds 2036	£3,000,000	3,699,197	1.36
Kreditanstalt Fur Wiederaufbau 5.50% Bonds 2025	£4,300,000	5,284,799	1.94
LBG Capital 15.00% Bonds 2019	£1,500,000	2,176,860	0.80
LCR Finance 4.50% Bonds 2028	£2,882,000	3,245,921	1.19
Lloyds TSB Bank 5.125% Bonds 2025	£2,300,000	2,630,510	0.96
London & Quadrant Housing 5.50% Bonds 2040	£2,070,000	2,502,580	0.92
Manchester Airport 4.75% Bonds 2034	£2,700,000	2,776,648	1.02
Merseylink 3.842% Bonds 2043	£1,240,000	1,267,078	0.46
Mitchells & Butlers 6.013% ABS 2028/30	£2,513,000	2,872,686	1.05
Motability Operations 5.625% Bonds 2030	£2,550,000	3,034,277	1.11
National Grid Electricity 5.875% (Var) Bonds 2024	£2,376,000	2,788,163	1.02
National Grid Electricity 6.50% (Var) Bonds 2028	£1,200,000	1,501,093	0.55
Nationwide Building Society 5.625% Bonds 2026	£2,150,000	2,590,105	0.95
National Westminster Bank 6.50% Bonds 2021	£1,500,000	1,669,631	0.61
Nederlandse Waterschapsbank 5.375% Bonds 2032	£1,800,000	2,179,254	0.80
Network Rail Infra Finance 4.75% Bonds 2035	£6,000,000	7,060,619	2.59
New South Wales Treasury 5.00% Bonds 2039	£1,600,000	1,914,521	0.70
North British Housing 5.09% Bonds 2043	£1,996,000	2,173,884	0.80
Northern Gas Networks 4.875% 2027	£1,993,000	2,133,043	0.78
Orange 5.625% MTN 2034	£1,200,000	1,346,280	0.49
Petrobras Global Finance 6.625% Bonds 2034	£2,480,000	2,467,030	0.90
Places For People Homes 5.875% Bonds 2031	£1,500,000	1,697,670	0.62
Prudential 5.875% Notes 2029	£2,000,000	2,378,904	0.87
Prudential 11.375% FRN 2039	£800,000	1,068,080	0.39
Pfizer 6.50% Bonds 2038	£1,550,000	2,061,345	0.76
Royal Bank of Scotland 5.125% Bonds 2024	£2,375,000	2,730,775	1.00
RSA Insurance 9.375% Bonds 2039	£850,000	1,031,305	0.38
RWE Finance 6.125% Bonds 2039	£2,000,000	2,359,804	0.87
RZD Capital 7.487% Bonds 2031	£1,450,000	1,544,250	0.57
Santander Issuances 7.30% FRN 2019	£1,400,000	1,415,722	0.52
Sceptre 5.253% Bonds 2027	£2,420,000	2,395,409	0.88
SLM Student Loan 5.15% EMTN 2015/39	£2,162,000	2,068,818	0.76
SNCB 5.70% EMTN 2032	£2,450,000	2,942,727	1.08
SNCF 5.375% EMTN 2027	£2,310,000	2,663,787	0.98
Southern Gas Network 4.875% EMTN 2029	£3,110,000	3,338,562	1.22
Southern Electric Power 4.625% Bonds 2037	£1,500,000	1,536,991	0.56
Southern Water Services Financial 5.125% Bonds 2056	£1,861,000	2,038,912	0.75
Standard Chartered 4.375% Bonds 2038	£1,850,000	1,814,295	0.67
Sunderland (SHG) Finance 6.38% Bonds 2042	£2,614,000	3,244,732	1.19
TeliaSonera 4.375% Bonds 2042	£2,700,000	2,645,528	0.97
Temasek Financial 5.125% Bonds 2040	£4,550,000	5,391,796	1.98
Tesco Property Finance 5.744% Bonds 2040	£3,394,000	3,648,258	1.34
THFC Funding 5.20% Bonds 2043/45	£1,240,000	1,402,068	0.51
Transport for London 3.625% Bonds 2045	£1,700,000	1,595,123	0.58
UBS AG London 6.625% EMTN 2018	£962,000	1,106,510	0.41
Unique Pub Finance 5.659% Bonds 2027	£1,400,000	1,333,240	0.49
Unite (USAF) 3.374% Bonds 2023	£2,530,000	2,434,999	0.89
University of Cambridge 3.75% Bonds 2052	£2,600,000	2,608,060	0.96
UPP Bond Issuer 4.9023% Bonds 2040	£2,530,000	2,612,797	0.96

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds (continued)</b>			
Verizon Communications 4.75% Bonds 2034	£2,400,000	2,479,763	0.91
Vodafone 4.625% EMTN 2014	£1,500,000	1,510,245	0.55
Wells Fargo 4.875% Bonds 2035	£2,450,000	2,533,790	0.93
Yorkshire Power Finance 7.25% Bonds 2028	£1,700,000	2,160,468	0.79
<b>Portfolio of investments</b>		<b>264,378,248</b>	<b>96.93</b>
<b>Net current assets</b>		<b>8,366,056</b>	<b>3.07</b>
<b>Total Net Assets</b>		<b>272,744,304</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt securities issued by the relevant companies or issuers.

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	49,977	18.33	20.24
AA	41,231	15.13	15.56
A	87,097	31.91	30.35
BBB	67,269	24.68	25.64
Not rated (by S&P)	18,804	6.88	5.62
<b>Portfolio of investments</b>	<b>264,378</b>	<b>96.93</b>	<b>97.41</b>
<b>Net current assets</b>	<b>8,366</b>	<b>3.07</b>	<b>2.59</b>
<b>Total Net Assets</b>	<b>272,744</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D



## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		9,613,114	2,592,703
Revenue	2	11,425,108		11,152,938
Expenses	3	(332,512)		(354,831)
Finance costs: Interest	5	(34)		-
Net revenue before taxation		11,092,562		10,798,107
Taxation	4	-		-
Net revenue after taxation			11,092,562	10,798,107
<b>Total return before distributions</b>			<b>20,705,676</b>	<b>13,390,810</b>
Finance costs: Distributions	5		(11,087,033)	(10,798,121)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>9,618,643</b>	<b>2,592,689</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		248,624,569	235,043,065
Amounts receivable on issue of shares	80,626,282		66,049,813
Amounts payable on cancellation of shares	(76,649,364)		(66,305,556)
		3,976,918	(255,743)
Dilution adjustment		291,728	490,160
Change in net assets attributable to Shareholders from investment activities (see above)		9,618,643	2,592,689
Retained distributions on accumulation shares		10,232,446	10,754,398
<b>Closing net assets attributable to Shareholders</b>		<b>272,744,304</b>	<b>248,624,569</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			264,378,248	242,193,502
Debtors	7	4,766,765	9,564,474	
Cash and bank balances	8	<u>4,956,377</u>	<u>2,836,538</u>	
Total other assets			<u>9,723,142</u>	<u>12,401,012</u>
Total assets			274,101,390	254,594,514
<b>LIABILITIES</b>				
Creditors	9	(936,348)	(5,969,945)	
Distribution payable on income shares		<u>(420,738)</u>	<u>-</u>	
Total other liabilities			<u>(1,357,086)</u>	<u>(5,969,945)</u>
Total liabilities			(1,357,086)	(5,969,945)
<b>Net assets attributable to Shareholders</b>			<u><u>272,744,304</u></u>	<u><u>248,624,569</u></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Institutional Shares (Accumulation)						
Group 1	2.4973	0.4995	1.9978	0.0000	1.9978	2.0162
Group 2	1.9846	0.3969	1.5877	0.4101	1.9978	2.0162
X Shares (Net Income)						
Group 1	2.0538	0.4108	1.6430	0.0000	1.6430	n/a
Group 2	2.0538	0.4108	1.6430	0.0000	1.6430	n/a

						Period
						Group 1: Shares purchased at launch 22 April 2014
						Group 2: Shares purchased 23 April 2014 to 30 June 2014
X Shares (Net Accumulation)						
Group 1	2.0433	0.4087	1.6346	0.0000	1.6346	n/a
Group 2	0.7106	0.1421	0.5685	1.0661	1.6346	n/a

			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Exempt Shares 1 (Gross Accumulation)						
Group 1			4.7941	0.0000	4.7941	4.7753
Group 2			1.8051	2.9890	4.7941	4.7753
Exempt Shares 2 (Gross Accumulation)						
Group 1			3.1415	0.0000	3.1415	3.1345
Group 2			1.6732	1.4683	3.1415	3.1345
X Shares (Gross Accumulation)						
Group 1			5.1051	0.0000	5.1051	5.0693
Group 2			4.0719	1.0332	5.1051	5.0693

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Institutional Shares (Accumulation)						
Group 1	2.8110	0.5622	2.2488	0.0000	2.2488	2.1417
Group 2	1.0788	0.2158	0.8630	1.3858	2.2488	2.1417
X Shares (Net Income)						
Group 1	2.3163	0.4633	1.8530	0.0000	1.8530	n/a
Group 2	2.3163	0.4633	1.8530	0.0000	1.8530	n/a

			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 1 (Gross Accumulation)						
Group 1			5.3154	0.0000	5.3154	5.0191
Group 2			2.6801	2.6353	5.3154	5.0191

**Distribution Statements (continued)****Interim interest distribution in pence per Share (continued)**

				Period
				Group 1: Shares purchased prior to 1 July 2013
				Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 2 (Gross Accumulation)				
Group 1	3.4956	0.0000	3.4956	3.3018
Group 2	3.4956	0.0000	3.4956	3.3018
X Shares (Gross Accumulation)				
Group 1	5.6231	0.0000	5.6231	5.3059
Group 2	2.9725	2.6506	5.6231	5.3059

## Notes to the Financial Statements

### 1 Net capital gains

	30/06/2014	30/06/2013
	£	£
The net capital gains on investments during the year comprise:		
Gains on non-derivative securities	9,615,225	2,595,170
Currency exchange losses	(4)	-
Activity charges	(2,107)	(2,467)
<b>Net capital gains</b>	<b>9,613,114</b>	<b>2,592,703</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
Bank interest	18,608	21,357
Interest on debt securities	11,399,824	11,130,630
Stock lending	6,676	951
<b>Total revenue</b>	<b>11,425,108</b>	<b>11,152,938</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	183,349	207,764
Administration fees	77,134	75,471
Registrar's disbursement fees	-	8
Safe custody charges	33,758	33,802
	<b>294,241</b>	<b>317,045</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	29,860	29,423
	<b>29,860</b>	<b>29,423</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,360	6,180
- Non-audit services (tax compliance fee)†	1,764	1,897
Financial Conduct Authority fee	287	286
	<b>8,411</b>	<b>8,363</b>
<b>Total expenses</b>	<b>332,512</b>	<b>354,831</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,300 (2013: £5,150) and £1,470 (2013: £1,580) respectively.

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	-	-
<b>Total tax charge (see note 4b)</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (continued)

### 4 Taxation (continued)

	30/06/2014	30/06/2013
	£	£
<b>b) Factors affecting the tax charge for the year:</b>		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).		
The differences are explained below:		
Net revenue before taxation	11,092,562	10,798,107
<b>Corporation tax @ 20%</b>	2,218,512	2,159,621
Effects of:		
Excess management expenses	-	(20)
Tax deductible interest distributions	(2,218,512)	(2,159,601)
<b>Total tax charge (see note 4a)</b>	-	-

### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of nil (30/06/13: nil) in relation to surplus management expenses of nil (30/06/2013:nil). No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 31 December - Exempt Shares 1 (Gross Accumulation)	1,064,033	1,491,638
Interim interest 31 December - Exempt Shares 2 (Gross Accumulation)	588,807	228,867
Interim interest 31 December - Institutional Shares (Accumulation)	1,961	18,932
Interim interest 31 December - X Shares (Gross Accumulation)	3,683,618	3,719,029
Interim interest 31 December - X Shares (Net Income)	27,795	-
Final interest 30 June - Exempt Shares 1 (Gross Accumulation)	896,013	1,438,804
Final interest 30 June - Exempt Shares 2 (Gross Accumulation)	527,318	291,534
Final interest 30 June - Institutional Shares (Accumulation)	1,521	60,631
Final interest 30 June - X Shares (Gross Accumulation)	3,449,684	3,504,963
Final interest 30 June - X Shares (Net Income)	420,738	-
Final interest 30 June - X Shares (Net Accumulation)	19,491	-
Income tax withheld	108,876	45,257
	<b>10,789,855</b>	<b>10,799,655</b>
Amounts added on issue of shares	(576,388)	(677,029)
Amounts deducted on cancellation of shares	873,566	675,495
<b>Net distributions for the year</b>	<b>11,087,033</b>	<b>10,798,121</b>
Interest	34	-
<b>Total finance costs</b>	<b>11,087,067</b>	<b>10,798,121</b>

## Notes to the Financial Statements (continued)

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	11,092,562	10,798,107
Equalisation on conversions	(5,484)	-
Undistributed revenue brought forward	38	52
Undistributed revenue carried forward	(83)	(38)
	<b>11,087,033</b>	<b>10,798,121</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	4,752,740	4,180,716
Amount receivable for issue of shares	14,025	337,275
Sales awaiting settlement	-	5,046,483
	<b>4,766,765</b>	<b>9,564,474</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	924,120	1,143,158
Cash held in BNY Mellon Sterling Liquidity Fund	4,032,257	1,693,380
	<b>4,956,377</b>	<b>2,836,538</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	36,718	40,504
Amount payable for cancellation of shares	791,021	3,322,257
Income tax payable	108,609	20,530
Purchases awaiting settlement	-	2,586,654
	<b>936,348</b>	<b>5,969,945</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £803,759 (30/06/13: £3,014,980).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	24,626,570	244,708,055	4,766,765	274,101,390	5.49	19.01
	24,626,570	244,708,055	4,766,765	274,101,390		
<b>Liabilities</b>						
United Kingdom	-	-	(1,357,086)	(1,357,086)		
	-	-	(1,357,086)	(1,357,086)		
<b>Total</b>	<b>24,626,570</b>	<b>244,708,055</b>	<b>3,409,679</b>	<b>272,744,304</b>		

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	12,409,341	232,620,699	9,564,474	254,594,514	5.60	19.42
	12,409,341	232,620,699	9,564,474	254,594,514		
<b>Liabilities</b>						
United Kingdom	-	-	(5,969,945)	(5,969,945)		
	-	-	(5,969,945)	(5,969,945)		
<b>Total</b>	<b>12,409,341</b>	<b>232,620,699</b>	<b>3,594,529</b>	<b>248,624,569</b>		

#### Foreign currency risk

The fund has no exposure to foreign currency risk.



## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014. (30/06/13: nil)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, £12,569,788 of investments were subject to stock lending agreements and the Fund held £13,207,524 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £1,736,098 of investments were subject to stock lending agreements and the Fund held £1,778,079 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £8,345 (30/06/13: £1,189) and £1,669 (30/06/13: £238).

### 15 Shareholders' funds

The Fund currently has six share classes; Exempt Shares 1 (Gross Accumulation), Exempt Shares 2 (Gross Accumulation), Institutional Shares (Accumulation), X Shares (Gross Accumulation), X Shares (Net Income) and X Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Exempt Shares 1 (Gross Accumulation)	0.20%	0.03%
Exempt Shares 2 (Gross Accumulation)	0.30%	0.03%
Institutional Shares (Accumulation)	0.50%	0.03%
X Shares (Gross Accumulation)	0.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 488 to 489. The distributions are given in the distribution statements on pages 496 to 497. All share classes have the same rights on winding up.

Exempt Shares 1 (Gross Accumulation), Exempt Shares 2 (Gross Accumulation) and X Shares (Gross Accumulation) are gross paying Shares which are available only to institutional investors who are wholly exempt from UK taxation otherwise than by reason of non-residence. The ACD may pay or accumulate interest distributions without deducting income tax from them in the case of institutional investors. Any eligible investor who wishes to benefit from this should contact the ACD who will provide an appropriate form to be completed and returned to it.

**BNY MELLON INVESTMENT FUNDS – NEWTON LONG GILT FUND**

**Annual Report  
for the year ended  
30 June 2014**

## Fund Report

for the year ended 30 June 2014

### General Information

Investment Adviser: Newton Investment Management Limited

Fund Size: £56.33m

Comparative Index: FTSE A British Govt over 15 years TR

Sector: IMA UK Gilt

Distribution Yield as at 30 June 2014:

Exempt Shares 2 (Gross Accumulation)	2.87%
Institutional Shares (Accumulation)	2.58%
X Shares (Gross Accumulation)	3.07%
X Shares (Net Accumulation)	3.07%

Key Dates: Fund Launch 01 March 1979  
Converted to ICVC 02 August 2004

### Investment Objective

To maximise returns through investment in securities issued or guaranteed by the UK Government or the Governments of foreign countries or corporate bodies. The Fund may also invest in collective investment schemes.

### Statutory Performance Data

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Exempt Shares 2 (Gross Accumulation)	5.35%	-3.36%	25.82%	3.80%	8.18%
Institutional Shares (Accumulation)	4.46%	-4.13%	24.72%	2.75%	7.05%
X Shares (Gross Accumulation)	5.57%	-3.16%	26.08%	4.01%	8.40%
X Shares (Net Accumulation)*	n/a	n/a	n/a	n/a	n/a
FTSE A British Govt Over 15 Years TR	5.32%	-4.64%	27.88%	2.81%	7.96%

Source: Lipper as at 30 June 2014 – Institutional Shares (Accumulation) and X Shares (Net Accumulation) - Total return including revenue net of UK tax and annual charges. Exempt Shares 2 (Gross Accumulation) and Sterling X Shares (Gross Accumulation) - Total return including gross revenue and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Institutional Shares (Accumulation) Share Class of the Fund returned +4.46% against +5.32% for the FTSE Actuaries British Government over 15 years Index.

During the period, the Fund posted a positive return, marginally outperforming its comparative index. Long-dated UK Gilts delivered strong returns, as inflation continued to fall and global geopolitical tensions increased. Negatively, the Fund's shorter duration – a measure of sensitivity of the price of a fixed-income investment to a change in interest rates – stance proved unhelpful in both 2013 and in the rising market of 2014. Although the Fund's US Treasuries appreciated in value, they slightly underperformed Gilts of a similar maturity. Stronger economic data, an improving US economic picture and further improvements in the eurozone also conspired to create a difficult investment environment for bonds in late 2013, but relative performance was helped by the Fund's exposure to corporate bonds – debt issued by companies. This continued through the first half of 2014.

New positions over the period included 2.75% UK Gilt 2015 and another maturing in 2025. Notable sales included Gilts maturing in 2030, 2042 and 2055. Meanwhile, the Fund's corporate bond exposure was reduced following a period of strong performance.

The table below shows the top ten purchases and sales for the year

#### Purchases

Treasury 4.50% Stock 2042  
 Treasury 4.75% Stock 2030  
 Treasury 3.25% Stock 2044  
 Treasury 4.25% Stock 2055  
 Treasury 4.25% Stock 2039  
 Treasury 4.25% Stock 2032  
 Treasury 4.50% Stock 2034  
 Treasury 4.25% Stock 2036  
 Treasury 4.25% Stock 2040  
 Treasury 2.75% Stock 2015

#### Sales

Treasury 4.75% Stock 2030  
 Treasury 4.50% Stock 2042  
 Treasury 4.25% Stock 2055  
 Treasury 4.25% Stock 2032  
 Treasury 4.25% Stock 2039  
 Treasury 4.50% Stock 2034  
 Treasury 3.25% Stock 2044  
 Treasury 4.25% Stock 2040  
 Treasury 4.75% Stock 2038  
 Treasury 4.25% Stock 2036

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Exempt Shares 2 (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	322.70	273.26	11.6324
2011	386.04	292.49	11.6240
2012	406.31	361.90	11.3858
2013	410.68	369.21	11.3767
2014	402.20	375.57	5.8835
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	306.56	261.05	8.1821
2011	362.05	276.63	8.0234
2012	379.24	338.79	7.6343
2013	380.94	341.45	7.5751
2014	369.83	346.42	3.9027
<b>X Shares (Gross Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	324.92	274.84	12.3038
2011	389.72	294.77	12.3852
2012	410.68	365.54	12.2925
2013	415.76	374.05	12.3018
2014	408.04	380.74	6.3606
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 18 November)	100.65	97.84	0.6570
2014 (to 10 June)	103.67	97.58	0.6434
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 14 April)	101.47	99.18	0.6403

\*Distributions are shown in the year declared rather than paid.

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 2 (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	84,521,584	392.85	21,515,092
30/06/2013	53,569,142	377.37	14,195,414
30/06/2014	36,895,495	398.46	9,259,444
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	11,033,176	366.87	3,007,364
30/06/2013	2,689,591	349.59	769,350
30/06/2014	5,006,095	366.01	1,367,756
<b>X Shares (Gross Accumulation)</b>		<b>Pence</b>	
30/06/2012	14,628,665	397.03	3,684,513
30/06/2013	23,761,093	382.16	6,217,590
30/06/2014	13,210,564	404.35	3,267,127
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2014	1,220,413	100.47	1,214,699

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Exempt Shares 2 (Gross Accumulation)	0.27	0.26
Institutional Shares (Accumulation)	0.57	0.56
X Shares (Gross Accumulation)	0.07	0.06
X Shares (Net Accumulation)	0.07	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 90.76% (90.77%)</b>			
Treasury 2.75% Stock 2015	£940,000	951,788	1.69
Treasury 4.25% Stock 2039	£2,500,000	2,868,050	5.09
Treasury 4.50% Stock 2034	£3,630,000	4,272,510	7.58
Treasury 4.00% Stock 2060	£2,760,000	3,176,346	5.64
Treasury 4.25% Stock 2040	£3,220,897	3,703,580	6.57
Treasury 3.75% Stock 2052	£2,800,000	3,012,156	5.35
Treasury 3.25% Stock 2044	£3,400,000	3,288,208	5.84
Treasury 1.25% Index-Linked Stock 2017	£300,000	429,621	0.76
Treasury 4.25% Stock 2036	£3,240,000	3,694,216	6.56
Treasury 4.25% Stock 2032	£4,430,000	5,046,169	8.96
Treasury 4.75% Stock 2038	£3,130,000	3,858,226	6.85
Treasury 4.25% Stock 2055	£2,510,000	3,011,122	5.35
Treasury 4.25% Stock 2046	£2,970,000	3,461,684	6.15
Treasury 4.50% Stock 2042	£2,810,000	3,377,227	6.00
Treasury 4.75% Stock 2030	£2,100,000	2,525,649	4.48
Treasury 4.25% Stock 2049	£2,360,000	2,780,292	4.93
War Loan 3.50% Undated Bond	£1,983,190	1,665,582	2.96
<b>Overseas Government Bonds 2.09% (0.00%)</b>			
USA Treasury 4.375% Bonds 2039	USD800,000	558,016	0.99
USA Treasury Notes 1.00% 2017	USD830,000	488,229	0.87
USA Treasury Bills 0.00% 02/10/2014	USD225,000	131,577	0.23
<b>Sterling Denominated Bonds 4.13% (3.01%)</b>			
Affordable Housing Finance 3.80% Bonds (2042/44)	£287,000	291,273	0.52
DNB Nor Bank 7.25% FRN MTN 2020	£250,000	261,725	0.46
Electricite de France 6.125% Bonds 2034	£300,000	361,263	0.64
Exchequer Partnership 5.396% Bonds 2036	£381,000	390,264	0.69
Scotland Gas Networks 2.127% Index Linked 2022	£200,000	294,042	0.52
UBS London 6.625% EMTN 2018	£300,000	345,066	0.61
University of Cambridge 3.75% Bonds 2052	£389,000	390,206	0.69
<b>USD Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 13/08/14	USD 32,152	18,808	0.03
Forward Foreign Currency Contracts 13/08/14	£(18,957)	(18,957)	(0.03)
Forward Foreign Currency Contracts 13/08/14	USD 290,267	169,804	0.30
Forward Foreign Currency Contracts 13/08/14	£(173,772)	(173,772)	(0.31)
Forward Foreign Currency Contracts 13/08/14	USD(322,419)	(188,613)	(0.33)
Forward Foreign Currency Contracts 13/08/14	£190,038	190,038	0.34
<b>Portfolio of investments*</b>		<b>54,631,395</b>	<b>96.98</b>
<b>Net current assets</b>		<b>1,701,172</b>	<b>3.02</b>
<b>Total Net Assets</b>		<b>56,332,567</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent debt securities issued by the relevant companies or issuers.

\*Net of investment liabilities

**Portfolio Statement by Credit Rating**

as at 30 June 2014

	<b>Market Value (£'000s) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2014</b>	<b>Total Net Assets (%) 30/06/2013</b>
<b>Standard &amp; Poor's Ratings:</b>			
AAA	52,850	93.83	91.39
AA	684	1.21	0.83
A	968	1.71	1.11
BBB	-	-	0.45
Not Rated	132	0.23	-
Derivatives	(3)	-	-
<b>Portfolio of investments</b>	<b>54,631</b>	<b>96.98</b>	<b>93.78</b>
<b>Net current assets</b>	<b>1,701</b>	<b>3.02</b>	<b>6.22</b>
<b>Total Net Assets</b>	<b>56,332</b>	<b>100.00</b>	<b>100.00</b>

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

**S&P's ratings range is as follows:**

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D



## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
Income					
Net capital gains/(losses)	1		1,763,311		(6,401,250)
Revenue	2	2,355,657		3,155,795	
Expenses	3	(162,330)		(248,663)	
Finance costs: Interest	5	-		-	
Net revenue before taxation		2,193,327		2,907,132	
Taxation	4	-		-	
Net revenue after taxation			2,193,327		2,907,132
<b>Total return before distributions</b>			<b>3,956,638</b>		<b>(3,494,118)</b>
Finance costs: Distributions	5		(2,182,944)		(2,907,146)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>1,773,694</b>		<b>(6,401,264)</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	£	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		80,019,826		110,183,425
Amounts receivable on issue of shares	86,899,855		103,587,573	
Amounts payable on cancellation of shares	(114,413,894)		(130,286,891)	
		(27,514,039)		(26,699,318)
Dilution adjustment		158,997		162,857
Change in net assets attributable to Shareholders from investment activities (see above)		1,773,694		(6,401,264)
Retained distributions on accumulation shares		1,894,089		2,774,126
<b>Closing net assets attributable to Shareholders</b>		<b>56,332,567</b>		<b>80,019,826</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			54,635,512	75,038,653
Debtors	7	618,720		14,460,261
Cash and bank balances	8	<u>1,228,496</u>	<u>1,470,771</u>	
Total other assets			<u>1,847,216</u>	<u>15,931,032</u>
Total assets			56,482,728	90,969,685
<b>LIABILITIES</b>				
Investment liabilities			(4,117)	-
Creditors	9	<u>(146,044)</u>	<u>(10,949,859)</u>	
Total other liabilities			<u>(146,044)</u>	<u>(10,949,859)</u>
Total liabilities			(150,161)	(10,949,859)
<b>Net assets attributable to Shareholders</b>			<u><b>56,332,567</b></u>	<u><b>80,019,826</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>	Period
							Group 1: Shares purchased 1 April 2014 Group 2: Shares purchased 1 April 2014 to 30 June 2014
Institutional Shares (Accumulation)							
Group 1	2.4631	0.4926	1.9705	0.0000	1.9705	1.8598	
Group 2	1.2373	0.2475	0.9898	0.9807	1.9705	1.8598	
X Shares (Net Accumulation)							
Group 1	0.8004	0.1601	0.6403	0.0000	0.6403	n/a	
Group 2	0.2793	0.0559	0.2234	0.4169	0.6403	n/a	
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>	
Exempt Shares 2 (Gross Accumulation)							
Group 1			2.9818	0.0000	2.9818	2.8031	
Group 2			1.4443	1.5375	2.9818	2.8031	
X Shares (Gross Accumulation)							
Group 1			3.2252	0.0000	3.2252	3.0382	
Group 2			1.1388	2.0864	3.2252	3.0382	

**Interim interest distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>	Period
							Group 1: Shares purchased 1 January 2014 Group 2: Shares purchased 1 January 2014 to 31 March 2014
Institutional Shares (Accumulation)							
Group 1	2.4153	0.4831	1.9322	0.0000	1.9322	1.7966	
Group 2	1.2004	0.2401	0.9603	0.9719	1.9322	1.7966	
X Shares (Net Income)							
Group 1	0.8043	0.1609	0.6434	0.0000	0.6434	n/a	
Group 2	0.3094	0.0619	0.2475	0.3959	0.6434	n/a	
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>	
Exempt Shares 2 (Gross Accumulation)							
Group 1			2.9017	0.0000	2.9017	2.7021	
Group 2			1.5075	1.3942	2.9017	2.7021	
X Shares (Gross Accumulation)							
Group 1			3.1354	0.0000	3.1354	2.9272	
Group 2			2.1258	1.0096	3.1354	2.9272	

**Distribution Statements (continued)****Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 October 2013 Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Institutional Shares (Accumulation)						
Group 1	2.4319	0.4864	1.9455	0.0000	1.9455	1.9026
Group 2	1.8958	0.3792	1.5166	0.4289	1.9455	1.9026
X Shares (Net Income)						
Group 1	0.8213	0.1643	0.6570	0.0000	0.6570	n/a
Group 2	0.4673	0.0935	0.3738	0.2832	0.6570	n/a
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			2.9216	0.0000	2.9216	2.8539
Group 2			1.5442	1.3774	2.9216	2.8539
X Shares (Gross Accumulation)						
Group 1			3.1559	0.0000	3.1559	3.0876
Group 2			0.6454	2.5105	3.1559	3.0876

**Interim interest distribution in pence per Share**

						Period
						Group 1: Shares purchased 1 July 2013 Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Withheld @20%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Institutional Shares (Accumulation)						
Group 1	2.4665	0.4933	1.9732	0.0000	1.9732	1.8508
Group 2	1.6401	0.3280	1.3121	0.6611	1.9732	1.8508
			<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Exempt Shares 2 (Gross Accumulation)						
Group 1			2.9499	0.0000	2.9499	2.7773
Group 2			1.8091	1.1408	2.9499	2.7773
X Shares (Gross Accumulation)						
Group 1			3.1805	0.0000	3.1805	3.0101
Group 2			0.6225	2.5580	3.1805	3.0101

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

The net capital gains/(losses) on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains/(losses) on non-derivative securities	1,786,448	(6,398,712)
Gains on forward currency contracts	922	-
Currency exchange losses	(20,428)	-
Activity charges	(3,631)	(2,538)
<b>Net capital gains/(losses)</b>	<b>1,763,311</b>	<b>(6,401,250)</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
Bank interest	4,330	8,460
Interest on debt securities	2,350,995	3,146,943
Stock lending	332	392
<b>Total revenue</b>	<b>2,355,657</b>	<b>3,155,795</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	114,151	187,246
Administration fees	21,284	30,694
Registrar's disbursement fees	-	8
Safe custody charges	1,649	2,430
	<b>137,084</b>	<b>220,378</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	17,615	20,642
Distribution reconciliation service		
	<b>17,615</b>	<b>20,642</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	5,580	5,460
- Non-audit services (tax compliance fee)†	1,764	1,897
Financial Conduct Authority fee	287	286
	<b>7,631</b>	<b>7,643</b>
<b>Total expenses</b>	<b>162,330</b>	<b>248,663</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £4,650 (2013: £4,550) and £1,470 (2013: £1,580) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge (see note 4b)</b>	<u>-</u>	<u>-</u>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	2,193,327	2,907,132
<b>Corporation tax @ 20%</b>	438,665	581,426
Effects of:		
Excess management expenses	-	(10,633)
Tax deductible interest distributions	(438,665)	(581,691)
Tax relief due to capital indexation loss	-	10,898
<b>Total tax charge (see note 4a)</b>	<u>-</u>	<u>-</u>

#### c) Deferred tax

At 30 June 2014, the Fund has a potential deferred tax asset of nil (30/06/13: nil) in relation to surplus management expenses of nil (30/06/2013: nil). No deferred tax asset has been recognised in the year or prior year.

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim interest 30 September - Exempt Shares 2 (Gross Accumulation)	412,135	556,523
Interim interest 30 September - Institutional Shares (Accumulation)	15,085	31,603
Interim interest 30 September - X Shares (Gross Accumulation)	118,553	136,883
Interim interest 31 December - Exempt Shares 2 (Gross Accumulation)	299,045	564,311
Interim interest 31 December - Institutional Shares (Accumulation)	18,291	30,562
Interim interest 31 December - X Shares (Gross Accumulation)	88,877	140,192
Interim interest 31 December - X Shares (Net Income)	19,742	-
Interim interest 31 March - Exempt Shares 2 (Gross Accumulation)	283,220	414,687
Interim interest 31 March - Institutional Shares (Accumulation)	43,458	21,921
Interim interest 31 March - X Shares (Gross Accumulation)	199,226	276,321
Interim interest 31 March - X Shares (Net Income)	80,446	-
Final interest 30 June - Exempt Shares 2 (Gross Accumulation)	276,098	397,912
Final interest 30 June - Institutional Shares (Accumulation)	26,952	14,308
Final interest 30 June - X Shares (Gross Accumulation)	105,371	188,903
Final interest 30 June - X Shares (Net Accumulation)	7,778	-
Income tax withheld	53,719	40,276
	<u>2,047,996</u>	<u>2,814,402</u>

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Amounts added on issue of shares	(301,788)	(410,186)
Amounts deducted on cancellation of shares	436,736	502,930
<b>Net distributions for the year</b>	<b>2,182,944</b>	<b>2,907,146</b>
Interest	-	-
<b>Total finance costs</b>	<b>2,182,944</b>	<b>2,907,146</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	2,193,327	2,907,132
Equalisation on conversions	(10,381)	-
Undistributed revenue brought forward	9	23
Undistributed revenue carried forward	(11)	(9)
	<b>2,182,944</b>	<b>2,907,146</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	376,524	476,791
Amount receivable for issue of shares	67,524	8,586,695
Sales awaiting settlement	174,672	5,396,775
	<b>618,720</b>	<b>14,460,261</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	158,526	230,886
Cash held in BNY Mellon Sterling Liquidity Fund	1,069,970	1,239,885
	<b>1,228,496</b>	<b>1,470,771</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	17,523	20,606
Amount payable for cancellation of shares	82,700	5,217,338
Income tax payable	45,821	17,569
Purchases awaiting settlement	-	5,694,346
	<b>146,044</b>	<b>10,949,859</b>

## Notes to the Financial Statements (continued)

### 10 Related party transactions

ACD's periodic charge, administration fees, safe custody charges, activity charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £24,880 (30/06/13: £3,357,109 due from the ACD).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	4,831,253	49,853,507	997,371	55,682,131	4.27	27.77
United States of America	131,577	1,046,245	-	1,177,822	2.80	14.73
	<b>4,962,830</b>	<b>50,899,752</b>	<b>997,371</b>	<b>56,859,953</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(527,386)	(527,386)		
United States of America	-	-	-	-		
	<b>-</b>	<b>-</b>	<b>(527,386)</b>	<b>(527,386)</b>		
<b>Total</b>	<b>4,962,830</b>	<b>50,899,752</b>	<b>469,985</b>	<b>56,332,567</b>		

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	3,302,781	73,206,642	14,460,262	90,969,685	4.40	26.68
	<b>3,302,781</b>	<b>73,206,642</b>	<b>14,460,262</b>	<b>90,969,685</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(10,949,859)	(10,949,859)		
	<b>-</b>	<b>-</b>	<b>(10,949,859)</b>	<b>(10,949,859)</b>		
<b>Total</b>	<b>3,302,781</b>	<b>73,206,642</b>	<b>3,510,403</b>	<b>80,019,826</b>		



## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
BNY Mellon	(149)	(149)
JP Morgan	(3,968)	(3,968)
UBS	1,425	1,425
	<b>(2,692)</b>	<b>(2,692)</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and exchange traded index options. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014 Investments £	30/06/2014 Net Current Assets £	30/06/2014 Total £	30/06/2013 Total £
United Kingdom	53,453,573	1,701,172	55,154,745	80,019,826
United States of America	1,177,822	-	1,177,822	-
	<b>54,631,395</b>	<b>1,701,172</b>	<b>56,332,567</b>	<b>80,019,826</b>

### 12 Portfolio transaction costs

There were no transaction costs in the year to 30 June 2014 (30/06/13: nil).

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £692,084 of investments were subject to stock lending agreements and the Fund held £753,279 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £828,781 of investments were subject to stock lending agreements and the Fund held £849,500 in collateral. The collateral is held in debt securities.

The gross earnings and the fees for the year are £415 (30/06/13: £520) and £83 (30/06/13: £128).

Notes to the Financial Statements (continued)

15 Shareholders' funds

The Fund currently has four share classes; Exempt Shares 2 (Gross Accumulation), Institutional Shares (Accumulation), X Shares (Gross Accumulation) and X Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Exempt Shares 2 (Gross Accumulation)	0.20%	0.03%
Institutional Shares (Accumulation)	0.50%	0.03%
X Shares (Gross Accumulation)	0.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 506. The distributions are given in the distribution statements on pages 512 to 513. All share classes have the same rights on winding up.

Exempt Shares 2 (Gross Accumulation) and X Shares (Gross Accumulation) are gross paying Shares which are available only to institutional investors who are wholly exempt from UK taxation otherwise than by reason of non-residence. The ACD may pay or accumulate interest distributions without deducting income tax from them in the case of institutional investors. Any eligible investor who wishes to benefit from this should contact the ACD who will provide an appropriate form to be completed and returned to it.

**BNY MELLON INVESTMENT FUNDS – NEWTON MANAGED FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £1,369.90m

Comparative Index: IMA Flexible Investment Sector

Sector: IMA Flexible Investment

Yield as at 30 June 2014:

Sterling Income Shares	1.27%
Institutional Shares (Accumulation)	1.77%
Institutional Shares W (Net Income)	2.04%
Institutional Shares W (Net Accumulation)	1.99%
Retail Advised Shares B (Net Income)	1.74%
Retail Advised Shares B (Net Accumulation)	1.73%

Key Dates: Fund Launch 02 April 1990

**Investment Objective**

To achieve capital growth and income from a portfolio of UK, EC and international securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	8.99%	19.90%	-4.06%	17.61%	15.03%
Institutional Shares (Accumulation)	9.61%	20.60%	-3.51%	18.28%	15.70%
Institutional Shares W (Net Income)*	9.88%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	9.89%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	9.54%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	9.52%	n/a	n/a	n/a	n/a
IMA Flexible Investment	8.14%	15.84%	-6.11%	16.85%	18.25%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +8.99% against +8.14% for the IMA Flexible Investment Sector.

The Fund posted a strong positive return and outperformed the IMA Flexible Investment Sector. The Fund benefited from good stock selection within the consumer-services area, particularly its media holdings. Reed Elsevier, the publisher and information provider, was a strong performer as its management continued to generate value through share buybacks and small acquisitions. The Fund also benefited from its position in UK retailer Associated British Foods, which owns Primark. The healthcare sector was another area of strength, with perennial takeover target Smith & Nephew benefiting from the announcement that Zimmer was to acquire its competitor, Biomet. On the negative side, US bank Citigroup and Vodafone were among the chief detractors. Citigroup’s results missed expectations, while Vodafone’s near-term profitability was subdued and speculation about a potential takeover subsided. Not holding Apple was also negative for relative performance.

During the period, we initiated holdings in Swisscom, a telecoms provider; Wolters Kluwer, a Dutch publisher; and US speciality basic-materials company Eastman Chemicals. We also introduced Intuit, a US-based provider of business and financial-management solutions, to take advantage of the company’s significant opportunities for future growth. Further additions included US healthcare companies Merck and Abbott Laboratories. Merck enjoys an advantageous position in various product franchises, such as diabetes, infectious diseases, vaccines and animal health, all of which provide steadily growing profits. We expect Abbott Laboratories to deliver strong growth for the next few years, driven by product launches, a positive mix-shift and access to higher-growth emerging markets. The Fund also invested in US tobacco company Reynolds American on account of its profit-focused management team, its strong position in the growing US smokeless-tobacco business, the company’s healthy cash flow and its 5% dividend yield. We sold some holdings with large exposure to emerging markets, such as Unilever, Swiss food producer Nestle, UK life insurer Prudential and French-based cosmetics company L’Oreal. Additionally, the Fund sold US regional bank Keycorp and Irish building materials company CRH, after the shares reached their target price, and Merlin Entertainments, as the stock appeared fully valued.

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Swisscom	Associated British Foods
Total	Unilever
Equifax	Standard Life
Wolters Kluwer	Daily Mail & General Trust
Principal Financial	L'Oreal
Abbott Laboratories	Prudential
Intuit	BAE Systems
PNC Financial Services	Citigroup
TeliaSonera	National Grid
Vodafone	British American Tobacco

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	504.99	416.22	6.9122
2011	508.58	426.43	6.0588
2012	501.38	449.80	7.6218
2013	591.72	498.92	7.5904
2014	610.09	574.63	5.3087
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	553.32	454.77	10.3184
2011	561.48	474.70	9.6985
2012	570.58	504.55	11.6608
2013	688.47	570.65	12.3891
2014	713.16	670.39	8.1649
<b>P Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 22 June)	109.36	99.32	0.8273
2013 (to 23 September)	129.02	108.55	1.7238
**P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 31 August)	102.64	99.10	0.4691
2013	121.69	102.19	2.4974
2014	125.44	117.81	1.5884
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 31 August)	102.64	99.10	0.4682
2013	124.16	102.67	2.5208
2014	128.76	120.93	1.6334
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 October)	100.28	96.85	0.5875
2013	118.53	99.70	2.0777
2014	122.19	114.89	1.3578
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 October)	100.28	96.85	0.5876
2013	120.92	100.29	1.6685
2014	125.22	117.74	1.3921

\*Distributions are shown in the year declared rather than paid.

**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>	<b>Net Asset</b>	<b>Pence</b>	<b>Shares</b>
30/06/2012	1,165,658,719	465.35	250,492,334
30/06/2013	1,248,032,944	548.84	227,394,960
30/06/2014	1,236,423,589	591.71	208,956,140
<b>Institutional Shares (Accumulation)</b>	<b>Net Asset</b>	<b>Pence</b>	<b>Shares</b>
30/06/2012	73,168,676	528.25	13,851,112
30/06/2013	81,418,744	636.79	12,785,837
30/06/2014	84,505,293	698.10	12,105,042
<b>P Shares (Net Income)**</b>	<b>Net Asset</b>	<b>Pence</b>	<b>Shares</b>
30/06/2012	15,187	101.25	15,000
30/06/2013	23,800	119.41	19,932
**P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	3,088,705	112.42	2,747,563
30/06/2014	30,690,278	121.22	25,318,585
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	1,585,485	114.70	1,382,300
30/06/2014	11,383,502	126.06	9,030,421
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,216,686	109.67	4,756,690
30/06/2014	6,726,499	118.25	5,688,500
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	34,465	111.89	30,803
30/06/2014	169,882	122.57	138,602

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.62	1.62
Institutional Shares (Accumulation)	1.05	1.05
Institutional Shares W (Net Income)	0.80	0.80
Institutional Shares W (Net Accumulation)	0.80	0.80
Retail Advised Shares B (Net Income)	1.12	1.12
Retail Advised Shares B (Net Accumulation)	1.12	1.12

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Sterling Denominated Corporate Bonds 3.85% (2.79%)</b>			
British Telecommunications 3.50% Index Linked 2025	£3,680,000	6,834,202	0.50
Daily Mail & General Trust 5.75% Bonds 2018	£8,000,000	8,860,226	0.65
DWR Cymru Financing 3.514% Index Linked 2030	£2,600,000	5,039,580	0.37
National Grid Electricity Tran 2.983% Index-Linked 2018	£4,000,000	6,571,960	0.48
National Grid Gas 1.25% Index-Linked 2021	£1,450,000	1,579,500	0.12
Network Rail Infra Finance 1.75% Index Linked 2027	£4,000,000	6,096,682	0.45
Tesco 3.322% Index Linked 2025	£10,000,000	17,478,100	1.28
<b>Non-Sterling Denominated Corporate Bonds 0.00% (0.41%)</b>			
ERC Ireland Finance FRN 2016	EUR4,000,000	320	0.00
<b>United Kingdom 34.66% (43.73%)</b>			
Associated British Foods	426,000	12,984,480	0.95
AstraZeneca	426,000	18,488,400	1.35
Atkins (WS)	846,000	11,158,740	0.81
BP	7,460,000	38,411,540	2.80
Bunzl	1,800,000	29,178,000	2.13
Cable & Wireless Communications	14,888,735	7,331,213	0.54
Carphone Warehouse	4,600,000	14,835,000	1.08
Centrica	3,260,000	10,187,500	0.74
Chemring	2,500,000	5,137,500	0.38
Daily Mail & General Trust	1,800,000	14,967,000	1.09
GlaxoSmithKline	1,360,000	21,263,600	1.55
Imagination Technologies	1,000,000	2,109,000	0.15
Mitchells & Butlers	2,690,000	10,477,550	0.76
National Express	8,096,000	21,187,232	1.55
National Grid	1,260,000	10,584,000	0.77
Next	269,000	17,404,300	1.27
Pearson	1,096,000	12,636,880	0.92
QinetiQ	4,600,000	9,512,800	0.69
Reed Elsevier	4,800,000	45,120,000	3.29
Sage	9,860,000	37,872,260	2.76
Smith & Nephew	3,690,000	38,302,200	2.80
Smiths	1,500,000	19,440,000	1.42
Standard Life	3,260,000	12,192,400	0.89
Tate & Lyle	800,000	5,476,000	0.40
Vodafone	10,960,000	21,366,520	1.56
Whitbread	392,000	17,251,920	1.26
Workspace	1,800,000	10,260,000	0.75
<b>Investment Trusts 3.32% (2.54%)</b>			
BBGI	10,000,000	11,900,000	0.87
HICL Infrastructure	10,960,000	15,333,040	1.12
John Laing Infrastructure Fund	15,600,000	18,174,000	1.33
Thompson Clive Investments	3,491	698	0.00
<b>United States of America 28.72% (21.07%)</b>			
Abbott Laboratories	750,000	17,931,397	1.31
Accenture	426,000	20,133,380	1.47
Apple	126,000	6,848,074	0.50
Citigroup	260,000	7,160,511	0.52
Dollar General	300,000	10,062,286	0.73
Eastman Chemical	226,000	11,542,872	0.84
eBay	600,000	17,566,453	1.28
EMC	500,000	7,699,506	0.56
Equifax	600,000	25,451,355	1.86



**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United States of America (continued)</b>			
Google 'A'	30,000	10,258,093	0.75
Google 'B'	26,000	8,747,563	0.64
Hewlett-Packard	700,000	13,784,250	1.01
Interpublic Group of Companies	1,690,000	19,273,620	1.41
Intuit	386,000	18,179,714	1.33
Johnson & Johnson	426,000	26,055,549	1.90
Marathon Oil	360,000	8,402,842	0.61
Medtronic	600,000	22,377,402	1.63
Merck	326,000	11,027,774	0.81
Microsoft	900,000	21,949,294	1.60
PNC Financial Services	200,000	10,414,949	0.76
Principal Financial	1,126,000	33,236,377	2.43
Reynolds American	346,000	12,210,217	0.89
Sprint	1,600,000	7,972,629	0.58
Sysco	226,000	4,949,966	0.36
TJX Companies	300,000	9,325,379	0.68
Walt Disney	336,000	16,846,671	1.23
Wiley (John) & Sons	400,000	14,164,985	1.03
<b>China 0.00% (0.37%)</b>			
China Growth Opportunities Warrants	2,144,996	0	0.00
<b>Hong Kong 1.43% (0.72%)</b>			
AIA	6,646,000	19,558,953	1.43
<b>Japan 0.63% (1.59%)</b>			
Softbank	126,000	5,486,884	0.40
Sugi	118,200	3,152,612	0.23
<b>Thailand 0.58% (0.93%)</b>			
Intouch NVDR	6,000,000	7,919,892	0.58
<b>Denmark 1.53% (0.56%)</b>			
TDC	3,460,000	20,941,037	1.53
<b>France 3.86% (4.66%)</b>			
Sanofi	426,000	26,463,780	1.93
Total	626,000	26,431,670	1.93
<b>Germany 3.41% (2.52%)</b>			
Bayer	460,000	38,068,066	2.78
MTU Aero Engines	160,000	8,586,515	0.63
<b>Italy 0.44% (0.00%)</b>			
Pirelli	646,000	6,062,512	0.44
<b>Netherlands 2.65% (0.83%)</b>			
Wolters Kluwer	2,096,000	36,277,640	2.65
<b>Norway 0.67% (0.89%)</b>			
DNB	860,000	9,188,391	0.67
<b>Sweden 2.54% (0.81%)</b>			
Ericsson	1,200,000	8,471,740	0.62
Millicom International Cellular SDR	226,000	12,070,130	0.88
TeliaSonera	3,360,000	14,347,159	1.04

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Switzerland 7.32% (6.50%)</b>			
Novartis	750,000	39,693,793	2.90
Swisscom	60,000	20,398,405	1.49
Roche	230,000	40,120,821	2.93
<b>Portfolio of investments</b>		<b>1,309,817,451</b>	<b>95.61</b>
<b>Net current assets</b>		<b>60,081,592</b>	<b>4.39</b>
<b>Total Net Assets</b>		<b>1,369,899,043</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in Overseas Government Bonds, Canada and Brazil portfolio categories, which, at 30 June 2013, represented 2.25, 0.28% and 0.41% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

SDR = Swedish Depositary Receipt

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
Income					
Net capital gains	1		103,687,030		215,086,016
Revenue	2	39,451,622		45,006,292	
Expenses	3	(21,696,257)		(20,836,644)	
Finance costs: Interest	5	(173)		(302)	
Net revenue before taxation		17,755,192		24,169,346	
Taxation	4	(1,612,810)		(1,709,888)	
Net revenue after taxation			16,142,382		22,459,458
<b>Total return before distributions</b>			<b>119,829,412</b>		<b>237,545,474</b>
Finance costs: Distributions	5		(16,183,660)		(22,460,055)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>103,645,752</b>		<b>215,085,419</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	£	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		1,339,400,829		1,238,842,582
Amounts receivable on issue of shares	53,747,627		59,570,175	
Amounts payable on cancellation of shares	(128,339,395)		(175,695,636)	
		(74,591,768)		(116,125,461)
Dilution adjustment		-		38,132
Stamp Duty Reserve Tax		(136,521)		(192,523)
Change in net assets attributable to Shareholders from investment activities (see above)		103,645,752		215,085,419
Retained distributions on accumulation shares		1,574,182		1,745,560
Unclaimed distributions		6,569		7,120
<b>Closing net assets attributable to Shareholders</b>		<b>1,369,899,043</b>		<b>1,339,400,829</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			1,309,817,451	1,257,202,091
Debtors	7	20,876,183		16,918,613
Cash and bank balances	8	<u>65,972,006</u>	<u>105,598,707</u>	
Total other assets			<u>86,848,189</u>	<u>122,517,320</u>
Total assets			1,396,665,640	1,379,719,411
<b>LIABILITIES</b>				
Creditors	9	(15,194,343)		(25,734,208)
Distribution payable on income shares		<u>(11,572,254)</u>	<u>(14,584,374)</u>	
Total other liabilities			<u>(26,766,597)</u>	<u>(40,318,582)</u>
Total liabilities			(26,766,597)	(40,318,582)
<b>Net assets attributable to Shareholders</b>			<u><b>1,369,899,043</b></u>	<u><b>1,339,400,829</b></u>

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
						<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	5.8986	0.5899	5.3087	0.0000	5.3087	6.3599
Group 2	4.2964	0.4296	3.8668	1.4419	5.3087	6.3599
Institutional Shares (Accumulation)						
Group 1	9.0721	0.9072	8.1649	0.0000	8.1649	9.0605
Group 2	4.8820	0.4882	4.3938	3.7711	8.1649	9.0605
Institutional Shares W (Net Income)						
Group 1	1.7649	0.1765	1.5884	0.0000	1.5884	1.7631
Group 2	1.4947	0.1495	1.3452	0.2432	1.5884	1.7631
Institutional Shares W (Net Accumulation)						
Group 1	1.8149	0.1815	1.6334	0.0000	1.6334	1.7719
Group 2	0.9190	0.0919	0.8271	0.8063	1.6334	1.7719
Retail Advised Shares B (Net Income)						
Group 1	1.5087	0.1509	1.3578	0.0000	1.3578	1.5451
Group 2	0.0170	0.0017	0.0153	1.3425	1.3578	1.5451
Retail Advised Shares B (Net Accumulation)						
Group 1	1.5468	0.1547	1.3921	0.0000	1.3921	1.1256
Group 2	0.5694	0.0569	0.5125	0.8796	1.3921	1.1256

**Interim dividend distribution in pence per Share**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
						<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.3672	0.1367	1.2305	0.0000	1.2305	2.3311
Group 2	0.4381	0.0438	0.3943	0.8362	1.2305	2.3311
Institutional Shares (Accumulation)						
Group 1	3.6984	0.3698	3.3286	0.0000	3.3286	4.2474
Group 2	1.6406	0.1641	1.4765	1.8521	3.3286	4.2474
Institutional Shares W (Net Income)						
Group 1	0.8159	0.0816	0.7343	0.0000	0.7343	0.4691
Group 2	0.3438	0.0344	0.3094	0.4249	0.7343	0.4691
Institutional Shares W (Net Accumulation)						
Group 1	0.8321	0.0832	0.7489	0.0000	0.7489	0.4682
Group 2	0.3721	0.0372	0.3349	0.4140	0.7489	0.4682
Retail Advised Shares B (Net Income)						
Group 1	0.5918	0.0592	0.5326	0.0000	0.5326	0.5875
Group 2	0.1486	0.0149	0.1337	0.3989	0.5326	0.5875

**Distribution Statements (continued)****Interim dividend distribution in pence per Share (continued)**

	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
						<b>Prior Period 31/12/2012</b>
Retail Advised Shares B (Net Accumulation)						
Group 1	0.6032	0.0603	0.5429	0.0000	0.5429	0.5876
Group 2	0.2597	0.0260	0.2337	0.3092	0.5429	0.5876

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014	30/06/2013
	£	£
Gains on non-derivative securities	104,181,783	215,497,135
Currency exchange losses	(467,778)	(393,587)
Activity charges	(27,871)	(17,532)
Overseas transaction tax	896	-
<b>Net capital gains</b>	<b>103,687,030</b>	<b>215,086,016</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	17,459,215	24,963,068
Overseas dividends	19,182,314	13,447,908
Bank interest	251,419	75,736
Interest on debt securities	2,481,042	6,282,437
Property income distribution	-	83,930
Stock lending	77,632	112,380
Underwriting commission	-	40,833
<b>Total revenue</b>	<b>39,451,622</b>	<b>45,006,292</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	20,175,409	19,360,252
Administration fees	1,312,556	1,261,634
Collection charges	-	5,261
Registrar's disbursement fees	1,969	13,598
Safe custody charges	91,160	125,998
	<b>21,581,094</b>	<b>20,766,743</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	1,551	1,183
	<b>60,951</b>	<b>60,501</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,840	6,660
- Non-audit services (tax compliance fee)†	2,532	2,454
Financial Conduct Authority fee	287	286
Expenses associated with making tax reclaims	44,553	-
	<b>54,212</b>	<b>9,400</b>
<b>Total expenses</b>	<b>21,696,257</b>	<b>20,836,644</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,700 (2013: £5,550) and £2,110 (2013: £2,050) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
Overseas tax withheld	1,675,565	1,709,888
Repayment of French withholding tax	(62,755)	-
<b>Total tax charge (see note 4b)</b>	<b>1,612,810</b>	<b>1,709,888</b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	17,755,192	24,169,346
<b>Corporation tax @ 20%</b>	<b>3,551,038</b>	<b>4,833,869</b>
Effects of:		
Dividends not subject to corporation tax	(7,328,305)	(7,682,195)
Excess management expenses	3,777,267	2,848,326
Repayment of French withholding tax	(62,755)	-
Overseas tax withheld	1,675,565	1,709,888
<b>Total tax charge (see note 4a)</b>	<b>1,612,810</b>	<b>1,709,888</b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £106,699,086 (30/06/13: £87,812,751), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £21,339,817 (30/06/13: £17,562,550).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Sterling Income Shares	2,716,479	5,534,818
Interim dividend 31 December - Institutional Shares (Accumulation)	411,384	562,207
Interim dividend 31 December - P Shares (Net Income)	-	162
Interim dividend 31 December - Institutional Shares W (Net Income)	59,918	314
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	24,762	23
Interim dividend 31 December - Retail Advised Shares B (Net Income)	29,714	22,365
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	239	29
Final dividend 30 June - Sterling Income Shares	11,092,855	14,462,092
Final dividend 30 June - Institutional Shares (Accumulation)	988,365	1,158,461
Final dividend 30 June - P Shares (Net Income)	-	344
Final dividend 30 June - Institutional Shares W (Net Income)	402,161	48,442
Final dividend 30 June - Institutional Shares W (Net Accumulation)	147,503	24,493
Final dividend 30 June - Retail Advised Shares B (Net Income)	77,238	73,496
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	1,929	347
	<b>15,952,547</b>	<b>21,887,593</b>



## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Amounts added on issue of shares	(140,596)	(269,546)
Amounts deducted on cancellation of shares	371,709	842,008
<b>Net distributions for the year</b>	<b>16,183,660</b>	<b>22,460,055</b>
Interest	173	302
<b>Total finance costs</b>	<b>16,183,833</b>	<b>22,460,357</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	16,142,382	22,459,458
Equalisation on conversions	41,081	582
Undistributed revenue brought forward	218	233
Undistributed revenue carried forward	(21)	(218)
	<b>16,183,660</b>	<b>22,460,055</b>

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	3,457,331	3,931,549
Amount receivable for issue of shares	248,809	22,618
Overseas tax recoverable	1,989,603	1,179,432
Sales awaiting settlement	15,180,440	11,785,014
	<b>20,876,183</b>	<b>16,918,613</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	8,875,682	13,673,445
Cash held in BNY Mellon Sterling Liquidity Fund	57,096,324	91,925,262
	<b>65,972,006</b>	<b>105,598,707</b>

## Notes to the Financial Statements (continued)

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	1,857,831	1,785,552
Amount payable for cancellation of shares	5,543,415	2,445,250
Purchases awaiting settlement	7,793,097	21,503,406
	<b>15,194,343</b>	<b>25,734,208</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £7,132,124 (30/06/13: £4,189,845).

### 11 Financial instruments

#### Interest rate risk

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

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	573,004,023	57,751,927	630,755,950	732,649,567
Brazil	-	-	-	5,534,036
Canada	-	-	-	3,767,761
Denmark	20,941,037	-	20,941,037	7,467,266
Europe	141,890,503	377,246	142,267,749	108,041,290
Hong Kong	19,558,953	-	19,558,953	10,019,348
India	-	882	882	1,244,453
Japan	8,639,496	-	8,639,496	21,300,081
Norway	9,188,391	-	9,188,391	31,338,320
Sweden	34,889,029	349,461	35,238,490	10,832,097
Switzerland	100,213,019	1,262,895	101,475,914	88,149,169
Taiwan	-	851	851	955
Thailand	7,919,892	-	7,919,892	12,405,281
United States of America	393,573,108	338,330	393,911,438	306,651,205
<b>Total</b>	<b>1,309,817,451</b>	<b>60,081,592</b>	<b>1,369,899,043</b>	<b>1,339,400,829</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		648,028,927		726,289,244
Commissions	455,042		424,848	
Taxes	<u>921,410</u>		<u>1,300,162</u>	
Total purchase costs		1,376,452		1,725,010
<b>Gross purchases total</b>		<b><u>649,405,379</u></b>		<b><u>728,014,254</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		701,855,068		876,575,028
Commissions	(465,602)		(571,637)	
Taxes	<u>(9,698)</u>		<u>(33,901)</u>	
Total sales costs		(475,300)		(605,538)
<b>Total sales net of transaction costs</b>		<b><u>701,379,768</u></b>		<b><u>875,969,490</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, there were no investments subject to stock lending agreements (30/06/13: nil).

The gross earnings and the fees for the year are £97,040 (30/06/13: £145,443) and £19,408 (30/06/13: £33,063).

### 15 Shareholders' funds

The Fund currently has six share classes; Sterling Income Shares, Institutional Shares (Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Accumulation)	1.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 524. The distributions are given in the distribution statements on pages 530 to 531. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON ORIENTAL FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser:	Newton Investment Management Limited
Fund Size:	£414.45m
Comparative Index:	FTSE AW Asia Pacific ex Japan Index (GBP)
Sector:	IMA Asia Pacific Excluding Japan

Yield as at 30 June 2014:

Sterling Income Shares	0.74%
Euro Accumulation Shares	0.21%
Exempt Shares 1 (Net Accumulation)	1.80%
Institutional Shares (Accumulation)	1.31%
X Shares (Net Accumulation)	2.29%
P Shares (Net Income)	1.25%
Institutional Shares W (Net Income)	1.57%
Institutional Shares W (Net Accumulation)	1.55%
Retail Advised Shares B (Net Income)	1.27%
Retail Advised Shares B (Net Accumulation)	1.26%

Key Dates: Fund Launch 30 November 1990†  
†Managed by Newton since November 1994.

**Investment Objective**

To achieve capital growth by investing in securities predominantly in Asian and Pacific markets including Australia and New Zealand but excluding Japan. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	-4.95%	14.03%	-15.39%	22.58%	32.59%
Euro Accumulation Shares	-5.39%	12.97%	-15.41%	21.63%	32.21%
Exempt Shares 1 (Net Accumulation)	-3.93%	15.25%	-14.47%	23.90%	34.02%
Institutional Shares (Accumulation)	-4.42%	14.68%	-14.89%	23.26%	33.35%
X Shares (Net Accumulation)	-3.45%	15.82%	-14.04%	24.52%	34.69%
P Shares (Net Income)*	-4.36%	14.60%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	-4.16%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	-4.15%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	-4.47%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	-4.47%	n/a	n/a	n/a	n/a
FTSE AW Asia Pacific ex Japan TR GBP	4.62%	13.38%	-10.57%	21.25%	34.64%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned -4.95% against a positive return of +4.62% for the FTSE AW Pacific Ex Japan Index.

The Fund delivered a negative return and underperformed the comparative index over the 12-month period. Stock selection was the main source of underperformance over the period, with technology, healthcare, consumer goods and telecoms all areas of weakness. The Indonesian food company Indofood was the biggest detractor from performance despite sound operational progress. It fell in line with the Indonesian market when the initial plans for the winding down of the US asset-purchasing programme were announced, but failed to catch up with the market on the rebound. We remain happy with the company’s footprint in Indonesia, and see snack-food as an attractive way to capture rising incomes. Apollo Hospitals in India was also a notable detractor from overall returns. The stock had performed very well in the early stages of the reporting period, but subsequently weakened. Australian high-tech company Silex disappointed. The firm’s projects are long-dated propositions, and a lack of progress in monetisation disappointed investors. More positively, Macau gaming stock Sands China was a particular highlight. The constrained supply and increased demand for gaming in Macau has stood the company in good stead, enhancing its profitability and cash flow. Noble also stood out amid speculation that it would be able to reduce capital intensity. Other strong performers included Universal Robina and Oil Search. Universal Robina reported strong results, highlighting robust sales growth of the branded consumer foods segment in the Philippines. It also benefited from weak commodity prices. Oil Search announced a highly accretive deal with significant long-term strategic value.

Activity over the period included the purchase of shares in Australia & New Zealand Bank. This is our favoured bank in Australia because of its strong management and a regional presence. We felt that the risk versus reward profile of holding an Australian bank was attractive given the market and currency weakness. Samsung Electronics was another notable purchase, as it appeared attractively valued after an extended period of underperformance. In May, we bought into Spotless at IPO. This Australian company provides catering and laundry services and is set to benefit from increased public-sector outsourcing. It also offers both high growth and a decent dividend. Elsewhere, we sold our holding in Thailand’s Siam Commercial Bank given concerns over both its valuation and its exposure to the overstretched auto finance market. In March, we removed China Mobile as the company once again refused to increase its pay-out ratio, which we believe showed lack of respect for minority shareholders.

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Australia & New Zealand Bank	Taiwan Semiconductor Manufacturing
Samsung Electronics	Siam Commercial Bank
Spotless	Sands China
Robinson Retail	BHP Billiton
Amcor	Noble
Meridian Energy	China Mobile
Wynn Macau	Taiwan Mobile
Energy Development	United Overseas Bank
Oil Search	Standard Chartered
SK Hynix	Newcrest Mining

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	577.02	408.27	3.1483
2011	579.42	434.11	3.6320
2012	531.36	453.48	2.0344
2013	588.27	479.56	3.7479
2014	515.54	466.40	3.5100
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2010	247.46	171.79	0.4619
2011	253.58	186.94	0.3556
2012	238.32	208.56	0.0000
2013	255.21	210.20	0.4773
2014	236.11	207.23	0.4067
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	402.07	279.83	5.2950
2011	404.76	306.97	6.5205
2012	377.52	323.18	5.2261
2013	425.08	351.15	6.6860
2014	379.42	341.99	6.5333
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	190.07	132.90	1.8225
2011	191.05	144.57	2.1768
2012	177.40	151.64	1.6389
2013	198.58	163.57	2.2580
2014	176.32	159.20	2.1815
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	408.30	282.90	6.8667
2011	411.66	312.92	8.5000
2012	385.68	330.63	7.1188
2013	436.87	361.92	8.7925
2014	391.99	352.71	8.6436
<b>P Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 22 June)	113.07	98.44	0.0000
2013	128.84	104.89	1.3797
2014	113.07	102.09	1.4539
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	107.12	98.74	n/a
2013	122.22	99.45	1.4736
2014	107.33	96.83	1.5875
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 4 September)	107.13	98.74	n/a
2013	122.22	100.81	1.4790
2014	108.80	98.15	1.6348
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 26 September)	102.96	98.89	n/a
2013	117.28	95.61	1.0220
2014	103.02	93.04	1.2055

\*Distributions are shown in the year declared rather than paid

## Statistics

### Price and Revenue Record by Share Class (continued)

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 26 September)	102.96	98.89	n/a
2013	117.28	96.53	1.0194
2014	104.02	93.95	1.2162
<b>P Shares (Net Accumulation)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 October)	100.35	96.39	n/a
2013 (to 26 July)	114.35	97.97	0.3326

\*\*\*P Shares (Net Accumulation) share class closed 26 July 2013

\*Distributions are shown in the year declared rather than paid.

### Net Asset Value History by Share Class

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	403,800,443	467.22	86,426,494
30/06/2013	333,846,661	529.43	63,058,177
30/06/2014	226,787,520	498.38	45,505,340
<b>Euro Accumulation Shares</b>		<b>Cents</b>	
30/06/2012	13,363,349	214.05	7,742,217
30/06/2013	11,129,523	228.69	5,678,627
30/06/2014	5,303,741	230.88 **	2,868,834

\*\*Euro/Sterling exchange rate at close of business 30 June 2014: 1.248841

### Exempt Shares 1 (Net Accumulation)

		<b>Pence</b>	
30/06/2012	5,606,659	334.45	1,676,357
30/06/2013	4,902,612	385.71	1,271,048
30/06/2014	3,270,285	369.58	884,865

### Institutional Shares (Accumulation)

		<b>Pence</b>	
30/06/2012	193,623,309	156.93	123,379,597
30/06/2013	147,574,071	180.10	81,941,809
30/06/2014	117,893,035	171.70	68,661,064

### X Shares (Net Accumulation)

		<b>Pence</b>	
30/06/2012	6,074,505	342.18	1,775,213
30/06/2013	7,026,861	396.60	1,771,758
30/06/2014	6,753,281	381.92	1,768,242

### P Shares (Net Income)

		<b>Pence</b>	
30/06/2012	15,279	101.86	15,000
30/06/2013	386,485	115.43	334,808
30/06/2014	12,439	108.65	11,449

### Institutional Shares W (Net Income)

		<b>Pence</b>	
30/06/2013	48,889,119	109.37	44,701,491
30/06/2014	26,278,853	102.95	25,526,322

### Institutional Shares W (Net Accumulation)

		<b>Pence</b>	
30/06/2013	20,502,919	110.84	18,497,581
30/06/2014	11,819,665	105.96	11,154,544



## Statistics

### Net Asset Value History by Share Class (continued)

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	22,433,789	105.30	21,305,044
30/06/2014	16,322,337	99.12	16,467,621
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	8,180	106.32	7,694
30/06/2014	5,065	101.30	5,000
<b>P Shares (Net Accumulations)***</b>			
30/06/2013	101,992	103.67	98,380

\*\*\*P Shares (Net Accumulations) share class closed 26 July 2013

### Ongoing Charges

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.66	1.66
Euro Accumulation Shares	2.16	2.16
Exempt Shares 1 (Net Accumulation)	0.59	0.59
Institutional Shares (Accumulation)	1.09	1.09
X Shares (Net Accumulation)	0.09	0.09
P Shares (Net Income)	1.09	1.09
Institutional Shares W (Net Income)	0.84	0.84
Institutional Shares W (Net Accumulation)	0.84	0.84
Retail Advised Shares B (Net Income)	1.16	1.16
Retail Advised Shares B (Net Accumulation)	1.16	1.16

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 9.23% (9.57%)</b>			
BHP Billiton	1,100,000	20,784,500	5.02
Standard Chartered	1,460,000	17,432,400	4.21
<b>Australia 21.50% (14.40%)</b>			
Amcor	800,000	4,601,533	1.11
Australia & New Zealand Bank	785,000	14,442,749	3.48
Mesoblast	3,000,000	7,369,298	1.78
Monash IVF	922,581	888,679	0.21
Oil Search	4,300,000	22,929,282	5.53
Santos	2,700,000	21,253,388	5.13
Silex	6,000,000	3,742,610	0.90
Spotless	8,000,000	7,242,337	1.75
Veda	1,700,000	1,853,365	0.45
WorleyParsons	500,000	4,802,464	1.16
<b>New Zealand 1.96% (0.58%)</b>			
Meridian Energy	7,000,000	4,444,702	1.07
Telecom Corporation New Zealand	2,700,000	3,691,458	0.89
<b>China 1.61% (6.00%)</b>			
Boshiwa International	27,000,000	0	0.00
Shenguan	3,588,000	879,947	0.21
Sun Art Retail	2,966,000	1,974,060	0.48
Yingde Gases	6,000,000	3,798,690	0.92
<b>Hong Kong 14.82% (13.27%)</b>			
AIA	6,000,000	17,657,797	4.26
Belle International	10,000,000	6,466,980	1.56
Biostime International	627,000	2,032,129	0.49
Hengan International	1,925,000	11,809,784	2.85
Sands China	4,400,000	19,456,780	4.69
Wynn Macau	1,750,000	4,007,905	0.97
<b>India 10.44% (11.07%)</b>			
Apollo Hospitals	2,835,000	27,429,545	6.62
Fortis Healthcare India	4,000,000	4,729,726	1.14
ITC	3,500,000	11,095,020	2.68
<b>Indonesia 3.20% (3.71%)</b>			
Indofood CBP Sukses Makmur	20,000,000	9,866,666	2.38
Matahari Department Store	5,000,000	3,397,833	0.82
<b>South Korea 1.98% (0.00%)</b>			
Samsung Electronics	8,000	6,108,578	1.47
SK Hynix	75,000	2,102,569	0.51
<b>Malaysia 3.72% (3.14%)</b>			
IHH Healthcare	19,500,000	15,414,380	3.72
<b>Phillipines 10.44% (6.14%)</b>			
Energy Development	30,000,000	2,532,326	0.61
First Gen	40,000,000	11,629,940	2.81
GT Capital	700,000	8,047,168	1.94
LT	30,000,000	5,932,877	1.43
Robinsons Retail	5,500,000	5,239,502	1.26
Universal Robina	4,800,000	9,917,069	2.39

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Singapore 8.82% (8.82%)</b>			
Keppel	1,500,000	7,578,867	1.82
Noble	37,400,000	24,037,512	5.80
United Overseas Bank	470,000	4,956,687	1.20
<b>Taiwan 6.93% (9.95%)</b>			
Taiwan Mobile	1,500,000	2,711,904	0.65
Taiwan Semiconductor Manufacturing	10,500,000	26,017,233	6.28
<b>Thailand 4.24% (7.45%)</b>			
Advanced Info Service	1,450,000	5,748,454	1.39
Intouch (NVDR)	7,000,000	9,239,874	2.23
Robinson Department Store	2,500,000	2,567,883	0.62
<b>Portfolio of investments</b>		<b>409,864,450</b>	<b>98.89</b>
<b>Net current assets</b>		<b>4,581,771</b>	<b>1.11</b>
<b>Total Net Assets</b>		<b>414,446,221</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital (losses)/gains	1		(36,424,746)	77,953,369
Revenue	2	12,602,287		16,391,284
Expenses	3	(6,843,943)		(8,998,088)
Finance costs: Interest	5	-	-	
Net revenue before taxation		5,758,344		7,393,196
Taxation	4	(874,129)		(1,234,829)
Net revenue after taxation			4,884,215	6,158,367
<b>Total return before distributions</b>			<b>(31,540,531)</b>	<b>84,111,736</b>
Finance costs: Distributions	5		(4,965,723)	(5,984,576)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(36,506,254)</b>	<b>78,127,160</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		596,802,212	622,483,544
Amounts receivable on issue of shares	17,301,494		26,488,157
Amounts payable on cancellation of shares	(165,290,726)		(132,906,208)
		(147,989,232)	(106,418,051)
Dilution adjustment		257,700	255,031
Stamp Duty Reserve Tax		(21,080)	(35,978)
Change in net assets attributable to Shareholders from investment activities (see above)		(36,506,254)	78,127,160
Retained distributions on accumulation shares		1,900,251	2,388,223
Unclaimed distributions		2,624	2,283
<b>Closing net assets attributable to Shareholders</b>		<b>414,446,221</b>	<b>596,802,212</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			409,864,450	561,603,582
Debtors	7	4,458,311	3,811,210	
Cash and bank balances	8	<u>5,515,346</u>	<u>36,959,430</u>	
Total other assets			<u>9,973,657</u>	<u>40,770,640</u>
Total assets			419,838,107	602,374,222
<b>LIABILITIES</b>				
Creditors	9	(3,190,736)	(2,327,576)	
Distribution payable on income shares		<u>(2,201,150)</u>	<u>(3,244,434)</u>	
Total other liabilities			<u>(5,391,886)</u>	<u>(5,572,010)</u>
Total liabilities			(5,391,886)	(5,572,010)
<b>Net assets attributable to Shareholders</b>			<u><b>414,446,221</b></u>	<u><b>596,802,212</b></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	3.9000	0.3900	3.5100	0.0000	3.5100	3.7479
Group 2	1.8451	0.1845	1.6606	1.8494	3.5100	3.7479
Exempt Shares 1 (Net Accumulation)						
Group 1	7.2592	0.7259	6.5333	0.0000	6.5333	6.6860
Group 2	3.5216	0.3522	3.1694	3.3639	6.5333	6.6860
Institutional Shares (Accumulation)						
Group 1	2.4239	0.2424	2.1815	0.0000	2.1815	2.2580
Group 2	1.2871	0.1287	1.1584	1.0231	2.1815	2.2580
X Shares (Net Accumulation)						
Group 1	9.6040	0.9604	8.6436	0.0000	8.6436	8.7925
Group 2	9.6040	0.9604	8.6436	0.0000	8.6436	8.7925
P Shares (Net Income)						
Group 1	1.6154	0.1615	1.4539	0.0000	1.4539	1.3797
Group 2	1.6154	0.1615	1.4539	0.0000	1.4539	1.3797
Institutional Shares W (Net Income)						
Group 1	1.7639	0.1764	1.5875	0.0000	1.5875	1.4736
Group 2	0.7267	0.0727	0.6540	0.9335	1.5875	1.4736
Institutional Shares W (Net Accumulation)						
Group 1	1.8164	0.1816	1.6348	0.0000	1.6348	1.4790
Group 2	0.7420	0.0742	0.6678	0.9670	1.6348	1.4790
Retail Advised Shares B (Net Income)						
Group 1	1.3394	0.1339	1.2055	0.0000	1.2055	1.0220
Group 2	0.6446	0.0645	0.5801	0.6254	1.2055	1.0220
Retail Advised Shares B (Net Accumulation)						
Group 1	1.3513	0.1351	1.2162	0.0000	1.2162	1.0194
Group 2	1.3513	0.1351	1.2162	0.0000	1.2162	1.0194

**Final dividend distribution in cents per Share**

Euro Accumulation Shares						
Group 1	0.4519	0.0452	0.4067	0.0000	0.4067	0.4773
Group 2	0.1136	0.0114	0.1022	0.3045	0.4067	0.4773

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital (losses)/gains

	30/06/2014	30/06/2013
	£	£
The net capital (losses)/gains on investments during the year comprise		
(Losses)/gains on non-derivative securities	(36,492,329)	78,520,205
Currency exchange gains/(losses)	85,318	(544,664)
Activity charges	(17,735)	(22,172)
<b>Net capital (losses)/gains</b>	<b>(36,424,746)</b>	<b>77,953,369</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
UK dividends	2,000,155	2,498,941
Overseas dividends	10,518,241	13,811,746
Bank interest	39,586	29,675
Stock lending	44,305	50,922
<b>Total revenue</b>	<b>12,602,287</b>	<b>16,391,284</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	6,198,311	8,158,631
Administration fees	360,718	475,333
Registrar's disbursement fees	10,833	14,889
Safe custody charges	218,773	289,237
	<b>6,788,635</b>	<b>8,938,090</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	43,854	48,347
Distribution reconciliation service	257	658
	<b>44,111</b>	<b>49,005</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,980	7,800
- Non-audit services (tax compliance fee)†	2,940	2,907
Financial Conduct Authority fee	277	286
	<b>11,197</b>	<b>10,993</b>
<b>Total expenses</b>	<b>6,843,943</b>	<b>8,998,088</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,650 (2013: £6,500) and £2,450 (2013: £2,390) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	851,235	1,234,829
Prior year adjustment	22,894	-
<b>Total tax charge (see note 4b)</b>	<b><u>874,129</u></b>	<b><u>1,234,829</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>5,758,344</u>	<u>7,393,196</u>
<b>Corporation tax @ 20%</b>	1,151,669	1,478,639
Effects of:		
Dividends not subject to corporation tax	(2,503,679)	(3,262,137)
Excess management expenses	1,352,010	1,783,498
Overseas tax withheld	851,235	1,234,829
Prior year adjustment	22,894	-
<b>Total tax charge (see note 4a)</b>	<b><u>874,129</u></b>	<b><u>1,234,829</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £51,715,882 (30/06/14: £44,955,830), as it is unlikely that there will be sufficient taxable profits in future periods to utilise these expenses. The deferred tax asset not recognised is £10,343,176 (30/06/14: £8,991,166).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Final dividend 30 June - Sterling Income Shares	1,597,237	2,363,357
Final dividend 30 June - Euro Accumulation Shares	9,343	23,229
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	57,811	84,982
Final dividend 30 June - Institutional Shares (Accumulation)	1,497,841	1,850,246
Final dividend 30 June - X Shares (Net Accumulation)	152,840	155,782
Final dividend 30 June - P Shares (Net Income)	166	4,619
Final dividend 30 June - Institutional Shares W (Net Income)	405,230	658,721
Final dividend 30 June - Institutional Shares W (Net Accumulation)	182,355	273,579
Final dividend 30 June - Retail Advised Shares B (Net Income)	198,517	217,737
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	61	78
Final dividend 30 June - P Shares (Net Accumulation)	-	327
	<b><u>4,101,401</u></b>	<b><u>5,632,657</u></b>
Amounts added on issue of shares	(100,575)	(475,256)
Amounts deducted on cancellation of shares	964,897	827,175
<b>Net distributions for the year</b>	<b><u>4,965,723</u></b>	<b><u>5,984,576</u></b>
Interest	-	-
<b>Total finance costs</b>	<b><u>4,965,723</u></b>	<b><u>5,984,576</u></b>



**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	4,884,215	6,158,367
Equalisation on conversions	81,475	(173,733)
Undistributed revenue brought forward	131	73
Undistributed revenue carried forward	(98)	(131)
	<b><u>4,965,723</u></b>	<b><u>5,984,576</u></b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	1,108,726	1,211,524
Amount receivable for issue of shares	13,304	147,046
Corporation Tax due from HMRC	-	22,894
Sales awaiting settlement	3,336,281	2,429,746
	<b><u>4,458,311</u></b>	<b><u>3,811,210</u></b>

**8 Cash & bank balances**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Cash held at bank	4,873,049	6,806,458
Cash held in BNY Mellon Sterling Liquidity Fund	642,297	30,152,972
	<b><u>5,515,346</u></b>	<b><u>36,959,430</u></b>

**9 Creditors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued expenses	518,798	724,608
Amount payable for cancellation of shares	1,007,554	1,558,656
Purchases awaiting settlement	1,664,384	44,312
	<b><u>3,190,736</u></b>	<b><u>2,327,576</u></b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, activity fees charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £1,501,078. (30/06/13: £2,117,416).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	38,216,900	2,118,165	40,335,065	87,839,063
Australia	89,125,705	360,226	89,485,931	85,898,168
China	-	-	-	21,624
Europe	-	(40)	(40)	44,397
Hong Kong	68,084,072	298,544	68,382,616	116,535,344
India	43,254,291	33,802	43,288,093	68,783,190
Indonesia	13,264,499	213,485	13,477,984	22,154,688
Malaysia	15,414,380	71,138	15,485,518	18,718,643
New Zealand	8,136,160	-	8,136,160	3,437,084
Philippines	43,298,882	-	43,298,882	36,660,916
Singapore	36,573,066	-	36,573,066	52,711,773
South Korea	8,211,147	81	8,211,228	81
Taiwan	28,729,137	1,486,370	30,215,507	59,388,525
Thailand	17,556,211	-	17,556,211	44,467,048
United States of America	-	-	-	141,668
<b>Total</b>	<b>409,864,450</b>	<b>4,581,771</b>	<b>414,446,221</b>	<b>596,802,212</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	62,698,708	53,447,982
Commissions	121,901	327,068
Taxes	7,295	7,423
Total purchase costs	129,196	334,491
<b>Gross purchases total</b>	<b>62,827,904</b>	<b>53,782,473</b>
Analysis of total sales proceeds:		
Sales before transaction costs	178,490,540	182,149,734
Commissions	(254,290)	(307,199)
Taxes	(162,322)	(196,542)
Total sales costs	(416,612)	(503,741)
<b>Total sales net of transaction costs</b>	<b>178,073,928</b>	<b>181,645,993</b>

## Notes to the Financial Statements (continued)

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, £2,449,335 of investments was subject to stock lending agreements and the Fund held £2,593,492 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £55,381 (30/06/13: £67,230) and £11,076 (30/06/13: £16,308) respectively.

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Euro Accumulation Shares, Exempt Shares 1 (Net Accumulation), Institutional Shares (Accumulation), X Shares (Net Accumulation), P Shares (Net Income), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Euro Accumulation Shares	2.00%	0.10%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
P Shares (Net Income)	1.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 541 to 542. The distribution is given in the distribution statement on page 547. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON PHOENIX MULTI-ASSET FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £101.96m

Performance Reference: LIBOR GBP 1 Month + 2%

Sector: IMA Mixed Investment 20-60% Shares

Yield as at 30 June 2014:

Sterling Income Shares	1.50%
Sterling Accumulation Shares	1.47%
Exempt Shares 2 (Net Accumulation)	2.09%
Institutional Shares W (Net Income)	2.22%
Institutional Shares W (Net Accumulation)	2.18%
Retail Advised Shares B (Net Income)	1.99%
Retail Advised Shares B (Net Accumulation)	1.96%
X Shares (Net Accumulation)	2.83%

Key Dates: Fund Launch 27 November 2006

**Investment Objective**

To achieve long-term capital growth in excess of cash (1 month GBP LIBOR) + 2% per annum over 5 years before fees from a balanced portfolio diversified across a range of assets. A positive return is not guaranteed and a capital loss may occur. The Fund may invest in equities, fixed interest securities, collective investment schemes, warrants, derivative instruments, deposits and approved money market instruments. The ACD does not intend to have an interest in any immovable property or tangible movable property.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	6.62%	6.91%	-0.62%	11.24%	16.12%
Sterling Accumulation Shares	6.62%	6.92%	-0.62%	11.24%	16.13%
Exempt Shares 2 (Net Accumulation)	7.32%	7.59%	0.03%	11.99%	16.89%
Institutional Shares W (Net Income)*	7.42%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.42%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	7.17%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	7.16%	n/a	n/a	n/a	n/a
X Shares (Net Accumulation)*	7.96%	n/a	n/a	n/a	n/a
LIBOR GBP 1 Month +2%	2.49%	2.51%	2.70%	2.59%	2.54%

Source: Lipper as at 30 June 2014 – Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +6.62% against +2.49% for LIBOR GBP 1 Month + 2%.

Over the period the Fund generated a positive return. The key driver of performance was the equity portion of the Fund, as equity markets in the developed world performed well. At the stock level, notable contributors included Indian companies Jain Irrigation and Larsen & Toubro, which were both beneficiaries of a change in sentiment for Indian securities after Narendra Modi’s success in the Indian elections. Holdings in other emerging market names also contributed towards positive performance including Philippine power generation company First Gen. Within developed markets notable contributors were iPhone maker Apple, Swedish additive manufacturing company Arcam and Teva Pharmaceuticals. Notable detractors to performance were UK utilities companies Centrica & SSE. Bond markets also contributed towards returns as yields fell (prices rose) steadily over the year after the significant move in yields last May and June. Within alternatives, infrastructure funds continued to perform well and provide a good stable base to the portfolio.

We added a position in Canadian insurer Intact Financial, which we believe trades at a discount to global peers with better opportunities to grow, Philippines power generator First Gen and South African financial Old Mutual. After a strong run in Google we sold our holding: while we believe the company is well placed for the future it was felt that the valuation was full. Other notable sales were industrial 3D printer manufacturer voxeljet after strong performance, children’s toy maker Mattel and emerging market telecommunications company Millicom.

The table below shows the top ten purchases and sales (excluding any derivative transactions) for the year

Purchases	Sales
Bluefield Solar Income Fund	BBGI
The Renewables Infrastructure	NB Global Floating Rate Income Fund Red Ptg Preference Shares
JBS Investments GmbH 7.75% Bonds 2020	Treasury 4.75% Gilt 2030
Doric Nimrod Air Three	Source Physical Markets Secured Gold Linked Note (USD)
Fair Oaks Income Fund	BH Global
Kinnevik Investment	John Laing Infrastructure Fund
Dixons Retail	Daimler International Finance 2.125% Bonds 2013
Toyota Motor	Biotech Growth Trust
Bank Hapoalim	Severn Trent
Nexans	Bayer

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	126.31	113.46	1.5934
2011	129.23	118.29	1.7219
2012	130.79	122.09	1.8454
2013	139.79	129.60	2.0708
2014	139.40	132.32	1.3923
<b>Sterling Accumulation Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	143.47	127.70	1.7986
2011	148.23	136.02	1.9704
2012	152.52	141.19	2.1420
2013	164.03	152.11	2.4395
2014	166.14	157.70	1.6590
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	148.24	131.17	2.7652
2011	153.69	141.25	3.0157
2012	159.42	146.86	3.2452
2013	172.10	159.19	3.6660
2014	175.53	166.23	2.3057
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	102.44	100.19	0.6158
2013	109.98	101.66	2.4300
2014	109.70	103.85	1.4935
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	102.44	100.19	0.6156
2013	110.66	102.30	2.4556
2014	112.97	106.94	1.5380
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	101.15	99.16	0.7489
2013	108.32	100.22	2.1447
2014	108.04	102.36	1.3486
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	101.15	99.16	0.7488
2013	109.12	100.99	2.1708
2014	111.12	105.29	1.3872
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 21 May)	100.23	93.53	2.4842
2014	102.87	97.22	1.6469

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	19,358,651	124.16	15,591,071
30/06/2013	17,184,278	130.81	13,137,078
30/06/2014	12,450,314	137.08	9,082,806
<b>Sterling Accumulation Shares</b>		<b>Pence</b>	
30/06/2012	91,865,779	144.80	63,442,649
30/06/2013	85,030,287	154.77	54,939,525
30/06/2014	68,170,757	165.03	41,308,502
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	46,918,385	151.10	31,051,811
30/06/2013	2,870,609	162.51	1,766,463
30/06/2014	3,076,290	174.41	1,763,785
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	239,177	102.59	233,147
30/06/2014	1,662,798	107.51	1,546,602
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	931,926	104.49	891,863
30/06/2014	4,922,432	112.25	4,385,083
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,094	101.15	5,036
30/06/2014	5,449	106.00	5,141
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	12,083	103.02	11,728
30/06/2014	64,639	110.41	58,545
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	10,753,155	94.70	11,355,346
30/06/2014	11,610,536	102.25	11,355,346

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.65	1.66
Sterling Accumulation Shares	1.65	1.66
Exempt Shares 2 (Net Accumulation)	0.83	0.84
Institutional Shares W (Net Income)	0.71	0.71
Institutional Shares W (Net Accumulation)	0.71	0.71
Retail Advised Shares B (Net Income)	1.00	1.01
Retail Advised Shares B (Net Accumulation)	1.01	1.01
X Shares (Net Accumulation)	0.08	0.09

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.



**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 2.51% (4.03%)</b>			
Treasury 4.50% Gilt 2042	£262,000	314,887	0.31
Treasury 4.25% Gilt 2040	£1,427,342	1,641,243	1.61
Treasury 3.25% Gilt 2044	£625,227	604,669	0.59
<b>Overseas Government Bonds 5.44% (3.12%)</b>			
Brazil 0.00% Bonds 2016	BRL2,670	569,281	0.56
Ecuador 9.375% Bonds 2015	USD900,000	556,460	0.55
Fiji 9.00% Bonds 2016	USD850,000	528,811	0.52
Mongolia 4.125% Bonds 2018	USD950,000	516,418	0.51
New South Wales Treasury 2.75% Index Linked 2025	AUD1,568,900	1,177,785	1.16
New Zealand Government 5.50% Bonds 2023	NZD3,500,000	1,929,876	1.88
Venezuela 5.75% Bonds 2016	USD490,000	271,530	0.26
<b>Sterling Denominated Corporate Bonds 9.32% (12.99%)</b>			
Anglian Water Services Finance 4.125% Index Linked Notes 2020	£580,000	1,062,461	1.04
Boparan 9.875% Bonds 2018	£600,000	645,786	0.63
Cable & Wireless International Finance 8.625% Bonds 2019	£560,000	648,301	0.64
Chorus 6.75% Bonds 2020	£500,000	542,153	0.53
National Grid Gas 4.1875% Index-Linked 2022	£755,000	1,482,133	1.45
Scottish Widows 5.50% Bonds 2023	£640,000	668,416	0.66
Standard Chartered Bank 8.103% Step Perp 2049	£1,131,000	1,237,568	1.21
Tesco 4.00% Index Linked Notes 2016	£679,000	1,118,557	1.10
Tesco Property Finance 5.744% Bonds 2040	£710,000	763,189	0.75
TUI Travel 6.00% Cnv Bonds 2014	£300,000	339,645	0.33
Unique Pub Finance 5.659% Bonds 2027	£1,048,000	998,026	0.98
<b>Non-Sterling Denominated Corporate Bonds 8.27% (13.13%)</b>			
Altice Financing 8.00% Bonds 2019	EUR500,000	439,687	0.43
Breeze Finance 6.708% Bonds 2027	EUR700,000	234,297	0.23
Bumi Investment 10.75% Bonds 2017	USD800,000	230,383	0.23
China Green 10.00% Cnv Bonds 2016	CNY3,600,000	209,021	0.20
China Green 7.00% Cnv Bonds 2016	CNY3,600,000	182,979	0.18
Cirsa Funding Luxembourg 8.75% Bonds 2018	EUR600,000	497,670	0.49
Detour Gold 5.50% Cnv Bonds 2017	USD1,083,000	606,470	0.59
Drill Rigs 6.50% Bonds 2017	USD453,000	270,897	0.27
Edcon 13.375% Bonds 2019	EUR422,000	318,530	0.31
Ineos Finance FRN 2019	EUR340,000	284,499	0.28
JBS Investments 7.75% Bonds 2020	USD800,000	500,422	0.49
Nara Cable Funding 8.875% Bonds 2018	EUR700,000	597,951	0.59
Nielsen Finance 7.75% Bonds 2018	USD338,000	208,507	0.20
Nitrogenmuvek 7.875% Bonds 2020	USD840,000	507,497	0.50
Pacific Drilling 7.25% Bonds 2017	USD610,000	377,270	0.37
Palo Alto Networks 0.00% Cnv Bonds 2019	USD500,000	298,450	0.29
Sprint 7.125% Bonds 2024	USD559,000	346,545	0.34
Sprint Capital 8.75% Bonds 2032	USD882,000	595,083	0.58
Toys R Us Property 8.50% Bonds 2017	USD756,000	450,395	0.44
Tullow Oil 6.00% Bonds 2020	USD698,000	424,577	0.42
Viridian 11.125% Bonds 2017	EUR591,000	521,935	0.51
Yingde Gases Investment 8.125% Bonds 2018	USD537,000	332,080	0.33
<b>United Kingdom 9.53% (13.31%)</b>			
Balfour Beatty	160,529	374,835	0.37
BG	30,246	373,538	0.37
BHP Billiton	17,788	336,104	0.33
British American Tobacco	15,439	536,968	0.53

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom (continued)</b>			
Centrica	115,412	360,663	0.35
Dixons	1,134,268	564,752	0.55
Doric Nimrod Air Three	805,000	845,250	0.83
GlaxoSmithKline	30,944	483,809	0.47
Imagination Technologies	300,162	633,042	0.62
Infinis Energy	105,224	241,384	0.24
Invista European Real Estate	1,876,015	54,404	0.05
Jardine Lloyd Thompson	41,788	434,595	0.43
Ladbroke's	248,502	348,648	0.34
Merlin Entertainments	79,980	285,609	0.28
Mitchells & Butlers	79,499	309,649	0.30
Oakley Capital Investments	803,901	1,286,242	1.26
Old Mutual	169,217	334,542	0.33
Reed Elsevier	36,196	340,242	0.33
Renishaw	9,457	155,662	0.15
SSE	30,172	472,795	0.46
TBC Bank GDR	58,545	482,782	0.47
Wolseley	14,871	476,318	0.47
<b>Preference Shares 0.34% (0.00%)</b>			
Balfour Beatty 10.75p Gross (Nt Pd)	293,468	343,358	0.34
<b>Investment Trusts 22.27% (17.42%)</b>			
BBGI SICAV	664,431	790,673	0.78
BH Global	129,047	1,543,402	1.51
BH Macro	105,437	2,065,511	2.03
Biotech Growth Trust	49,235	242,975	0.24
Bluecrest Allblue Fund	1,144,442	2,097,762	2.06
Bluefield Solar Income Fund	1,379,747	1,414,241	1.39
CQS Diversified Fund	991,611	1,085,814	1.06
GCP Infrastructure Investments	933,164	1,068,473	1.05
GCP Infrastructure Investments C	985,690	1,052,224	1.03
Greencoat UK Wind	623,707	662,689	0.65
HICL Infrastructure	1,475,699	2,064,503	2.02
ICG-Longbow UK Property Debt Investment	1,142,649	1,148,362	1.13
International Public Partnership	1,359,815	1,812,633	1.78
John Laing Infrastructure Fund	1,803,107	2,100,620	2.06
NB Distressed Debt Investment Fund	700,299	504,792	0.50
NB Global Floating Rate Income Fund	532,823	525,363	0.52
Starwood European Real Estate Finance	964,352	993,283	0.97
The Renewables Infrastructure C	287,956	295,155	0.29
The Renewables Infrastructure	1,151,826	1,223,815	1.20
<b>Commodities 2.81% (3.81%)</b>			
ETFS Physical Platinum 0.00% Secured Note (USD)	6,965	583,278	0.57
Source Physical Markets Secured Gold Linked Note (USD)	30,207	2,294,343	2.24
<b>Collective Investment Schemes 0.75% (0.00%)</b>			
Fair Oaks Income Fund	1,299,530	767,626	0.75
<b>Canada 0.31% (0.00%)</b>			
Intact Financial	7,846	316,813	0.31

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United States of America 5.37% (9.53%)</b>			
Accenture	9,799	463,115	0.45
American Residential Property	60,465	662,344	0.65
Apple	15,012	815,899	0.80
Citigroup	7,847	216,110	0.21
eBay	8,003	234,307	0.23
EMC	11,220	172,777	0.17
HeartWare International	6,447	333,350	0.33
Intuit	4,727	222,631	0.22
K2M	29,784	258,673	0.25
Reynolds American	7,809	275,577	0.27
Silver Bay Realty Trust	75,972	724,241	0.71
Sysco	14,111	309,066	0.30
United Technologies	5,365	362,185	0.36
Yum Brands	9,123	433,140	0.42
<b>Brazil 0.69% (0.00%)</b>			
CCR	72,360	345,414	0.34
International Meal	65,058	353,888	0.35
<b>Mexico 0.62% (0.00%)</b>			
Fibra Shop Portafolios Inmobiliarios	773,098	630,136	0.62
<b>New Zealand 0.38% (0.62%)</b>			
Telecom Corporation New Zealand	283,024	386,952	0.38
<b>China 0.72% (1.10%)</b>			
Shenguan	1,249,000	306,314	0.30
Yingde Gases	673,642	426,493	0.42
<b>Hong Kong 1.24% (1.33%)</b>			
AIA	229,200	674,528	0.66
Link Real Estate Investment Trust	186,782	587,044	0.58
<b>India 1.43% (1.40%)</b>			
Fortis Healthcare India	312,001	368,920	0.36
ITC	121,722	385,859	0.38
Jain Irrigation Systems (DVR)	8,343	6,989	0.01
Jain Irrigation Systems	277,800	324,022	0.32
Larsen & Toubro	22,650	375,103	0.36
<b>Japan 1.89% (1.38%)</b>			
Japan Tobacco	22,800	486,100	0.48
Softbank	11,800	513,851	0.50
Sugi	17,100	456,089	0.45
Toyota Motor	13,500	474,170	0.46
<b>Philippines 1.21% (0.96%)</b>			
Energy Development	6,238,700	526,614	0.52
First Gen	1,843,000	535,849	0.53
LT	864,700	171,005	0.16
<b>Singapore 0.84% (1.14%)</b>			
Mapletree Greater China Commercial	1,270,000	515,368	0.51
Mapletree Logistics Trust	623,000	339,034	0.33

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Taiwan 0.31% (0.64%)</b>			
Taiwan Semiconductor Manufacturing ADS	25,131	314,239	0.31
<b>Thailand 1.42% (1.44%)</b>			
Bangkok Bank	66,200	230,834	0.23
Intouch (NVDR)	9,274	12,242	0.01
Intouch	262,900	347,023	0.34
Tesco Lotus Retail	3,648,678	854,750	0.84
<b>South Africa 0.61% (0.55%)</b>			
Life Healthcare	194,700	443,651	0.44
Naspers	2,462	169,349	0.17
<b>Belgium 0.43% (0.00%)</b>			
Materialise ADR	64,554	436,061	0.43
<b>Denmark 0.39% (0.53%)</b>			
TDC	65,455	396,155	0.39
<b>France 1.50% (1.68%)</b>			
Nexans	9,156	279,884	0.27
Sanofi	12,295	763,785	0.75
Total	11,643	491,604	0.48
<b>Germany 0.79% (2.35%)</b>			
Bayer	5,047	417,673	0.41
Fresenius Medical Care	9,857	387,463	0.38
<b>Israel 1.51% (0.61%)</b>			
Bank Hapoalim	234,835	794,714	0.78
Teva Pharmaceutical ADR	24,121	739,352	0.73
<b>Italy 0.15% (0.00%)</b>			
Pirelli	16,155	151,610	0.15
<b>Sweden 1.05% (0.70%)</b>			
Arcam	27,152	524,943	0.51
Kinnevik Investment	22,218	553,558	0.54
<b>Switzerland 1.48% (2.81%)</b>			
Novartis	14,734	779,798	0.76
Roche	4,190	730,897	0.72
<b>Derivatives 0.44% (0.29%)</b>			
<b>Options 0.10% (0.10%)</b>			
Euro Stoxx 50 December 2014 3450 (Call Option)	EUR212	67,903	0.07
Euro Stoxx 50 July 2014 3350 (Call Option)	EUR165	3,699	0.00
Euro Stoxx 50 August 2014 3400 (Call Option)	EUR212	10,016	0.01
FTSE 100 Index July 2014 7000 (Call Option)	£159	2,385	0.00
S&P 500 Index July 2014 1800 (Put Option)	USD299	20,110	0.02
S&P 500 Index Quarterly June 2014 1750 (Put Option)	USD141	412	0.00
<b>AUD Forward Foreign Currency Contracts 0.00% (0.13%)</b>			
Forward Foreign Currency Contracts 14/08/14	AUD(2,926,470)	(1,611,919)	(1.58)
Forward Foreign Currency Contracts 14/08/14	£1,609,610	1,609,610	1.58

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>CHF Forward Foreign Currency Contracts 0.06% (0.00%)</b>			
Forward Foreign Currency Contracts 14/08/14	CHF(3,375,000)	(2,227,008)	(2.18)
Forward Foreign Currency Contracts 14/08/14	£2,279,163	2,279,163	2.24
Forward Foreign Currency Contracts 14/08/14	CHF1,109,000	731,778	0.72
Forward Foreign Currency Contracts 14/08/14	£(730,046)	(730,046)	(0.72)
<b>EUR Forward Foreign Currency Contracts 0.08% (0.02%)</b>			
Forward Foreign Currency Contracts 12/09/14	EUR(7,062,441)	(5,661,484)	(5.55)
Forward Foreign Currency Contracts 12/09/14	£5,738,016	5,738,016	5.63
<b>JPY Forward Foreign Currency Contracts 0.02% (0.00%)</b>			
Forward Foreign Currency Contracts 11/07/14	JPY(243,716,000)	(1,407,003)	(1.38)
Forward Foreign Currency Contracts 11/07/14	£1,425,177	1,425,177	1.40
Forward Foreign Currency Contracts 11/07/14	JPY(91,124,000)	(526,070)	(0.52)
Forward Foreign Currency Contracts 11/07/14	£530,422	530,422	0.52
<b>NZD Forward Foreign Currency Contracts 0.02% (0.14%)</b>			
Forward Foreign Currency Contracts 11/07/14	NZD(4,147,987)	(2,124,028)	(2.08)
Forward Foreign Currency Contracts 11/07/14	£2,136,170	2,136,170	2.10
<b>USD Forward Foreign Currency Contracts 0.16% (-0.10%)</b>			
Forward Foreign Currency Contracts 12/09/14	USD(14,629,228)	(8,562,365)	(8.40)
Forward Foreign Currency Contracts 12/09/14	£8,730,728	8,730,728	8.56
Forward Foreign Currency Contracts 12/09/14	USD(500,000)	(292,647)	(0.29)
Forward Foreign Currency Contracts 12/09/14	£293,855	293,855	0.29
<b>Portfolio of investments*</b>		<b>87,711,497</b>	<b>86.02</b>
<b>Net current assets</b>		<b>14,251,718</b>	<b>13.98</b>
<b>Total Net Assets</b>		<b>101,963,215</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

ADR = American Depositary Receipt

ADS = American Depositary Share

GDR = Global Depositary Receipt

SDR = Swedish Depositary Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		5,075,760	7,086,807
Revenue	2	3,830,595		3,945,482
Expenses	3	(1,564,126)		(1,920,803)
Finance costs: Interest	5	(64)		(5)
Net revenue before taxation		2,266,405		2,024,674
Taxation	4	(166,825)		(134,543)
Net revenue after taxation			2,099,580	1,890,131
<b>Total return before distributions</b>			<b>7,175,340</b>	<b>8,976,938</b>
Finance costs: Distributions	5		(2,112,657)	(1,890,844)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>5,062,683</b>	<b>7,086,094</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		117,026,609	158,142,815
Amounts receivable on issue of shares	3,679,203		18,198,074
Amounts payable on cancellation of shares	(25,586,628)		(68,071,209)
		(21,907,425)	(49,873,135)
Dilution adjustment		9,471	116,573
Stamp Duty Reserve Tax		(3,280)	(5,450)
Change in net assets attributable to Shareholders from investment activities (see above)		5,062,683	7,086,094
Retained distributions on accumulation shares		1,766,045	1,559,712
Unclaimed distributions		9,112	-
<b>Closing net assets attributable to Shareholders</b>		<b>101,963,215</b>	<b>117,026,609</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets*			87,713,806	113,487,598
Debtors	7	1,017,124	1,047,505	
Cash and bank balances	8	<u>14,525,216</u>	<u>3,684,082</u>	
Total other assets			<u>15,542,340</u>	<u>4,731,587</u>
Total assets			103,256,146	118,219,185
<b>LIABILITIES</b>				
Investment liabilities			(2,309)	(126,434)
Creditors	9	(1,140,994)	(919,513)	
Distribution payable on income shares		<u>(149,628)</u>	<u>(146,629)</u>	
Total other liabilities			<u>(1,290,622)</u>	<u>(1,066,142)</u>
Total liabilities			(1,292,931)	(1,192,576)
<b>Net assets attributable to Shareholders</b>			<u><b>101,963,215</b></u>	<u><b>117,026,609</b></u>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	1.5470	0.1547	1.3923	0.0000	1.3923	1.0933
Group 2	0.8196	0.0820	0.7376	0.6547	1.3923	1.0933
Sterling Accumulation Shares						
Group 1	1.8433	0.1843	1.6590	0.0000	1.6590	1.2831
Group 2	0.9291	0.0929	0.8362	0.8228	1.6590	1.2831
Exempt Shares 2 (Net Accumulation)						
Group 1	2.5619	0.2562	2.3057	0.0000	2.3057	1.9005
Group 2	1.3500	0.1350	1.2150	1.0907	2.3057	1.9005
Institutional Shares W (Net Income)						
Group 1	1.6594	0.1659	1.4935	0.0000	1.4935	1.2633
Group 2	0.4931	0.0493	0.4438	1.0497	1.4935	1.2633
Institutional Shares W (Net Accumulation)						
Group 1	1.7089	0.1709	1.5380	0.0000	1.5380	1.2682
Group 2	0.9878	0.0988	0.8890	0.6490	1.5380	1.2682
Retail Advised Shares B (Net Income)						
Group 1	1.4984	0.1498	1.3486	0.0000	1.3486	1.1169
Group 2	1.1656	0.1166	1.0490	0.2996	1.3486	1.1169
Retail Advised Shares B (Net Accumulation)						
Group 1	1.5413	0.1541	1.3872	0.0000	1.3872	1.1238
Group 2	1.2547	0.1255	1.1292	0.2580	1.3872	1.1238
X Shares (Net Accumulation)						
Group 1	1.8299	0.1830	1.6469	0.0000	1.6469	1.1605
Group 2	1.8299	0.1830	1.6469	0.0000	1.6469	1.1605

**Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	1.0861	0.1086	0.9775	0.0000	0.9775	0.8016
Group 2	0.6577	0.0658	0.5919	0.3856	0.9775	0.8016
Sterling Accumulation Shares						
Group 1	1.2849	0.1285	1.1564	0.0000	1.1564	0.9349
Group 2	0.5142	0.0514	0.4628	0.6936	1.1564	0.9349



## Distribution Statements (continued)

### Interim dividend distribution in pence per Share (continued)

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	Gross Revenue	Tax Credit @10%	Net Revenue	Equalisation	Amount Paid	Prior Period 31/12/2012
Exempt Shares 2 (Net Accumulation)						
Group 1	1.9617	0.1962	1.7655	0.0000	1.7655	1.4953
Group 2	0.9202	0.0920	0.8282	0.9373	1.7655	1.4953
Institutional Shares W (Net Income)						
Group 1	1.2963	0.1296	1.1667	0.0000	1.1667	0.6158
Group 2	0.4428	0.0443	0.3985	0.7682	1.1667	0.6158
Institutional Shares W (Net Accumulation)						
Group 1	1.3193	0.1319	1.1874	0.0000	1.1874	0.6156
Group 2	0.4122	0.0412	0.3710	0.8164	1.1874	0.6156
Retail Advised Shares B (Net Income)						
Group 1	1.1420	0.1142	1.0278	0.0000	1.0278	0.7489
Group 2	0.7986	0.0799	0.7187	0.3091	1.0278	0.7489
Retail Advised Shares B (Net Accumulation)						
Group 1	1.1633	0.1163	1.0470	0.0000	1.0470	0.7488
Group 2	0.0678	0.0068	0.0610	0.9860	1.0470	0.7488
X Shares (Net Accumulation)						
Group 1	1.4708	0.1471	1.3237	0.0000	1.3237	n/a
Group 2	1.4708	0.1471	1.3237	0.0000	1.3237	n/a

	Franked (%)	Unfranked (%)	Utilised foreign tax (£)	Utilised foreign tax (pence per share)
<b>Final distributions for 30 June 2014</b>				
Sterling Income Shares	88.24	11.76	661	0.0073
Sterling Accumulation Shares	88.16	11.84	3,577	0.0087
Exempt Shares 2 (Net Accumulation)	67.18	32.82	152	0.0086
Institutional Shares W (Net Income)	64.71	35.29	74	0.0048
Institutional Shares W (Net Accumulation)	64.35	35.65	217	0.0050
Retail Advised Shares B (Net Income)	70.61	29.39	n/a	n/a
Retail Advised Shares B (Net Accumulation)	71.10	28.90	3	0.0055
X Shares (Net Accumulation)	55.27	44.73	573	0.0050

### Interim distributions for 31 December 2013

Sterling Income Shares	94.45	5.55	n/a	n/a
Sterling Accumulation Shares	94.45	5.55	n/a	n/a
Exempt Shares 2 (Net Accumulation)	72.18	27.82	n/a	n/a
Institutional Shares W (Net Income)	67.35	32.65	n/a	n/a
Institutional Shares W (Net Accumulation)	66.26	33.74	n/a	n/a
Retail Advised Shares B (Net Income)	77.01	22.99	n/a	n/a
Retail Advised Shares B (Net Accumulation)	75.28	24.72	n/a	n/a
X Shares (Net Accumulation)	49.57	50.43	n/a	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	2,912,493	8,099,169
Gains/(losses) on derivative contracts	98,305	(535,670)
Gains/(losses) on forward currency contracts	2,118,521	(527,615)
Currency exchange (losses)/gains	(39,890)	77,377
Activity charges	(13,669)	(21,600)
Overseas transaction tax	-	(4,854)
<b>Net capital gains</b>	<b>5,075,760</b>	<b>7,086,807</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	367,409	358,862
Overseas dividends	1,478,891	1,419,264
Bank interest	10,115	11,404
Interest on debt securities	1,948,663	2,141,637
Stock lending	25,517	14,315
<b>Total revenue</b>	<b>3,830,595</b>	<b>3,945,482</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	1,420,888	1,754,319
Administration fees	97,024	114,745
Registrar's disbursement fees	1,028	5,131
Safe custody charges	13,469	14,133
	<b>1,532,409</b>	<b>1,888,328</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	21,023	22,030
Distribution reconciliation service	75	72
	<b>21,098</b>	<b>22,102</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,500	7,320
- Non-audit services (tax compliance fee)†	2,832	2,767
Financial Conduct Authority fee	287	286
	<b>10,619</b>	<b>10,373</b>
<b>Total expenses</b>	<b>1,564,126</b>	<b>1,920,803</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,250 (2013: £6,100) and £2,360 (2013: £2,295) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	98,869	51,176
Income tax expense	9,554	3,096
	<u>108,423</u>	<u>54,272</u>
Overseas tax withheld	58,116	97,649
Prior year adjustment	286	(17,378)
<b>Total tax charge (see note 4b)</b>	<b><u>166,825</u></b>	<b><u>134,543</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>2,266,405</u>	<u>2,024,674</u>
<b>Corporation tax @ 20%</b>	453,281	404,935
Effects of:		
Dividends not subject to corporation tax	(354,412)	(347,872)
Income tax expense	9,554	3,096
Overseas tax withheld	58,116	97,649
Prior year adjustment	286	(17,378)
Tax relief due to capital indexation loss	-	(5,887)
<b>Total tax charge (see note 4a)</b>	<b><u>166,825</u></b>	<b><u>134,543</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses (30/06/13: Nil).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Sterling Income Shares	107,251	110,950
Interim dividend 31 December - Sterling Accumulation Shares	558,921	551,977
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	31,246	125,195
Interim dividend 31 December - Institutional Shares W (Net Income)	10,862	31
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	44,024	693
Interim dividend 31 December - Retail Advised Shares B (Net Income)	52	37
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	301	125
Interim dividend 31 December - X Shares (Net Accumulation)	150,311	-
Final dividend 30 June - Sterling Income Shares	126,460	143,628
Final dividend 30 June - Sterling Accumulation Shares	685,308	704,929
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	40,668	33,572
Final dividend 30 June - Institutional Shares W (Net Income)	23,099	2,945
Final dividend 30 June - Institutional Shares W (Net Accumulation)	67,443	11,311
Final dividend 30 June - Retail Advised Shares B (Net Income)	69	56
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	812	132
Final dividend 30 June - X Shares (Net Accumulation)	187,011	131,778
	<b><u>2,033,838</u></b>	<b><u>1,817,359</u></b>

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

Distributions (continued)	30/06/2014 £	30/06/2013 £
Amounts added on issue of shares	(18,514)	(120,262)
Amounts deducted on cancellation of shares	97,333	193,747
<b>Net distributions for the year</b>	<b>2,112,657</b>	<b>1,890,844</b>
Interest	64	5
<b>Total finance costs</b>	<b>2,112,721</b>	<b>1,890,849</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014 £	30/06/2013 £
Net revenue after taxation	2,099,580	1,890,131
Equalisation on conversions	13,058	703
Undistributed revenue brought forward	60	70
Undistributed revenue carried forward	(41)	(60)
	<b>2,112,657</b>	<b>1,890,844</b>

### 7 Debtors

	30/06/2014 £	30/06/2013 £
Accrued revenue	358,762	587,784
Amount receivable for issue of shares	33,522	55,297
Overseas tax recoverable	47,566	89,830
Sales awaiting settlement	577,274	314,594
	<b>1,017,124</b>	<b>1,047,505</b>

### 8 Cash & bank balances

	30/06/2014 £	30/06/2013 £
Cash held at bank	5,280,725	698,119
Cash held in BNY Mellon Sterling Liquidity Fund	9,244,491	2,985,963
	<b>14,525,216</b>	<b>3,684,082</b>

### 9 Creditors

	30/06/2014 £	30/06/2013 £
Accrued expenses	129,740	154,506
Amount payable for cancellation of shares	470,740	270,401
Corporation tax payable	52,357	51,176
Purchases awaiting settlement	488,157	443,430
	<b>1,140,994</b>	<b>919,513</b>

## Notes to the Financial Statements (continued)

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £554,488 (30/06/13: £358,241).

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	18,337,183	8,064,238	55,009,232	81,410,653	6.17	19.95
Australia	1,177,785	-	3,203	1,180,988		
Brazil	569,281	-	699,302	1,268,583		
Canada	-	-	316,813	316,813		
China	-	392,000	10,919	402,919	8.60	2.00
Denmark	-	-	396,155	396,155		
Europe	284,499	2,610,070	2,613,305	5,507,874	9.51	4.90
Hong Kong	-	-	2,022,202	2,022,202		
India	3	-	1,470,798	1,470,801		
Israel	-	-	794,714	794,714		
Japan	-	-	1,930,210	1,930,210		
Mexico	-	-	630,136	630,136		
New zealand	-	1,929,876	407,421	2,337,297	5.50	9.00
Philippines	-	-	1,233,468	1,233,468		
Singapore	-	-	854,402	854,402		
South Africa	-	-	613,000	613,000		
Sweden	-	-	1,078,501	1,078,501		
Switzerland	-	-	2,276,698	2,276,698		
Taiwan	186,472	-	-	186,472		
Thailand	4,353	-	1,444,849	1,449,202		
United States of America	556,460	6,465,335	12,013,523	19,035,318	6.96	5.55
	21,116,036	19,461,519	85,818,851	126,396,406		
<b>Liabilities</b>						
United Kingdom	-	-	(1,732,634)	(1,732,634)		
Australia	-	-	(1,611,919)	(1,611,919)		
China	-	-	(5,661,484)	(5,661,484)		
Japan	-	-	(1,933,073)	(1,933,073)		
New zealand	-	-	(2,124,028)	(2,124,028)		
Switzerland	-	-	(2,227,008)	(2,227,008)		
United States of America	-	-	(9,143,045)	(9,143,045)		
	-	-	(24,433,191)	(24,433,191)		
<b>Total</b>	<b>21,116,036</b>	<b>19,461,519</b>	<b>61,385,660</b>	<b>101,963,215</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	10,354,948	13,180,203	61,764,013	85,299,164	5.93	16.85
Australia	1,670,281	-	4,615	1,674,896		
China	578,157	-	-	578,157		
Denmark	-	-	616,135	616,135		
Europe	802,420	6,936,663	5,185,563	12,924,646	8.83	5.46
Hong Kong	-	-	2,856,157	2,856,157		
India	-	-	1,653,205	1,653,205		
Japan	-	-	1,607,631	1,607,631		
New Zealand	-	1,972,768	748,413	2,721,181	5.50	10.00
Norway	-	-	8,700	8,700		
Philippines	-	-	1,129,485	1,129,485		
Singapore	-	-	1,335,833	1,335,833		
South Africa	-	-	696,164	696,164		
Sweden	-	-	823,427	823,427		
Switzerland	-	-	3,370,476	3,370,476		
Taiwan	64,883	-	244,484	309,367		
Thailand	-	-	1,685,040	1,685,040		
United States of America	717,179	6,335,667	18,453,781	25,506,627	7.82	7.30
	14,187,868	28,425,301	102,183,122	144,796,291		
<b>Liabilities</b>						
United Kingdom	-	-	(1,330,818)	(1,330,818)		
Australia	-	-	(1,755,546)	(1,755,546)		
Europe	-	-	(8,842,634)	(8,842,634)		
New Zealand	-	-	(2,099,785)	(2,099,785)		
South Africa	-	-	(46,828)	(46,828)		
United States of America	-	-	(13,694,071)	(13,694,071)		
	-	-	(27,769,682)	(27,769,682)		
<b>Total</b>	<b>14,187,868</b>	<b>28,425,301</b>	<b>74,413,440</b>	<b>117,026,609</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	260,760	260,760
JP Morgan	1,208	1,208
Royal Bank of Scotland	68,649	68,649
UBS	1,732	1,732
	<b>332,349</b>	<b>332,349</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and exchange traded index options. The purpose of these financial instruments is efficient portfolio management. Exchange traded index options are used for hedging purposes to protect the value of the fund. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	65,862,421	13,815,598	79,678,019	83,968,346
Australia	(434,134)	3,203	(430,931)	(80,650)
Brazil	1,268,583	-	1,268,583	-
Canada	316,813	-	316,813	-
China	392,000	10,919	402,919	578,157
Denmark	396,155	-	396,155	616,135
Europe	(193,278)	39,668	(153,610)	4,082,012
Hong Kong	1,994,379	27,823	2,022,202	2,856,157
India	1,460,893	9,908	1,470,801	1,653,205
Israel	794,714	-	794,714	-
Japan	(2,863)	-	(2,863)	1,607,631
Mexico	630,136	-	630,136	-
New zealand	192,800	20,469	213,269	621,396
Norway	-	-	-	8,700
Philippines	1,233,468	-	1,233,468	1,129,485
Singapore	854,402	-	854,402	1,335,833
South Africa	613,000	-	613,000	649,336
Sweden	1,078,501	-	1,078,501	823,427
Switzerland	15,465	34,225	49,690	3,370,476
Taiwan	-	186,472	186,472	309,367
Thailand	1,444,849	4,353	1,449,202	1,685,040
United States of America	9,793,193	99,080	9,892,273	11,812,556
<b>Total</b>	<b>87,711,497</b>	<b>14,251,718</b>	<b>101,963,215</b>	<b>117,026,609</b>

## Notes to the Financial Statements (continued)

### 12 Portfolio transaction costs

	30/06/2014		30/06/2013	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		40,384,033		59,172,482
Commissions	17,432		35,544	
Taxes	<u>25,697</u>		<u>12,652</u>	
Total purchase costs		43,129		48,196
<b>Gross purchases total</b>		<b><u>40,427,162</u></b>		<b><u>59,220,678</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		69,194,383		98,424,517
Commissions	(23,299)		(36,478)	
Taxes	<u>(6,936)</u>		<u>(7,811)</u>	
Total sales costs		(30,235)		(44,289)
<b>Total sales net of transaction costs</b>		<b><u>69,164,148</u></b>		<b><u>98,380,228</u></b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £1,536,588 of investments were subject to stock lending agreements and the Fund held £1,655,691 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £885,669 of investments were subject to stock lending agreements and the Fund held £907,576 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £31,896 (30/06/13: £18,273) and £6,379 (30/06/13: £3,958).



Notes to the Financial Statements (continued)

15 Shareholders' funds

The Fund currently has eight share classes; Sterling Income Shares, Sterling Accumulation Shares, Exempt Shares 2 (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and X Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Sterling Accumulation Shares	1.50%	0.10%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
Institutional Shares W (Net Income)	0.625%	0.03%
Institutional Shares W (Net Accumulation)	0.625%	0.03%
Retail Advised Shares B (Net Income)	0.85%	0.10%
Retail Advised Shares B (Net Accumulation)	0.85%	0.10%
X Shares (Net Accumulation)	0.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 557. The distributions are given in the distribution statements on pages 565 to 566. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON REAL RETURN FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £9,071.92m

Performance Reference: (1 month GBP LIBOR) + 4%

Sector: IMA Targeted Absolute Return

Yield as at 30 June 2014:

Sterling Income Shares	2.85%
Sterling Income A Shares	2.89%
Exempt Shares 2 (Net Accumulation)	2.84%
X Shares (Net Accumulation)	2.78%
Institutional Shares (Accumulation)	2.85%
X Shares (Net Income)	2.84%
Exempt Shares 2 (Net Income)	2.89%
Exempt Shares 1 (Net Accumulation)	2.84%
Institutional Shares W (Net Income)	2.93%
Institutional Shares W (Net Accumulation)	2.86%
Retail Advised Shares B (Net Income)	2.87%
Retail Advised Shares B (Net Accumulation)	2.85%
P Shares (Net Accumulation)	2.84%

Key Dates: Fund Launch 01 September 1993

**Investment Objective**

To achieve significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities. The Fund is managed to seek a minimum return of cash (1 month GBP LIBOR) + 4% per annum over 5 years before fees. In so doing we aim to achieve a positive return on a rolling 3 year basis. However, a positive return is not guaranteed and a capital loss may occur. The Fund may also invest in deposits, approved money market instruments, derivative instruments, forward transactions and collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	5.08%	4.73%	-0.63%	11.26%	14.77%
Sterling Income A Shares	4.66%	4.31%	-1.03%	10.81%	14.31%
Exempt Shares 2 (Net Accumulation)	5.35%	5.00%	-0.37%	11.55%	15.07%
X Shares (Net Accumulation)	5.98%	5.63%	0.23%	12.22%	15.77%
Institutional Shares (Accumulation)	5.14%	4.79%	-0.56%	11.30%	14.83%
X Shares (Net Income)*	5.98%	5.63%	0.22%	12.21%	n/a
Exempt Shares 2 (Net Income)*	5.35%	5.00%	-0.38%	11.54%	n/a
Exempt Shares 1 (Net Accumulation)*	5.43%	5.09%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	5.34%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	5.34%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	5.07%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	5.08%	n/a	n/a	n/a	n/a
P Shares (Net Accumulation)*	5.18%	n/a	n/a	n/a	n/a
Libor GBP 1 month +4%	4.49%	4.51%	4.73%	4.62%	4.57%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income A Share Class of the Fund returned +4.66% against +4.49% for LIBOR GBP 1-month +4% (per annum over rolling three- to five-year periods, before fees are deducted).

The Fund posted a positive return over the period with low volatility. French oil and gas company Total was the top contributor. In the healthcare sector, the Fund's position in Bayer also added value. In telecoms, Deutsche Telekom boosted returns although, on the negative side, Vodafone was the worst equity performer. The Fund's government bond holdings were negatively affected by rising yields (falling prices), as growth expectations normalised and the perceived 'safe haven' properties of government bonds became less attractive. The largest detractors in this area were the Fund's holdings in US Treasuries – bonds issued by the US government.

Amid market turbulence, we were provided with the opportunity to establish positions in companies we have liked for some time, but where valuations had been too high. We opened positions in Wolters Kluwer, a global information-services and publishing company; Dun & Bradstreet, which operates the world's largest corporate credit database; and Bank Hapoalim, an Israeli financial. We also reintroduced telecommunications company Softbank to the Fund, at a price significantly below that at which the holding was sold in earlier in the review period. In the fixed-income portion of the Fund, we took the opportunity during the first six months of the reporting period to establish a position in five-year US Treasuries following a rise in yields. An Australian government bond, which matures – when the bond is due to be repaid – in 2033, was also added. Since the turn of the year, we have reduced the size of the Fund's exposure to risk, through both a reduction in its exposure to high-yield bonds and the addition of further equity-index protection. With the Fund having less of an allocation to risk assets, the manager switched the 30- and 10-year US Treasury positions into holdings at the long end of the US yield curve. This switch shortened the duration – sensitivity to changes in interest rates – of the Fund and had the desired effect of reducing interest-rate risk.

The table below shows the top ten purchases and sales (excluding any derivative and short term cash transactions) for the year

#### Purchases

UK Treasury Stock 5.00% 2014  
USA Treasury Notes 1.50% 2018  
Vodafone  
Wolters Kluwer  
Microsoft  
Accenture  
Australia 4.50% Bonds 2033  
Japan Tobacco  
Royal Dutch Shell 'B'  
Softbank

#### Sales

Softbank  
Bayer  
SSE  
Australia 3.25% Bonds 2025  
UK Treasury Stock 5.00% 2014  
USA Treasury Bonds 3.125% 2043  
Morrison (WM) Supermarkets  
Deutsche Telekom  
Swisscom  
Syngenta

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	291.07	262.21	9.7938
2011	296.55	266.80	8.7503
2012	288.82	272.85	8.5460
2013	299.87	278.75	8.2973
2014	292.42	283.13	4.8035
<b>Sterling Income A Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	120.63	108.88	4.1778
2011	122.63	110.19	3.7302
2012	118.61	112.28	3.6313
2013	122.77	114.30	3.4249
2014	119.17	115.57	1.9563
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	197.68	173.86	6.5421
2011	204.12	187.30	6.0773
2012	209.40	194.13	6.1422
2013	220.55	204.82	6.2727
2014	222.06	214.78	3.7458
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	157.09	137.41	4.9675
2011	162.62	149.39	4.6077
2012	168.17	155.55	4.6820
2013	177.80	164.74	4.9928
2014	180.19	173.87	3.0311
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	126.06	111.09	4.2354
2011	130.05	119.30	3.9301
2012	133.06	123.46	3.9696
2013	139.98	130.09	3.9926
2014	140.63	136.13	2.3750
<b>X Shares (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	124.37	111.26	3.9960
2011	127.26	114.77	3.5816
2012	125.66	118.24	3.5327
2013	131.28	121.63	3.6599
2014	129.20	124.66	2.1732
<b>Exempt Shares 2 (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	191.24	172.06	6.4042
2011	195.04	175.56	5.7607
2012	190.60	179.89	5.6505
2013	198.21	184.07	5.5822
2014	193.73	187.38	3.2687
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 29 February)	103.83	96.22	2.6852
2013	109.41	101.58	3.1142
2014	110.25	106.60	1.8655

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>P Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 June)	105.32	100.00	1.3674
2013 (to 23 September)	109.36	101.64	1.9181

\*\*P Shares (Net Income) share class closed 23 September 2013

<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	101.52	98.05	1.2850
2013	105.56	98.03	3.0126
2014	103.13	99.75	1.7474

<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	101.52	98.05	1.2861
2013	106.95	99.33	3.0681
2014	107.68	104.15	1.8244

<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 8 October)	100.00	96.56	1.2540
2013	103.84	96.53	2.8986
2014	101.23	98.01	1.6791

<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 8 October)	100.00	96.56	1.2518
2013	105.19	97.78	2.9962
2014	105.61	102.25	1.7585

<b>P Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 October)	100.00	96.56	0.5416
2013	105.22	97.78	2.2658
2014	105.76	102.37	1.7812

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	494,025,823	275.62	179,241,665
30/06/2013	406,324,379	280.78	144,713,681
30/06/2014	252,885,892	285.99	88,424,267
<b>Sterling Income A Shares</b>		<b>Pence</b>	
30/06/2012	1,023,764,220	113.31	903,535,303
30/06/2013	1,171,159,525	114.87	1,019,539,619
30/06/2014	774,761,686	116.54	664,807,702
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	2,258,275,849	199.71	1,130,778,143
30/06/2013	2,992,005,249	210.38	1,422,182,266
30/06/2014	3,834,222,585	220.83	1,736,259,256

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>X Shares (Net Accumulation)</b>			
30/06/2012	1,449,918,829	Pence 160.14	905,415,010
30/06/2013	2,053,558,673	169.71	1,210,038,073
30/06/2014	2,114,055,143	179.21	1,179,630,702
<b>Institutional Shares (Accumulation)</b>			
30/06/2012	175,710,256	Pence 126.98	138,381,087
30/06/2013	249,864,787	133.49	187,173,090
30/06/2014	321,453,659	139.85	229,861,806
<b>X Shares (Net Income)</b>			
30/06/2012	182,058,566	Pence 119.65	152,155,015
30/06/2013	187,101,194	123.05	152,047,515
30/06/2014	262,990,265	126.32	208,192,243
<b>Exempt Shares 2 (Net Income)</b>			
30/06/2012	330,901,396	Pence 181.77	182,044,936
30/06/2013	505,205,491	185.61	272,193,557
30/06/2014	474,947,336	189.39	250,778,853
<b>Exempt Shares 1 (Net Accumulation)</b>			
30/06/2012	28,429,343	Pence 99.00	28,715,528
30/06/2013	108,495,563	104.37	103,952,685
30/06/2014	241,625,105	109.64	220,375,750
<b>P Shares (Net Income)**</b>			
30/06/2012	15,075	Pence 100.50	15,000
30/06/2013	2,425,317	102.38	2,369,033
**P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>			
30/06/2013	102,837,270	Pence 98.83	104,057,514
30/06/2014	515,532,235	100.81	511,402,086
<b>Institutional Shares W (Net Accumulation)</b>			
30/06/2013	66,011,857	Pence 102.02	64,707,131
30/06/2014	272,201,812	107.08	254,194,455
<b>Retail Advised Shares B (Net Income)</b>			
30/06/2013	2,468,593	Pence 97.21	2,539,532
30/06/2014	3,073,358	98.99	3,104,832
<b>Retail Advised Shares B (Net Accumulation)</b>			
30/06/2013	1,313,961	Pence 100.31	1,309,943
30/06/2014	4,142,960	105.02	3,944,926
<b>P Shares (Net Accumulation)</b>			
30/06/2013	2,363,676	Pence 100.34	2,355,630
30/06/2014	25,937	105.17	24,662

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.11	1.11
Sterling Income A Shares	1.61	1.61
Exempt Shares 2 (Net Accumulation)	0.79	0.79
X Shares (Net Accumulation)	0.04	0.04
Institutional Shares (Accumulation)	1.04	1.04
X Shares (Net Income)	0.04	0.04
Exempt Shares 2 (Net Income)	0.79	0.79
Exempt Shares 1 (Net Accumulation)	0.69	0.69
Institutional Shares W (Net Income)	0.79	0.79
Institutional Shares W (Net Accumulation)	0.79	0.79
Retail Advised Shares B (Net Income)	1.11	1.11
Retail Advised Shares B (Net Accumulation)	1.11	1.11
P Shares (Net Accumulation)	1.04	1.04

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.



**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>UK Government Bonds 9.44% (1.75%)</b>			
UK Treasury Bill 0.00% 2014	£93,797,000	93,627,227	1.03
UK Treasury Stock 5.00% 2014	£756,489,000	762,881,332	8.41
<b>Overseas Government Bonds 11.71% (14.21%)</b>			
Australia 4.75% Bonds 2027	AUD154,509,000	93,884,792	1.03
Australia 4.50% Bonds 2033	AUD194,993,000	113,992,496	1.26
New South Wales Treasury 2.75% Index Linked Bonds 2025	AUD94,072,000	70,620,546	0.78
New Zealand Government 6.00% Bonds 2021	NZD124,380,000	70,091,503	0.77
New Zealand Government 2.00% Index Linked 2025	NZD80,365,000	39,926,641	0.44
Norway 4.50% Bonds 2019	NOK1,307,624,000	140,587,470	1.55
Norway 3.75% Bonds 2021	NOK1,167,702,000	123,217,920	1.36
Queensland Treasury 5.75% Bonds 2024	AUD61,470,000	38,830,640	0.43
Treasury of Victoria 5.50% Bonds 2026	AUD62,129,000	38,992,115	0.43
USA Treasury Notes 1.50% 2018	USD565,363,300	332,278,241	3.66
<b>Sterling Denominated Corporate Bonds 1.32% (2.82%)</b>			
Anglian Water Services Finance 3.666% Index Linked Notes 2024	£1,895,000	3,393,054	0.04
Anglian Water Services Finance 4.125% Index Linked Notes 2020	£4,786,000	8,767,138	0.1
British Telecommunications 3.50% Index Linked 2025	£8,235,000	15,293,383	0.17
DWR Cymru Financing 1.859% Index Linked 2048	£17,950,000	24,303,190	0.27
National Grid Electricity 2.983% Index Linked 2018	£8,095,000	13,300,004	0.15
National Grid Gas 4.1875% Index-Linked 2027	£7,373,000	14,473,863	0.16
Network Rail Infrastructure Finance 1.75% Index Linked 2027	£5,800,000	8,840,188	0.1
Scotland Gas Networks 2.127% Index Linked 2022	£6,500,000	9,556,365	0.1
Tesco 4.00% Index Linked Notes 2016	£12,915,000	21,275,654	0.23
<b>Non-Sterling Denominated Corporate Bonds 1.36% (7.68%)</b>			
Norcell Sweden 9.25% Bonds 2018	SEK151,594,000	14,382,998	0.16
Prudential 11.75% FRN 2049	USD10,357,000	6,328,925	0.07
Sprint Capital 8.75% Bonds 2032	USD64,193,000	43,310,800	0.48
Sprint 7.875% Bonds 2023	USD64,630,000	42,050,984	0.46
Sprint 7.125% Bonds 2024	USD28,521,000	17,681,235	0.19
<b>United Kingdom 13.22% (15.20%)</b>			
BAE Systems	19,763,444	85,516,422	0.94
Balfour Beatty	11,981,645	27,977,141	0.31
British American Tobacco	2,699,809	93,899,357	1.03
Centrica	59,715,448	186,610,775	2.06
GlaxoSmithKline	17,189,365	268,755,722	2.96
Royal Dutch Shell 'B'	7,681,958	195,313,782	2.15
Severn Trent	3,619,176	69,922,480	0.77
United Utilities	11,887,204	104,845,139	1.15
Vodafone	86,170,848	167,990,068	1.85
<b>Investment Trusts 3.57% (1.55%)</b>			
Aviva Investors SICAV Global Convertibles Fund	908,148	101,935,565	1.12
BBGI SICAV	20,686,486	24,616,918	0.27
Biotech Growth Trust	4,471,461	22,066,660	0.24
HICL Infrastructure	25,723,091	35,986,604	0.4
International Public Partnership	17,747,131	23,656,926	0.26
John Laing Infrastructure	36,538,797	42,567,699	0.47
NB Global Floating Rate Income Fund	74,854,555	73,806,591	0.81
<b>Collective Investment Schemes 1.18% (1.18%)</b>			
RWC Partners Global Convertibles Fund	145,574	106,708,400	1.18

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Commodities 2.84% (3.00%)</b>			
ETFS Physical Gold 0.00% Secured Note (USD)	1,949,571	146,093,828	1.61
Source Physical Markets Secured Gold Linked Note	1,468,850	111,565,079	1.23
<b>Canada 3.01% (2.61%)</b>			
Barrick Gold	9,573,764	102,465,059	1.13
Eldorado Gold	9,948,523	44,573,826	0.49
Silver Wheaton	1,075,083	16,546,123	0.18
Yamana Gold	22,737,266	109,488,621	1.21
<b>United States of America 13.97% (14.89%)</b>			
Abbott Laboratories	4,411,481	105,472,026	1.16
Accenture	3,994,978	188,808,476	2.08
Citigroup	3,650,019	100,523,084	1.11
Dun & Bradstreet	262,213	16,896,586	0.19
Merck	4,347,309	147,058,720	1.62
Microsoft	7,625,736	185,977,244	2.05
Paychex	2,802,139	68,093,035	0.75
PDL BioPharma	5,779,778	32,653,540	0.36
Reynolds American	3,225,619	113,830,950	1.25
Sprint	17,808,877	88,739,733	0.98
Sysco	6,216,889	136,165,449	1.5
Willis	3,310,640	83,818,818	0.92
<b>Australia 2.10% (0.77%)</b>			
Dexus Property	158,380,849	97,044,410	1.07
Newcrest Mining	16,099,117	93,489,465	1.03
<b>New Zealand 0.95% (0.00%)</b>			
Telecom Corporation New Zealand	62,878,997	85,968,580	0.95
<b>Japan 3.15% (3.87%)</b>			
Japan Tobacco	9,212,800	196,418,350	2.16
Softbank	2,054,500	89,466,688	0.99
<b>South Africa 0.92% (1.02%)</b>			
Naspers	1,208,537	83,129,548	0.92
<b>Denmark 1.26% (1.32%)</b>			
TDC	18,887,106	114,310,862	1.26
<b>Finland 0.46% (0.00%)</b>			
Nokia	9,473,588	41,950,016	0.46
<b>France 4.44% (3.82%)</b>			
Sanofi	3,310,707	205,666,248	2.27
Total	4,663,120	196,891,454	2.17
<b>Germany 3.47% (4.73%)</b>			
Bayer	2,448,647	202,641,863	2.23
Brenntag	630,466	65,982,651	0.73
Deutsche Telekom	4,540,764	46,667,798	0.51
<b>Israel 0.17% (0.00%)</b>			
Bank Hapoalim	4,690,593	15,873,606	0.17

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Netherlands 2.91% (1.16%)</b>			
Reed Elsevier	9,128,059	122,392,863	1.35
Wolters Kluwer	8,183,337	141,637,476	1.56
<b>Norway 0.57% (0.00%)</b>			
Orkla	9,954,808	51,851,156	0.57
<b>Sweden 2.98% (2.33%)</b>			
Millicom International Cellular SDR	2,482,613	132,590,534	1.46
TeliaSonera	32,395,658	138,329,065	1.52
<b>Switzerland 4.79% (6.93%)</b>			
BB Biotech	16,219	1,682,554	0.02
Novartis	4,735,055	250,603,058	2.76
Roche	1,047,118	182,657,538	2.01
<b>Derivatives 0.39% (0.33%)</b>			
<b>Options -0.20% (-0.34%)</b>			
S&P 500 Index July 2014 1800 (Put Option)	USD8,636	580,835	0.10
S&P 500 Index July 2014 1725 (Put Option)	USD(8,636)	(378,805)	0.00
S&P 500 Index July 2014 1950 (Call Option)	USD(11,595)	(13,325,248)	(0.15)
S&P 500 Index September 2014 1950 (Call Option)	USD(2,881)	(6,832,444)	(0.08)
S&P 500 Index September 2014 1950 (Put Option)	USD2,881	6,571,278	0.07
S&P 500 Index September 2014 1930 (Call Option)	USD(11,798)	(37,681,012)	(0.42)
S&P 500 Index September 2014 1930 (Put Option)	USD11,798	21,597,064	0.24
US 10 Year Bond Future September 2014 126 (Call Option)	USD4,746	1,214,361	0.01
US Long Bond Future September 2014 138 (Call Option)	USD4,765	3,091,600	0.03
<b>AUD Forward Foreign Currency Contracts -0.01% (0.32%)</b>			
Forward Foreign Currency Contracts 14/08/14	AUD(783,252,103)	(431,420,493)	(4.76)
Forward Foreign Currency Contracts 14/08/14	£430,848,566	430,848,566	4.75
<b>CAD Forward Foreign Currency Contracts -0.03% (0.05%)</b>			
Forward Foreign Currency Contracts 14/08/14	CAD16,586,000	9,101,720	0.10
Forward Foreign Currency Contracts 14/08/14	£(9,081,946)	(9,081,946)	(0.10)
Forward Foreign Currency Contracts 14/08/14	CAD(285,332,382)	(156,578,762)	(1.73)
Forward Foreign Currency Contracts 14/08/14	£154,421,364	154,421,364	1.70
<b>DKK Forward Foreign Currency Contracts 0.04% (-0.02%)</b>			
Forward Foreign Currency Contracts 11/07/14	DKK(959,770,417)	(103,085,011)	(1.14)
Forward Foreign Currency Contracts 11/07/14	£106,612,609	106,612,609	1.18
<b>EUR Forward Foreign Currency Contracts 0.46% (0.01%)</b>			
Forward Foreign Currency Contracts 11/07/14	EUR459,609,881	368,029,142	4.05
Forward Foreign Currency Contracts 11/07/14	£(376,553,697)	(376,553,697)	(4.15)
Forward Foreign Currency Contracts 11/07/14	EUR(1,944,808,217)	(1,557,290,494)	(17.17)
Forward Foreign Currency Contracts 11/07/14	£1,608,424,185	1,608,424,185	17.73
<b>ILS Forward Foreign Currency Contracts 0.00% (0.00%)</b>			
Forward Foreign Currency Contracts 14/08/14	ILS(81,238,716)	(13,856,081)	(0.15)
Forward Foreign Currency Contracts 14/08/14	£13,914,088	13,914,088	0.15
<b>JPY Forward Foreign Currency Contracts 0.01% (0.10%)</b>			
Forward Foreign Currency Contracts 14/08/14	JPY(31,089,401,403)	(179,573,055)	(1.98)
Forward Foreign Currency Contracts 14/08/14	£180,518,029	180,518,029	1.99

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Derivatives (continued)</b>			
<b>SEK Forward Foreign Currency Contracts 0.10% (0.10%)</b>			
Forward Foreign Currency Contracts 14/08/14	SEK(2,775,124,176)	(242,737,779)	(2.68)
Forward Foreign Currency Contracts 14/08/14	£252,032,290	252,032,290	2.78
<b>SGD Forward Foreign Currency Contracts -0.02% (0.02%)</b>			
Forward Foreign Currency Contracts 14/08/14	SGD466,772,153	219,034,086	2.41
Forward Foreign Currency Contracts 14/08/14	£(220,741,036)	(220,741,036)	(2.43)
<b>USD Forward Foreign Currency Contracts 0.04% (-0.17%)</b>			
Forward Foreign Currency Contracts 14/08/14	USD829,601,786	485,311,852	5.35
Forward Foreign Currency Contracts 14/08/14	£(494,192,415)	(494,192,415)	(5.45)
Forward Foreign Currency Contracts 14/08/14	USD(2,418,653,162)	(1,414,896,960)	(15.60)
Forward Foreign Currency Contracts 14/08/14	£1,428,068,744	1,428,068,744	15.74
<b>Portfolio of investments*</b>		<b>8,181,227,508</b>	<b>90.18</b>
<b>Net current assets</b>		<b>890,690,465</b>	<b>9.82</b>
<b>Total Net Assets</b>		<b>9,071,917,973</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

SDR = Swedish Depository Receipt

\*Net of investment liabilities

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		213,314,261	157,660,297
Revenue	2	281,216,649	253,364,040	
Expenses	3	(59,871,732)	(52,760,636)	
Finance costs: Interest	5	(2,554)	(240)	
Net revenue before taxation		221,342,363	200,603,164	
Taxation	4	(17,714,482)	(19,551,433)	
Net revenue after taxation			203,627,881	181,051,731
<b>Total return before distributions</b>			<b>416,942,142</b>	<b>338,712,028</b>
Finance costs: Distributions	5		(246,646,377)	(219,973,521)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>170,295,765</b>	<b>118,738,507</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		7,851,135,535	5,943,099,357
Amounts receivable on issue of shares	1,998,954,762	1,997,038,416	
Amounts payable on cancellation of shares	(1,132,290,341)	(366,975,678)	
		866,664,421	1,630,062,738
Dilution adjustment		-	1,210,319
Stamp Duty Reserve Tax		(988,853)	(620,991)
Change in net assets attributable to Shareholders from investment activities (see above)		170,295,765	118,738,507
Retained distributions on accumulation shares		184,809,754	158,644,514
Unclaimed distributions		1,351	1,091
<b>Closing net assets attributable to Shareholders</b>		<b>9,071,917,973</b>	<b>7,851,135,535</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets*			8,261,286,410		7,260,725,129
Debtors	7	232,733,742		174,313,911	
Cash and bank balances	8	<u>756,694,079</u>		<u>671,859,349</u>	
Total other assets			<u>989,427,821</u>		<u>846,173,260</u>
Total assets			9,250,714,231		8,106,898,389
<b>LIABILITIES</b>					
Investment liabilities			(80,058,902)		(102,791,700)
Creditors	9	(59,774,248)		(108,663,941)	
Distribution payable on income shares		<u>(38,963,108)</u>		<u>(44,307,213)</u>	
Total other liabilities			<u>(98,737,356)</u>		<u>(152,971,154)</u>
Total liabilities			(178,796,258)		(255,762,854)
<b>Net assets attributable to Shareholders</b>			<b><u>9,071,917,973</u></b>		<b><u>7,851,135,535</u></b>

\*Gross of investment liabilities

**Distribution Statements**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	5.3372	0.5337	4.8035	0.0000	4.8035	5.1786
Group 2	2.8058	0.2806	2.5252	2.2783	4.8035	5.1786
Sterling Income A Shares						
Group 1	2.1737	0.2174	1.9563	0.0000	1.9563	2.1535
Group 2	1.4560	0.1456	1.3104	0.6459	1.9563	2.1535
Exempt Shares 2 (Net Accumulation)						
Group 1	4.1620	0.4162	3.7458	0.0000	3.7458	3.8544
Group 2	2.7941	0.2794	2.5147	1.2311	3.7458	3.8544
X Shares (Net Accumulation)						
Group 1	3.3679	0.3368	3.0311	0.0000	3.0311	3.0428
Group 2	2.8040	0.2804	2.5236	0.5075	3.0311	3.0428
Institutional Shares (Accumulation)						
Group 1	2.6389	0.2639	2.3750	0.0000	2.3750	2.4609
Group 2	1.1308	0.1131	1.0177	1.3573	2.3750	2.4609
X Shares (Net Income)						
Group 1	2.4147	0.2415	2.1732	0.0000	2.1732	2.2465
Group 2	0.1177	0.0118	0.1059	2.0673	2.1732	2.2465
Exempt Shares 2 (Net Income)						
Group 1	3.6319	0.3632	3.2687	0.0000	3.2687	3.4596
Group 2	2.2059	0.2206	1.9853	1.2834	3.2687	3.4596
Exempt Shares 1 (Net Accumulation)						
Group 1	2.0728	0.2073	1.8655	0.0000	1.8655	1.9111
Group 2	1.5161	0.1516	1.3645	0.5010	1.8655	1.9111
Institutional Shares W (Net Income)						
Group 1	1.9416	0.1942	1.7474	0.0000	1.7474	1.8579
Group 2	1.0039	0.1004	0.9035	0.8439	1.7474	1.8579
Institutional Shares W (Net Accumulation)						
Group 1	2.0271	0.2027	1.8244	0.0000	1.8244	1.8821
Group 2	1.0359	0.1036	0.9323	0.8921	1.8244	1.8821
Retail Advised Shares B (Net Income)						
Group 1	1.8657	0.1866	1.6791	0.0000	1.6791	1.8115
Group 2	0.6097	0.0610	0.5487	1.1304	1.6791	1.8115
Retail Advised Shares B (Net Accumulation)						
Group 1	1.9539	0.1954	1.7585	0.0000	1.7585	1.8500
Group 2	1.0350	0.1035	0.9315	0.8270	1.7585	1.8500
P Shares (Net Accumulation)						
Group 1	1.9791	0.1979	1.7812	0.0000	1.7812	1.8475
Group 2	1.9791	0.1979	1.7812	0.0000	1.7812	1.8475

**Distribution Statements (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	3.4652	0.3465	3.1187	0.0000	3.1187	3.5603
Group 2	2.0359	0.2036	1.8323	1.2864	3.1187	3.5603
Sterling Income A Shares						
Group 1	1.4127	0.1413	1.2714	0.0000	1.2714	1.5223
Group 2	0.7409	0.0741	0.6668	0.6046	1.2714	1.5223
Exempt Shares 2 (Net Accumulation)						
Group 1	2.6870	0.2687	2.4183	0.0000	2.4183	2.5909
Group 2	1.0559	0.1056	0.9503	1.4680	2.4183	2.5909
X Shares (Net Accumulation)						
Group 1	2.1667	0.2167	1.9500	0.0000	1.9500	1.9571
Group 2	1.2443	0.1244	1.1199	0.8301	1.9500	1.9571
Institutional Shares (Accumulation)						
Group 1	1.7019	0.1702	1.5317	0.0000	1.5317	1.6803
Group 2	0.8649	0.0865	0.7784	0.7533	1.5317	1.6803
X Shares (Net Income)						
Group 1	1.5704	0.1570	1.4134	0.0000	1.4134	1.4603
Group 2	0.8722	0.0872	0.7850	0.6284	1.4134	1.4603
Exempt Shares 2 (Net Income)						
Group 1	2.3584	0.2358	2.1226	0.0000	2.1226	2.3606
Group 2	1.4651	0.1465	1.3186	0.8040	2.1226	2.3606
Exempt Shares 1 (Net Accumulation)						
Group 1	1.3368	0.1337	1.2031	0.0000	1.2031	1.2731
Group 2	0.2710	0.0271	0.2439	0.9592	1.2031	1.2731
Institutional Shares W (Net Income)						
Group 1	1.2830	0.1283	1.1547	0.0000	1.1547	1.2850
Group 2	0.5866	0.0587	0.5279	0.6268	1.1547	1.2850
Institutional Shares W (Net Accumulation)						
Group 1	1.3178	0.1318	1.1860	0.0000	1.1860	1.2861
Group 2	0.6159	0.0616	0.5543	0.6317	1.1860	1.2861
Retail Advised Shares B (Net Income)						
Group 1	1.2079	0.1208	1.0871	0.0000	1.0871	1.2540
Group 2	0.7497	0.0750	0.6747	0.4124	1.0871	1.2540
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2736	0.1274	1.1462	0.0000	1.1462	1.2518
Group 2	0.6609	0.0661	0.5948	0.5514	1.1462	1.2518
P Shares (Net Accumulation)						
Group 1	0.4648	0.0465	0.4183	0.0000	0.4183	0.5416
Group 2	0.0000	0.0000	0.0000	0.4183	0.4183	0.5416



**Distribution Statements (continued)**

			Utilised foreign tax	Utilised foreign tax
	Franked (%)	Unfranked (%)	foreign tax (£)	(pence per share)
<b>Final distributions for 30 June 2014</b>				
Sterling Income Shares	100.00	0.00	7,631	0.0001
Sterling Income A Shares	100.00	0.00	22,395	0.0000
Exempt Shares 2 (Net Accumulation)	91.21	8.79	74,017	0.0000
X Shares (Net Accumulation)	75.66	24.34	49,590	0.0000
Institutional Shares (Accumulation)	96.78	3.22	5,949	0.0000
X Shares (Net Income)	72.73	27.27	4,884	0.0000
Exempt Shares 2 (Net Income)	91.10	8.90	10,104	0.0000
Exempt Shares 1 (Net Accumulation)	87.32	12.68	3,155	0.0000
Institutional Shares W (Net Income)	89.08	10.92	7,018	0.0000
Institutional Shares W (Net Accumulation)	89.29	10.71	3,689	0.0000
Retail Advised Shares B (Net Income)	97.48	2.52	62	0.0000
Retail Advised Shares B (Net Accumulation)	100.00	0.00	72	0.0000
P Shares (Net Accumulation)	99.27	0.73	1	0.0000
<b>Interim distributions for 31 December 2013</b>				
Sterling Income Shares	94.68	5.32	n/a	n/a
Sterling Income A Shares	100.00	0.00	n/a	n/a
Exempt Shares 2 (Net Accumulation)	83.60	16.40	n/a	n/a
X Shares (Net Accumulation)	57.38	42.62	n/a	n/a
Institutional Shares (Accumulation)	92.06	7.94	n/a	n/a
X Shares (Net Income)	56.94	43.06	n/a	n/a
Exempt Shares 2 (Net Income)	84.17	15.83	n/a	n/a
Exempt Shares 1 (Net Accumulation)	79.53	20.47	n/a	n/a
Institutional Shares W (Net Income)	81.12	18.88	n/a	n/a
Institutional Shares W (Net Accumulation)	82.37	17.63	n/a	n/a
Retail Advised Shares B (Net Income)	94.08	5.92	n/a	n/a
Retail Advised Shares B (Net Accumulation)	92.56	7.44	n/a	n/a
P Shares (Net Accumulation)	93.05	6.95	n/a	n/a

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	193,015,056	250,537,570
Losses on derivative contracts	(305,534,478)	(32,656,288)
Gains/(losses) on forward currency contracts	327,956,604	(58,421,035)
Currency exchange losses	(689,420)	(1,763,805)
Activity charges	(50,208)	(36,145)
Overseas transaction tax	(14,244)	-
Corporation tax on Offshore Funds	(1,369,049)	-
<b>Net capital gains</b>	<b>213,314,261</b>	<b>157,660,297</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	61,514,160	49,522,262
Overseas dividends	126,000,123	120,516,900
Bank interest	1,095,322	854,907
Collective investment scheme distributions	1,495,337	734,963
Interest on debt securities	90,753,325	80,883,027
Stock lending	358,382	851,981
<b>Total revenue</b>	<b>281,216,649</b>	<b>253,364,040</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	55,452,926	48,665,466
Administration fees	3,557,768	3,281,290
Registrar's disbursement fees	748	24,400
Safe custody charges	776,300	718,717
	<b>59,787,742</b>	<b>52,689,873</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	1,361	893
	<b>60,761</b>	<b>60,211</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,980	7,800
- Non-audit services (tax compliance fee)†	2,544	2,466
Financial Conduct Authority fee	286	286
Expenses associated with making tax reclaims	12,419	-
	<b>23,229</b>	<b>10,552</b>
<b>Total expenses</b>	<b>59,871,732</b>	<b>52,760,636</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,650 (2013: £6,500) and £2,120 (2013: £2,060) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	7,647,845	7,114,595
Double tax relief	(188,566)	(750,942)
	<u>7,459,279</u>	<u>6,363,653</u>
Overseas tax withheld	10,272,355	13,187,780
Prior year adjustment	341	-
Repayment of French withholding tax	(17,493)	-
<b>Total tax charge (see note 4b)</b>	<b><u>17,714,482</u></b>	<b><u>19,551,433</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>221,342,363</u>	<u>200,603,164</u>
<b>Corporation tax @ 20%</b>	44,268,473	40,120,633
Effects of:		
Dividends not subject to corporation tax	(36,061,848)	(33,006,038)
Double tax relief	(188,566)	(750,942)
Movement in revenue accruals taxable on receipt	(558,780)	-
Repayment of French withholding tax	(17,493)	-
Overseas tax withheld	10,272,355	13,187,780
Prior year adjustment	341	-
<b>Total tax charge (see note 4a)</b>	<b><u>17,714,482</u></b>	<b><u>19,551,433</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts. The Fund has no excess management expenses (30/06/13: Nil).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Sterling Income Shares	3,785,992	6,084,443
Interim dividend 31 December - Sterling Income A Shares	11,101,608	15,316,087
Interim dividend 31 December - Exempt Shares 2 (Net Accumulation)	37,878,642	32,851,904
Interim dividend 31 December - X Shares (Net Accumulation)	25,237,651	22,847,609
Interim dividend 31 December - Institutional Shares (Accumulation)	3,045,089	2,975,597
Interim dividend 31 December - X Shares (Net Income)	2,707,086	2,262,480
Interim dividend 31 December - Exempt Shares 2 (Net Income)	5,148,364	6,203,589
Interim dividend 31 December - Exempt Shares 1 (Net Accumulation)	1,613,136	370,020
Interim dividend 31 December - P Shares (Net Income)	-	37,792
Interim dividend 31 December - Institutional Shares W (Net Income)	3,674,383	75,556
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	1,928,372	69,202
Interim dividend 31 December - Retail Advised Shares B (Net Income)	32,058	6,491
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	36,513	1,341
Interim dividend 31 December - P Shares (Net Accumulation)	103	14,820
Final dividend 30 June - Sterling Income Shares	4,247,460	7,494,143

**Notes to the Financial Statements (continued)****5 Finance costs (continued)****Distributions (continued)**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Final dividend 30 June - Sterling Income A Shares	13,005,633	21,955,786
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	65,036,799	54,816,593
Final dividend 30 June - X Shares (Net Accumulation)	35,755,786	36,819,038
Final dividend 30 June - Institutional Shares (Accumulation)	5,459,218	4,606,143
Final dividend 30 June - X Shares (Net Income)	4,524,434	3,415,747
Final dividend 30 June - Exempt Shares 2 (Net Income)	8,197,208	9,416,808
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	4,111,110	1,986,640
Final dividend 30 June - P Shares (Net Income)	-	45,440
Final dividend 30 June - Institutional Shares W (Net Income)	8,936,240	1,933,285
Final dividend 30 June - Institutional Shares W (Net Accumulation)	4,637,524	1,217,853
Final dividend 30 June - Retail Advised Shares B (Net Income)	52,133	46,004
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	69,372	24,234
Final dividend 30 June - P Shares (Net Accumulation)	439	43,520
	<b>250,222,353</b>	<b>232,938,165</b>
Amounts added on issue of shares	(12,156,977)	(16,129,371)
Amounts deducted on cancellation of shares	8,581,001	3,164,727
<b>Net distributions for the year</b>	<b>246,646,377</b>	<b>219,973,521</b>
Interest	2,554	240
<b>Total finance costs</b>	<b>246,648,931</b>	<b>219,973,761</b>

**6 Net movement between revenue after taxation and distributions**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Net revenue after taxation	203,627,881	181,051,731
ACD's periodic charge less tax relief paid from capital	44,362,341	38,932,373
Corporation tax on offshore funds paid from capital	(1,369,049)	-
Equalisation on conversions	25,889	(11,200)
Undistributed revenue brought forward	1,453	2,070
Undistributed revenue carried forward	(2,138)	(1,453)
	<b>246,646,377</b>	<b>219,973,521</b>

**7 Debtors**

	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>£</b>	<b>£</b>
Accrued revenue	46,599,909	37,393,312
Amount receivable for issue of shares	31,019,991	29,960,013
Capital dividend accrued	1,948,729	-
Overseas tax recoverable	5,821,001	5,447,892
Sales awaiting settlement	147,344,112	101,512,694
	<b>232,733,742</b>	<b>174,313,911</b>

## Notes to the Financial Statements (continued)

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	114,461,622	112,348,486
Cash held in BNY Mellon Sterling Liquidity Fund	131,111,082	191,325,562
Cash held on margin account	511,121,375	368,185,301
	<b>756,694,079</b>	<b>671,859,349</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	5,333,714	4,791,306
Amount payable for cancellation of shares	24,597,358	2,820,774
Corporation tax payable	4,966,709	3,255,510
Purchases awaiting settlement	24,876,467	97,796,351
	<b>59,774,248</b>	<b>108,663,941</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £1,163,696 (30/06/13: £22,429,478).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### Interest rate risk

The table that follows details the interest rate profile of the Fund's assets at 30 June 2014

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
	£	£	£	£		
<b>Assets</b>						
United Kingdom	1,221,282,579	-	6,000,591,535	7,221,874,114		
Australia	70,620,546	285,700,043	196,303,549	552,624,138	4.89	14.85
Canada	-	-	180,136,463	180,136,463		
Denmark	-	-	114,310,862	114,310,862		
Europe	-	-	1,398,892,518	1,398,892,518		
Israel	-	-	15,873,606	15,873,606		
Japan	-	-	285,885,038	285,885,038		
New Zealand	39,926,641	70,091,503	86,469,203	196,487,347	6.00	7.00
Norway	-	263,805,390	52,862,030	316,667,420	4.15	5.93
Poland	-	-	149,456	149,456		
Singapore	-	-	219,034,086	219,034,086		
South Africa	-	-	83,129,548	83,129,548		
Sweden	-	14,382,998	271,212,646	285,595,644	9.25	4.00
Switzerland	-	-	440,895,818	440,895,818		
Taiwan	1,523	-	-	1,523		
United States of America	517,450,301	435,321,260	2,162,602,697	3,115,374,258	3.07	6.12
	<b>1,849,281,590</b>	<b>1,069,301,194</b>	<b>11,508,349,055</b>	<b>14,426,931,839</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(1,185,062,747)	(1,185,062,747)		
Australia	-	-	(431,420,493)	(431,420,493)		
Canada	-	-	(156,578,762)	(156,578,762)		
Denmark	-	-	(103,085,011)	(103,085,011)		
Europe	-	-	(1,555,341,765)	(1,555,341,765)		
Israel	-	-	(14,901,106)	(14,901,106)		
Japan	-	-	(179,573,055)	(179,573,055)		
Sweden	-	-	(242,737,779)	(242,737,779)		
Switzerland	-	-	(2,601,653)	(2,601,653)		
United States of America	-	-	(1,483,711,495)	(1,483,711,495)		
	<b>-</b>	<b>-</b>	<b>(5,355,013,866)</b>	<b>(5,355,013,866)</b>		
<b>Total</b>	<b>1,849,281,590</b>	<b>1,069,301,194</b>	<b>6,153,335,189</b>	<b>9,071,917,973</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Interest rate risk (continued)

The table that follows details the interest rate profile of the Fund's assets at 30 June 2013

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate %	Weighted Average Fixed Rate Period (yrs)
<b>Assets</b>						
United Kingdom	545,867,485	122,882,444	6,144,899,361	6,813,649,290	7.92	6.05
Australia	69,116,438	301,901,851	267,396,233	638,414,522	3.64	11.11
Canada	-	-	149,423,165	149,423,165		
Denmark	-	-	103,830,007	103,830,007		
Europe	33,081,562	367,604,775	867,874,253	1,268,560,590	8.23	5.49
Japan	-	-	617,782,990	617,782,990		
New Zealand	39,876,756	69,164,330	454,214	109,495,300	6.00	8.00
Norway	-	287,887,176	55,645,016	343,532,192	4.16	6.92
Poland	-	-	153,563	153,563		
Singapore	-	-	231,105,576	231,105,576		
South Africa	-	-	79,818,840	79,818,840		
Sweden	-	15,100,756	211,414,030	226,514,786	9.25	5.00
Switzerland	-	31,793,232	550,043,807	581,837,039	7.15	5.33
Taiwan	1,710	-	-	1,710		
United States of America	369,949,331	493,602,198	1,903,970,862	2,767,522,391	4.33	24.32
	<b>1,057,893,282</b>	<b>1,689,936,762</b>	<b>11,183,811,917</b>	<b>13,931,641,961</b>		
<b>Liabilities</b>						
United Kingdom	-	-	(1,430,413,771)	(1,430,413,771)		
Australia	-	-	(562,533,102)	(562,533,102)		
Canada	-	-	(194,172,004)	(194,172,004)		
Denmark	-	-	(109,518,680)	(109,518,680)		
Europe	-	-	(1,522,821,885)	(1,522,821,885)		
Japan	-	-	(640,674,122)	(640,674,122)		
Norway	-	-	(359,379,668)	(359,379,668)		
South Africa	-	-	(36,723,526)	(36,723,526)		
Sweden	-	-	(235,043,787)	(235,043,787)		
Switzerland	-	-	(113,044,848)	(113,044,848)		
United States of America	-	-	(876,181,033)	(876,181,033)		
	<b>-</b>	<b>-</b>	<b>(6,080,506,426)</b>	<b>(6,080,506,426)</b>		
<b>Total</b>	<b>1,057,893,282</b>	<b>1,689,936,762</b>	<b>5,103,305,491</b>	<b>7,851,135,535</b>		

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Market Risk

Counterparty exposure for non-exchange traded derivatives

Counterparty	Forward Currency Contracts	Total (£)
Barclays	(1,562,406)	(1,562,406)
BNY Mellon	(1,584,284)	(1,584,284)
JP Morgan	57,312,742	57,312,742
Royal Bank of Scotland	7,237,942	7,237,942
UBS	(5,095,048)	(5,095,048)
	<b>56,308,946</b>	<b>56,308,946</b>

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

Collateral received from these counterparties in respect of derivative contracts was nil

Collateral pledged to these counterparties in respect of derivative contracts was nil

#### Derivative risk

The Fund enters into derivative transactions in the form of forward foreign currency contracts and exchange traded index options. The purpose of these financial instruments is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities. Exchange traded index options are used for hedging purposes to protect the value of the Fund.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	5,682,158,428	354,652,939	6,036,811,367	5,383,235,519
Australia	115,433,971	5,769,674	121,203,645	75,881,420
Canada	23,131,528	426,173	23,557,701	(44,748,839)
Denmark	11,225,851	-	11,225,851	(5,688,673)
Europe	(165,430,983)	8,981,736	(156,449,247)	(254,261,295)
Israel	2,017,525	(1,045,025)	972,500	-
Japan	106,311,983	-	106,311,983	(22,891,132)
New Zealand	195,986,724	500,623	196,487,347	109,495,300
Norway	315,656,546	1,010,874	316,667,420	(15,847,476)
Poland	-	149,456	149,456	153,563
Singapore	219,034,086	-	219,034,086	231,105,576
South Africa	83,129,548	-	83,129,548	43,095,314
Sweden	42,564,818	293,047	42,857,865	(8,529,001)
Switzerland	434,943,150	3,351,015	438,294,165	468,792,191
Taiwan	-	1,523	1,523	1,710
United States of America	1,115,064,333	516,598,430	1,631,662,763	1,891,341,358
<b>Total</b>	<b>8,181,227,508</b>	<b>890,690,465</b>	<b>9,071,917,973</b>	<b>7,851,135,535</b>



**Notes to the Financial Statements (continued)****12 Portfolio transaction costs**

	<b>30/06/2014</b>		<b>30/06/2013</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Analysis of total purchase costs:				
Purchases before transaction costs		5,587,611,722		5,375,520,789
Commissions	2,001,986		2,337,932	
Taxes	<u>3,509,565</u>		<u>3,204,593</u>	
Total purchase costs		5,511,551		5,542,525
<b>Gross purchases total</b>		<b><u>5,593,123,273</u></b>		<b><u>5,381,063,314</u></b>
Analysis of total sales proceeds:				
Sales before transaction costs		4,488,583,355		3,868,794,854
Commissions	(1,514,853)		(1,595,693)	
Taxes	<u>(151,987)</u>		<u>(542,945)</u>	
Total sales costs		(1,666,840)		(2,138,638)
<b>Total sales net of transaction costs</b>		<b><u>4,486,916,515</u></b>		<b><u>3,866,656,216</u></b>

**13 Contingent liabilities**

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

**14 Stock lending**

As at 30 June 2014, £567,062,760 of investments were subject to stock lending agreements and the Fund held £587,162,134 in collateral. The collateral is held 18.14% in debt securities and 81.86% in equity securities.

As at 30 June 2013, £38,708,351 of investments were subject to stock lending agreements and the Fund held £40,774,397 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £447,978 (30/06/13: £1,098,982) and £89,596 (30/06/13: £247,001).

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund currently has thirteen share classes; Sterling Income Shares, Sterling Income A Shares, Exempt Shares 2 (Net Accumulation), X Shares (Net Accumulation), Institutional Shares (Accumulation), X Shares (Net Income), Exempt Shares 2 (Net Income), Exempt Shares 1 (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income), Retail Advised Shares B (Net Accumulation) and P Shares (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.00%	0.10%
Sterling Income A Shares	1.50%	0.10%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
X Shares (Net Income)	0.00%	0.03%
Exempt Shares 2 (Net Income)	0.75%	0.03%
Exempt Shares 1 (Net Accumulation)	0.65%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%
P Shares (Net Accumulation)	1.00%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 579 to 580. The distributions are given in the distribution statements on pages 588 to 590. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON UK EQUITY FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £1,031.67m

Comparative Index: FTSE All Share

Sector: IMA UK All Companies

Yield as at 30 June 2014:

Sterling Income Shares	2.59%
Institutional Shares (Accumulation)	2.61%
Institutional Shares (Income)	2.66%
X Shares (Net Accumulation)	2.60%
Exempt Shares 1 (Net Accumulation)	2.60%
Exempt Shares 3 (Net Accumulation)	2.60%
Institutional Shares W (Net Income)	2.65%
Institutional Shares W (Net Accumulation)	2.61%
Retail Advised Shares B (Net Income)	2.59%
Retail Advised Shares B (Net Accumulation)	2.54%

Key Dates: Fund Launch 01 May 1985

**Investment Objective**

To achieve capital growth and income from a portfolio of predominantly UK securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	6.38%	17.89%	-4.18%	17.06%	16.57%
Institutional Shares (Accumulation)	7.00%	18.60%	-3.63%	17.73%	17.26%
Institutional Shares (Income)	6.99%	18.56%	-3.63%	17.72%	17.24%
X Shares (Net Accumulation)	8.07%	19.78%	-2.66%	18.91%	18.44%
Exempt Shares 1 (Net Accumulation)*	7.54%	19.19%	n/a	n/a	n/a
Exempt Shares 3 (Net Accumulation)*	7.43%	19.07%	n/a	n/a	n/a
Institutional Shares W (Net Income)*	7.26%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	7.27%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	6.92%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	6.93%	n/a	n/a	n/a	n/a
FTSE All Share	13.12%	17.93%	-3.13%	25.63%	21.14%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Exempt Shares 1 (Net Accumulation) Share Class of the Fund returned +7.54% against +13.12% for the FTSE All-Share Index.

The year to the end of June 2014 was very much a game of two halves for the UK equity market. Initially, strong economic data and increased investor optimism brought about a preference for more economically sensitive sectors. The Fund participated in this to an extent with good stock selection in a variety of businesses including ASOS – the online fashion retailer, Whitbread – owner of the Costa Coffee and Premier Inn brands, and Associated British Foods – the owner of the Primark value retail chain. As this terrific strength in economic growth and property prices continued investor focus began to shift towards the timing of interest rate rises. This brought about a reversal of market leadership with some of the more defensive areas of the UK equity market returning to favour. This rapid shift in investor perception between optimism and pessimism has been a common feature of equity markets in recent years and continues to be an environment in which we find it difficult to position portfolios. The Fund has underperformed over the year despite owning what we believe is a particularly attractive collection of equities that achieve exposure to opportunities for growth and exhibit many of the hallmarks of what we consider to be the most successful long-term business models.

Notable components of the performance outcome for the period were a low portfolio exposure to some of the largest companies in the UK market. Royal Dutch Shell staged a recovery in early 2014 as the new management took steps to moderate capital expenditure, dispose of non-core assets and improve returns to shareholders. Elsewhere, merger and acquisition activity in the pharmaceuticals sector saw both AstraZeneca and Shire receiving bids from US peers and performing strongly: neither is held in the Fund and we believe the bids seem primarily motivated by jurisdictional taxation differences. The portfolio's continued cautious stance on the banking sector was very profitable with a slowdown in Asian markets and fixed income trading, ongoing regulatory scrutiny and persistent investor concerns about the adequacy of capital weighing on share prices. The portfolio's under exposure to the largest companies listed on the UK market is compensated for by exposure to a careful selection of businesses that we believe have good opportunity for growth, capable management teams, strong balance sheets and attractive valuations. A number of these holdings performed very well in the period. In addition to those already described above, Hikma Pharmaceuticals has been an excellent performer as strong organic growth and a particularly clever acquisition were warmly received. Also, Synergy Health has made excellent progress with its expansion into US markets, winning some significant contracts with more in the pipeline. We continue to believe this stock specific approach will deliver superior performance results over the long-term.

Portfolio transaction activity in the period achieved a number of different objectives. Firstly, the number of unique holdings in the portfolio drifted down towards the bottom of the guided range of 50-70 stocks. This is a reflection of the high conviction in our stock selection process. Secondly, the recent weakness in consumer cyclical businesses has presented an opportunity to increase investment in this area as we believe current market pricing it over-discounting the extent and timing of future interest rate rises. Finally, we have taken the current strength of sterling as an opportunity to introduce to the portfolio a number of our global research analyst's best ideas in the US and other European markets. We believe this is one of the advantages of having a global research led investment process. In summary, despite recent performance to the contrary, we maintain confidence in our investment process and portfolio construction and hope for an improvement in performance in the future.

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Vodafone	GlaxoSmithKline
Standard Life	British American Tobacco
BHP Billiton	Diageo
Intermediate Capital	BHP Billiton
Standard Chartered	Intercontinental Hotels
Playtech	Verizon Communications
Wood (John)	Severn Trent
WPP	Unilever
Prudential	Compass
ITV	ASOS

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	654.88	543.76	19.7240
2011	663.75	499.89	16.6618
2012	643.11	565.72	15.5927
2013	736.80	649.78	19.5957
2014	748.10	693.26	10.5171

<b>Exempt Shares 2 (Net Accumulation)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	182.94	150.06	5.5126
2011	186.72	144.68	4.8594
2012	186.05	164.68	2.4280

\*\* Exempt Shares 2 (Net Accumulation) class closed on 4 September 2012

<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	160.85	132.23	4.8539
2011	163.97	126.96	4.2663
2012	168.72	144.43	4.1403
2013	198.19	171.11	5.3606
2014	203.90	190.13	2.9467

<b>Institutional Shares (Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	662.73	548.83	20.3251
2011	672.12	507.74	17.3287
2012	657.29	575.31	16.3317
2013	754.58	664.14	20.5822
2014	769.14	713.14	11.0768

<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	186.61	152.03	5.5987
2011	191.20	148.42	4.9722
2012	199.63	169.26	4.8733
2013	236.94	202.55	6.3782
2014	244.17	227.95	3.5122

<b>X Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2011 (from 25 May)	190.91	151.23	0.3062

\*\*\* X Shares (Net Income) class closed on 26 September 2011

<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 April)	315.26	271.86	5.5535
2013	372.24	319.79	10.0431
2014	383.28	357.61	5.5425

<b>Exempt Shares 3 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 2 April)	136.72	117.97	2.4093
2013	161.27	138.68	4.3532
2014	166.02	154.89	2.4005

<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	105.31	100.48	0.5162
2013	121.02	106.42	3.3047
2014	123.60	114.63	1.7805

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Price and Revenue Record by Share Class (continued)**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	105.44	100.60	0.5167
2013	124.18	106.95	3.3556
2014	127.81	119.21	1.8477
<b>P Shares (Net Income)****</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 21 September)	102.44	97.76	0.4067
2013 (to 23 September)	117.60	103.50	1.6729

\*\*\*\*P Shares (Net Income) share class closed 23 September 2013

<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 9 October)	102.25	97.58	0.3550
2013	117.39	103.33	3.1258
2014	119.66	110.96	1.6831
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 9 October)	102.25	97.59	0.3549
2013	120.03	103.70	3.1676
2014	123.47	115.12	1.7427

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	998,702,808	590.59	169,102,078
30/06/2013	1,021,808,883	676.94	150,945,329
30/06/2014	909,339,444	703.33	129,291,495

**Exempt Shares 2 (Net Accumulation)\*\***

30/06/2012	437,340	174.94	250,000
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\*\* Exempt Shares 2 (Net Accumulation) class closed on 4 September 2012

<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	12,870,078	153.23	8,399,092
30/06/2013	10,044,744	181.42	5,536,793
30/06/2014	4,000,027	194.92	2,052,159
<b>Institutional Shares (Income)</b>		<b>Pence</b>	
30/06/2012	1,646,657	602.09	273,490
30/06/2013	4,204,609	693.59	606,212
30/06/2014	3,875,114	724.25	535,055
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	180,474,078	180.46	100,008,404
30/06/2013	28,727,094	215.80	13,312,159
30/06/2014	15,353,589	234.17	6,556,673

**Statistics (continued)****Net Asset Value History by Share Class (continued)**

Share class as at	Net Asset Value (£)	Per share	Shares in issue
<b>Exempt Shares 1 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	49,122,140	285.65	17,196,767
30/06/2013	44,032,136	339.88	12,955,178
30/06/2014	43,930,138	367.00	11,969,904
<b>Exempt Shares 3 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	5,888,687	123.94	4,751,251
30/06/2013	6,519,710	147.32	4,425,447
30/06/2014	6,328,120	158.92	3,981,942
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	5,875,134	111.27	5,279,958
30/06/2014	41,861,960	116.48	35,938,962
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	758,344	113.53	667,973
30/06/2014	6,594,856	122.28	5,393,242
<b>P Shares (Net Income)****</b>		<b>Pence</b>	
30/06/2013	21,327	108.09	19,730
****P Shares (Net Income) share class closed 23 September 2013			
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	35,769	107.92	33,145
30/06/2014	333,429	112.69	295,888
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	42,742	109.91	38,889
30/06/2014	51,605	118.00	43,732

**Ongoing Charges**

Share Class	30/06/2014 %	30/06/2013 %
Sterling Income Shares	1.61	1.61
Institutional Shares (Accumulation)	1.04	1.04
Institutional Shares (Income)	1.04	1.04
X Shares (Net Accumulation)	0.04	0.04
Exempt Shares 1 (Net Accumulation)	0.54	0.54
Exempt Shares 3 (Net Accumulation)	0.64	0.64
Institutional Shares W (Net Income)	0.79	0.79
Institutional Shares W (Net Accumulation)	0.79	0.79
Retail Advised Shares B (Net Income)	1.11	1.11
Retail Advised Shares B (Net Accumulation)	1.11	1.11

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months history may be estimated based on other share class data.



**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 82.64% (89.30%)</b>			
<b>Oil &amp; Gas Equipment, Services &amp; Distribution 3.61% (2.34%)</b>			
Wood (John)	4,620,318	37,239,763	3.61
<b>Chemicals 2.81% (2.50%)</b>			
Johnson Matthey	534,049	16,555,519	1.60
Victrix	735,418	12,502,106	1.21
<b>Aerospace &amp; Defence 3.46% (3.36%)</b>			
Rolls-Royce	3,295,801	35,232,113	3.42
Rolls-Royce 'C' Shares	441,637,334	441,637	0.04
<b>Support Services 10.25% (9.44%)</b>			
Ashtead	2,867,888	25,079,681	2.43
Atkins (WS)	1,350,503	17,813,135	1.73
Bunzl	638,033	10,342,515	1.00
Capita	2,072,089	23,704,698	2.30
Digital Barriers	8,128,356	8,453,490	0.82
Wolseley	634,827	20,333,509	1.97
<b>Food Producers 1.04% (4.99%)</b>			
Associated British Foods	350,667	10,688,330	1.04
<b>Household Goods &amp; Home Construction 1.96% (1.42%)</b>			
Berkeley	838,222	20,268,208	1.96
<b>Healthcare Equipment &amp; Services 1.92% (1.33%)</b>			
Synergy Health	1,404,254	19,799,981	1.92
<b>Pharmaceuticals &amp; Biotechnology 4.96% (10.12%)</b>			
Abcam	4,256,843	16,090,867	1.56
Dechra Pharmaceuticals	1,506,868	10,872,053	1.05
Genus	986,112	11,221,955	1.09
Hikma Pharmaceuticals	775,382	13,010,910	1.26
<b>Food &amp; Drug Retailers 1.74% (1.52%)</b>			
Booker	13,838,800	17,935,085	1.74
<b>General Retailers 6.86% (1.49%)</b>			
Carphone Warehouse	6,333,081	20,424,186	1.98
Dixons Retail	42,744,421	21,282,447	2.06
Next	287,657	18,611,408	1.80
Pets at Home	5,137,699	10,491,181	1.02
<b>Media 8.59% (5.90%)</b>			
ITV	12,088,667	21,542,005	2.09
Moneysupermarket.com	5,760,198	10,794,611	1.05
Reed Elsevier	3,513,304	33,025,058	3.20
Rightmove	1,082,138	23,190,217	2.25
<b>Travel &amp; Leisure 8.95% (5.43%)</b>			
Domino's Pizza	3,744,906	19,567,134	1.90
Merlin Entertainments	5,595,801	19,982,605	1.94
Playtech	4,016,640	24,742,502	2.40
Whitbread	636,218	27,999,954	2.71
<b>Fixed Line Telecommunications 0.95% (0.00%)</b>			
Cable & Wireless Communications	19,863,872	9,780,971	0.95

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Mobile Telecommunications 5.75% (0.00%)</b>			
Vodafone	30,406,009	59,276,515	5.75
<b>Life Insurance 7.98% (2.50%)</b>			
Prudential	3,878,028	52,004,355	5.04
Standard Life	8,139,256	30,440,817	2.94
<b>Real Estate Investment Trusts 4.11% (3.59%)</b>			
Derwent London	786,184	21,046,146	2.04
Great Portland Estates	3,311,956	21,312,437	2.07
<b>Financial Services 3.94% (3.62%)</b>			
Intermediate Capital	7,522,144	29,358,928	2.84
Plus500	2,478,520	11,357,818	1.10
<b>Technology Hardware &amp; Equipment 3.76% (2.61%)</b>			
ARM	2,081,421	18,337,319	1.78
Imagination Technologies	9,684,195	20,423,967	1.98
<b>Overseas Equities 17.32% (1.06%)</b>			
<b>United States of America 11.06% (0.00%)</b>			
Apple	300,328	16,322,766	1.58
Dollar General	505,427	16,952,504	1.64
eBay	552,780	16,183,973	1.57
Google	47,665	16,036,637	1.55
Microsoft	669,147	16,319,227	1.58
TJX	523,553	16,274,435	1.58
Walt Disney	320,246	16,056,783	1.56
<b>France 1.68% (0.00%)</b>			
Air Liquide	219,671	17,341,961	1.68
<b>Germany 1.44% (1.06%)</b>			
Brenntag	142,058	14,867,361	1.44
<b>Switzerland 3.14% (0.00%)</b>			
Novartis	320,746	16,975,500	1.65
Roche	87,845	15,323,537	1.49
<b>Portfolio of investments</b>		<b>1,031,232,820</b>	<b>99.96</b>
<b>Net current assets</b>		<b>435,462</b>	<b>0.04</b>
<b>Total Net Assets</b>		<b>1,031,668,282</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Oil & Gas Producers, Electronic & Electrical Equipment, Industrial Engineering, Beverages, Tobacco, Electricity, Gas, Water & Multiutilities, Real Estate Investment & Services and Software & Computer Services portfolio categories, which, at 30 June 2013, represented 2.38%, 2.45%, 3.55%, 3.55%, 4.50%, 1.70%, 3.62%, 1.53% and 3.86% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		62,451,397	185,468,912
Revenue	2	32,353,357	34,071,691	
Expenses	3	(16,807,071)	(17,324,164)	
Finance costs: Interest	5	(492)	-	
Net revenue before taxation		15,545,794	16,747,527	
Taxation	4	(351,116)	(36,652)	
Net revenue after taxation			15,194,678	16,710,875
<b>Total return before distributions</b>			<b>77,646,075</b>	<b>202,179,787</b>
Finance costs: Distributions	5		(30,852,119)	(32,815,665)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>46,793,956</b>	<b>169,364,122</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		1,122,070,492	1,249,141,788
Amounts receivable on issue of shares	19,064,683	50,212,678	
Amounts payable on cancellation of shares	(158,125,007)	(350,579,145)	
		(139,060,324)	(300,366,467)
Dilution adjustment		-	288,323
Stamp Duty Reserve Tax		(434,224)	(442,607)
Change in net assets attributable to Shareholders from investment activities (see above)		46,793,956	169,364,122
Retained distributions on accumulation shares		2,269,509	4,009,808
Unclaimed distributions		28,873	75,525
<b>Closing net assets attributable to Shareholders</b>		<b>1,031,668,282</b>	<b>1,122,070,492</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			1,031,232,820	1,013,927,679
Debtors	7	9,902,339	13,139,633	
Cash and bank balances	8	<u>7,134,277</u>	<u>106,318,622</u>	
Total other assets			<u>17,036,616</u>	<u>119,458,255</u>
Total assets			1,048,269,436	1,133,385,934
<b>LIABILITIES</b>				
Creditors	9	(7,717,289)	(3,595,122)	
Distribution payable on income shares		<u>(8,883,865)</u>	<u>(7,720,320)</u>	
Total other liabilities			<u>(16,601,154)</u>	<u>(11,315,442)</u>
Total liabilities			(16,601,154)	(11,315,442)
<b>Net assets attributable to Shareholders</b>			<u><u>1,031,668,282</u></u>	<u><u>1,122,070,492</u></u>

**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 April 2014
						Group 2: Shares purchased 1 April 2014 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	7.2602	0.7260	6.5342	0.0000	6.5342	5.0632
Group 2	3.3949	0.3395	3.0554	3.4788	6.5342	5.0632
Institutional Shares (Accumulation)						
Group 1	2.0299	0.2030	1.8269	0.0000	1.8269	1.3785
Group 2	0.6414	0.0641	0.5773	1.2496	1.8269	1.3785
Institutional Shares (Income)						
Group 1	7.6139	0.7614	6.8525	0.0000	6.8525	5.3106
Group 2	4.6359	0.4636	4.1723	2.6802	6.8525	5.3106
X Shares (Net Accumulation)						
Group 1	2.4124	0.2412	2.1712	0.0000	2.1712	1.6388
Group 2	0.9488	0.0949	0.8539	1.3173	2.1712	1.6388
Exempt Shares 1 (Net Accumulation)						
Group 1	3.8193	0.3819	3.4374	0.0000	3.4374	2.5810
Group 2	1.0386	0.1039	0.9347	2.5027	3.4374	2.5810
Exempt Shares 3 (Net Accumulation)						
Group 1	1.6541	0.1654	1.4887	0.0000	1.4887	1.1189
Group 2	1.6541	0.1654	1.4887	0.0000	1.4887	1.1189
Institutional Shares W (Net Income)						
Group 1	1.2241	0.1224	1.1017	0.0000	1.1017	0.8529
Group 2	0.6461	0.0646	0.5815	0.5202	1.1017	0.8529
Institutional Shares W (Net Accumulation)						
Group 1	1.2730	0.1273	1.1457	0.0000	1.1457	0.8633
Group 2	0.5977	0.0598	0.5379	0.6078	1.1457	0.8633
Retail Advised Shares B (Net Income)						
Group 1	1.1623	0.1162	1.0461	0.0000	1.0461	0.8061
Group 2	0.8520	0.0852	0.7668	0.2793	1.0461	0.8061
Retail Advised Shares B (Net Accumulation)						
Group 1	1.2060	0.1206	1.0854	0.0000	1.0854	0.8154
Group 2	1.2060	0.1206	1.0854	0.0000	1.0854	0.8154

**Distribution Statement (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 January 2014
						Group 2: Shares purchased 1 January 2014 to 31 March 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/03/2013</b>
Sterling Income Shares						
Group 1	4.4254	0.4425	3.9829	0.0000	3.9829	5.1849
Group 2	2.6832	0.2683	2.4149	1.5680	3.9829	5.1849
Institutional Shares (Accumulation)						
Group 1	1.2442	0.1244	1.1198	0.0000	1.1198	1.3976
Group 2	0.7050	0.0705	0.6345	0.4853	1.1198	1.3976
Institutional Shares (Income)						
Group 1	4.6937	0.4694	4.2243	0.0000	4.2243	5.4247
Group 2	3.9652	0.3965	3.5687	0.6556	4.2243	5.4247
X Shares (Net Accumulation)						
Group 1	1.4900	0.1490	1.3410	0.0000	1.3410	1.6569
Group 2	1.4900	0.1490	1.3410	0.0000	1.3410	1.6569
Exempt Shares 1 (Net Accumulation)						
Group 1	2.3390	0.2339	2.1051	0.0000	2.1051	2.6141
Group 2	1.5276	0.1528	1.3748	0.7303	2.1051	2.6141
Exempt Shares 3 (Net Accumulation)						
Group 1	1.0131	0.1013	0.9118	0.0000	0.9118	1.1334
Group 2	1.0131	0.1013	0.9118	0.0000	0.9118	1.1334
Institutional Shares W (Net Income)						
Group 1	0.7542	0.0754	0.6788	0.0000	0.6788	0.8695
Group 2	0.4114	0.0411	0.3703	0.3085	0.6788	0.8695
Institutional Shares W (Net Accumulation)						
Group 1	0.7800	0.0780	0.7020	0.0000	0.7020	0.8739
Group 2	0.4763	0.0476	0.4287	0.2733	0.7020	0.8739
Retail Advised Shares B (Net Income)						
Group 1	0.7078	0.0708	0.6370	0.0000	0.6370	0.8251
Group 2	0.1029	0.0103	0.0926	0.5444	0.6370	0.8251
Retail Advised Shares B (Net Accumulation)						
Group 1	0.7303	0.0730	0.6573	0.0000	0.6573	0.8281
Group 2	0.1319	0.0132	0.1187	0.5386	0.6573	0.8281

**Distribution Statement (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 October 2013
						Group 2: Shares purchased 1 October 2013 to 31 December 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 31/12/2012</b>
Sterling Income Shares						
Group 1	4.8926	0.4893	4.4033	0.0000	4.4033	2.2783
Group 2	2.1901	0.2190	1.9711	2.4322	4.4033	2.2783
Institutional Shares (Accumulation)						
Group 1	1.3612	0.1361	1.2251	0.0000	1.2251	0.6264
Group 2	0.8212	0.0821	0.7391	0.4860	1.2251	0.6264
Institutional Shares (Income)						
Group 1	5.1664	0.5166	4.6498	0.0000	4.6498	2.4405
Group 2	2.4633	0.2463	2.2170	2.4328	4.6498	2.4405
X Shares (Net Accumulation)						
Group 1	1.6250	0.1625	1.4625	0.0000	1.4625	0.7404
Group 2	1.6250	0.1625	1.4625	0.0000	1.4625	0.7404
Exempt Shares 1 (Net Accumulation)						
Group 1	2.5551	0.2555	2.2996	0.0000	2.2996	1.1699
Group 2	0.9748	0.0975	0.8773	1.4223	2.2996	1.1699
Exempt Shares 3 (Net Accumulation)						
Group 1	1.1071	0.1107	0.9964	0.0000	0.9964	0.5074
Group 2	1.1071	0.1107	0.9964	0.0000	0.9964	0.5074
Institutional Shares W (Net Income)						
Group 1	0.8317	0.0832	0.7485	0.0000	0.7485	0.3909
Group 2	0.4143	0.0414	0.3729	0.3756	0.7485	0.3909
Institutional Shares W (Net Accumulation)						
Group 1	0.8534	0.0853	0.7681	0.0000	0.7681	0.3914
Group 2	0.4923	0.0492	0.4431	0.3250	0.7681	0.3914
Retail Advised Shares B (Net Income)						
Group 1	0.7844	0.0784	0.7060	0.0000	0.7060	0.3550
Group 2	0.2350	0.0235	0.2115	0.4945	0.7060	0.3550
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8016	0.0802	0.7214	0.0000	0.7214	0.3549
Group 2	0.8016	0.0802	0.7214	0.0000	0.7214	0.3549

**Distribution Statement (continued)****Interim dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 September 2013
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/09/2012</b>
Sterling Income Shares						
Group 1	5.4937	0.5494	4.9443	0.0000	4.9443	5.2256
Group 2	2.4927	0.2493	2.2434	2.7009	4.9443	5.2256
Institutional Shares (Accumulation)						
Group 1	1.5104	0.1510	1.3594	0.0000	1.3594	1.3848
Group 2	1.0198	0.1020	0.9178	0.4416	1.3594	1.3848
Institutional Shares (Income)						
Group 1	5.7746	0.5775	5.1971	0.0000	5.1971	5.4417
Group 2	3.1018	0.3102	2.7916	2.4055	5.1971	5.4417
X Shares (Net Accumulation)						
Group 1	1.8000	0.1800	1.6200	0.0000	1.6200	1.6330
Group 2	1.8000	0.1800	1.6200	0.0000	1.6200	1.6330
Exempt Shares 1 (Net Accumulation)						
Group 1	2.8316	0.2832	2.5484	0.0000	2.5484	2.5832
Group 2	1.9981	0.1998	1.7983	0.7501	2.5484	2.5832
Exempt Shares 3 (Net Accumulation)						
Group 1	1.2272	0.1227	1.1045	0.0000	1.1045	1.1207
Group 2	1.2272	0.1227	1.1045	0.0000	1.1045	1.1207
Institutional Shares W (Net Income)						
Group 1	0.9264	0.0926	0.8338	0.0000	0.8338	0.1253
Group 2	0.2680	0.0268	0.2412	0.5926	0.8338	0.1253
Institutional Shares W (Net Accumulation)						
Group 1	0.9448	0.0945	0.8503	0.0000	0.8503	0.1253
Group 2	0.3908	0.0391	0.3517	0.4986	0.8503	0.1253
Retail Advised Shares B (Net Income)						
Group 1	0.8762	0.0876	0.7886	0.0000	0.7886	n/a
Group 2	0.1652	0.0165	0.1487	0.6399	0.7886	n/a
Retail Advised Shares B (Net Accumulation)						
Group 1	0.8919	0.0892	0.8027	0.0000	0.8027	n/a
Group 2	0.0319	0.0032	0.0287	0.7740	0.8027	n/a

The distributions of all share classes are 100% franked.



## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	62,308,301	185,538,064
Currency exchange gains/(losses)	155,195	(60,420)
Activity charges	(12,099)	(8,732)
<b>Net capital gains</b>	<b>62,451,397</b>	<b>185,468,912</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	28,038,559	32,883,317
Overseas dividends	3,748,726	537,253
Bank interest	104,770	104,596
Property income distribution	453,883	480,906
Stock lending	7,419	65,619
<b>Total revenue</b>	<b>32,353,357</b>	<b>34,071,691</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	15,654,563	16,104,400
Administration fees	1,036,332	1,094,873
Registrar's disbursement fees	8,548	26,638
Safe custody charges	29,096	23,359
	<b>16,728,539</b>	<b>17,249,270</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	59,400	59,318
Distribution reconciliation service	8,993	5,195
	<b>68,393</b>	<b>64,513</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	7,320	7,140
- Non-audit services (tax compliance fee)†	2,532	2,450
Financial Conduct Authority fee	287	791
	<b>10,139</b>	<b>10,381</b>
<b>Total expenses</b>	<b>16,807,071</b>	<b>17,324,164</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £6,100 (2013: £5,950) and £2,110 (2013: £2,050) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014	30/06/2013
	£	£
<b>a) Analysis of tax charge in year:</b>		
Income tax suffered	106,010	-
	<u>106,010</u>	<u>-</u>
Overseas tax withheld	245,106	36,652
<b>Total tax charge (see note 4b)</b>	<b><u>351,116</u></b>	<b><u>36,652</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>15,545,794</u>	<u>16,747,527</u>
<b>Corporation tax @ 20%</b>	3,109,159	3,349,505
Effects of:		
Dividends not subject to corporation tax	(6,285,370)	(6,684,114)
Excess management expenses	3,176,211	3,334,609
Income tax suffered	106,010	-
Overseas tax withheld	245,106	36,652
<b>Total tax charge (see note 4a)</b>	<b><u>351,116</u></b>	<b><u>36,652</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £192,245,474 (30/06/13: £176,364,417), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £38,449,095 (30/06/13: £35,272,884).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014	30/06/2013
	£	£
Interim dividend 30 September - Sterling Income Shares	7,247,339	8,529,412
Interim dividend 30 September - Institutional Shares (Accumulation)	73,571	107,969
Interim dividend 30 September - Institutional Shares (Income)	30,817	13,657
Interim dividend 30 September - X Shares (Net Accumulation)	113,933	1,634,729
Interim dividend 30 September - Exempt Shares 1 (Net Accumulation)	338,488	418,239
Interim dividend 30 September - Exempt Shares 3 (Net Accumulation)	47,532	52,034
Interim dividend 30 September - Institutional Shares W (Net Income)	60,912	6
Interim dividend 30 September - Institutional Shares W (Net Accumulation)	14,500	6
Interim dividend 30 September - P Shares (Net Income)	-	1
Interim dividend 30 September - Retail Advised Shares B (Net Income)	268	-
Interim dividend 30 September - Retail Advised Shares B (Net Accumulation)	390	-
Interim dividend 31 December - Sterling Income Shares	6,152,180	3,618,625
Interim dividend 31 December - Institutional Shares (Accumulation)	64,076	39,448
Interim dividend 31 December - Institutional Shares (Income)	27,730	20,413
Interim dividend 31 December - X Shares (Net Accumulation)	95,929	121,161
Interim dividend 31 December - Exempt Shares 1 (Net Accumulation)	278,614	171,688

## Notes to the Financial Statements (continued)

### 5 Finance costs (continued)

#### Distributions (continued)

	30/06/2014	30/06/2013
	£	£
Interim dividend 31 December - Exempt Shares 3 (Net Accumulation)	41,695	23,558
Interim dividend 31 December - Institutional Shares W (Net Income)	178,791	96
Interim dividend 31 December - Institutional Shares W (Net Accumulation)	23,093	104
Interim dividend 31 December - P Shares (Net Income)	-	75
Interim dividend 31 December - Retail Advised Shares B (Net Income)	2,141	18
Interim dividend 31 December - Retail Advised Shares B (Net Accumulation)	350	138
Interim dividend 31 March - Sterling Income Shares	5,353,230	7,991,097
Interim dividend 31 March - Institutional Shares (Accumulation)	56,900	150,444
Interim dividend 31 March - Institutional Shares (Income)	22,909	33,815
Interim dividend 31 March - X Shares (Net Accumulation)	87,919	164,890
Interim dividend 31 March - Exempt Shares 1 (Net Accumulation)	253,744	387,957
Interim dividend 31 March - Exempt Shares 3 (Net Accumulation)	37,314	50,158
Interim dividend 31 March - Institutional Shares W (Net Income)	201,099	22,265
Interim dividend 31 March - Institutional Shares W (Net Accumulation)	28,248	2,505
Interim dividend 31 March - P Shares (Net Income)	-	166
Interim dividend 31 March - Retail Advised Shares B (Net Income)	2,040	194
Interim dividend 31 March - Retail Advised Shares B (Net Accumulation)	367	322
Final dividend 30 June - Sterling Income Shares	8,448,165	7,642,664
Final dividend 30 June - Institutional Shares (Accumulation)	37,491	76,325
Final dividend 30 June - Institutional Shares (Income)	36,665	32,193
Final dividend 30 June - X Shares (Net Accumulation)	142,358	218,160
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	411,453	334,373
Final dividend 30 June - Exempt Shares 3 (Net Accumulation)	59,279	49,516
Final dividend 30 June - Institutional Shares W (Net Income)	395,940	45,033
Final dividend 30 June - Institutional Shares W (Net Accumulation)	61,790	5,767
Final dividend 30 June - P Shares (Net Income)	-	163
Final dividend 30 June - Retail Advised Shares B (Net Income)	3,095	267
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	475	317
	<b>30,432,830</b>	<b>31,959,968</b>
Amounts added on issue of shares	(71,738)	(178,931)
Amounts deducted on cancellation of shares	491,027	1,034,628
<b>Net distributions for the year</b>	<b>30,852,119</b>	<b>32,815,665</b>
Interest	492	-
<b>Total finance costs</b>	<b>30,852,611</b>	<b>32,815,665</b>

### 6 Net movement between revenue after taxation and distributions

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	15,194,678	16,710,875
ACD's periodic charge less tax relief paid from capital	15,654,563	16,104,400
Equalisation on conversions	2,881	336
Undistributed revenue brought forward	83	137
Undistributed revenue carried forward	(86)	(83)
	<b>30,852,119</b>	<b>32,815,665</b>

## Notes to the Financial Statements (continued)

### 7 Debtors

	30/06/2014	30/06/2013
	£	£
Accrued revenue	4,440,451	3,834,026
Amount receivable for issue of shares	25,624	184,847
Income tax recoverable	90,776	202,529
Overseas tax recoverable	201,519	28,479
Sales awaiting settlement	5,143,969	8,889,752
	<b>9,902,339</b>	<b>13,139,633</b>

### 8 Cash & bank balances

	30/06/2014	30/06/2013
	£	£
Cash held at bank	4,977,995	5,502,090
Cash held in BNY Mellon Sterling Liquidity Fund	2,156,282	100,816,532
	<b>7,134,277</b>	<b>106,318,622</b>

### 9 Creditors

	30/06/2014	30/06/2013
	£	£
Accrued expenses	1,348,173	1,438,850
Amount payable for cancellation of shares	1,783,376	2,156,272
Purchases awaiting settlement	4,585,740	-
	<b>7,717,289</b>	<b>3,595,122</b>

### 10 Related party transactions

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £3,094,933 (30/06/13: £3,389,945).

### 11 Financial instruments

#### Interest rate risk

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

## Notes to the Financial Statements (continued)

### 11 Financial instruments (continued)

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	852,578,135	233,944	852,812,079	1,110,142,776
Europe	32,209,322	59,534	32,268,856	11,927,037
Switzerland	32,299,037	141,985	32,441,022	679
United States	114,146,325	-	114,146,325	-
<b>Total</b>	<b>1,031,232,819</b>	<b>435,463</b>	<b>1,031,668,282</b>	<b>1,122,070,492</b>

### 12 Portfolio transaction costs

	£	30/06/2014	£	30/06/2013	£
Analysis of total purchase costs:					
Purchases before transaction costs		1,024,911,283		584,415,709	
Commissions	668,149		493,433		
Taxes	3,527,659		2,608,690		
Total purchase costs		4,195,808		3,102,123	
<b>Gross purchases total</b>		<b>1,029,107,091</b>		<b>587,517,832</b>	
Analysis of total sales proceeds:					
Sales before transaction costs		1,074,931,465		990,941,504	
Commissions	(768,738)		(677,732)		
Taxes	(2,155)		(356)		
Total sales costs		(770,893)		(678,088)	
<b>Total sales net of transaction costs</b>		<b>1,074,160,572</b>		<b>990,263,416</b>	

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, £2,384,008 of investments were subject to stock lending agreements and the Fund held £2,609,550 in collateral. The collateral is held in debt securities.

As at 30 June 2013, £13,141,237 of investments were subject to stock lending agreements and the Fund held £13,902,247 in collateral. The collateral is held in debt securities.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £9,274 (30/06/13: £86,348) and £1,855 (30/06/13: £20,729).

## Notes to the Financial Statements (continued)

### 15 Shareholders' funds

The Fund currently has ten share classes; Sterling Income Shares, Institutional Shares (Accumulation), Institutional Shares (Income), X Shares (Net Accumulation), Exempt Shares 1 (Net Accumulation), Exempt Shares 3 (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Institutional Shares (Accumulation)	1.00%	0.03%
Institutional Shares (Income)	1.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Exempt Shares 3 (Net Accumulation)	0.60%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on pages 604 to 605. The distributions are given in the distribution statements on pages 610 to 613. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – NEWTON UK OPPORTUNITIES FUND**

**Annual Report  
for the year ended  
30 June 2014**

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: Newton Investment Management Limited

Fund Size: £376.29m

Comparative Index: FTSE All Share

Sector: IMA UK All Companies

Yield as at 30 June 2014:

Sterling Income Shares	1.84%
Exempt Shares 2 (Net Accumulation)	2.45%
Institutional Shares (Accumulation)	2.25%
X Shares (Net Accumulation)	3.02%
Institutional Shares W (Net Income)	2.52%
Institutional Shares W (Net Accumulation)	2.45%
Retail Advised Shares B (Net Income)	2.28%
Retail Advised Shares B (Net Accumulation)	2.23%

Key Dates: Fund Launch 08 February 2002

**Investment Objective**

To maximise long-term capital growth from a concentrated portfolio primarily invested in the securities of UK companies. The Fund does not have a bias towards any economic sector or company size. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares	14.04%	20.75%	-2.68%	18.78%	19.36%
Exempt Shares 2 (Net Accumulation)	14.99%	21.76%	-1.87%	19.74%	20.29%
Institutional Shares (Accumulation)	14.71%	21.46%	-2.12%	19.44%	20.03%
X Shares (Net Accumulation)	15.86%	22.68%	-1.14%	20.64%	21.20%
Institutional Shares W (Net Income)*	14.97%	n/a	n/a	n/a	n/a
Institutional Shares W (Net Accumulation)*	14.99%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Income)*	14.61%	n/a	n/a	n/a	n/a
Retail Advised Shares B (Net Accumulation)*	14.61%	n/a	n/a	n/a	n/a
FTSE All-Share TR	13.12%	17.93%	-3.13%	25.63%	21.14%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges. All figures are in sterling terms.

\*Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.



Fund Report (continued)

Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +14.04% against +13.12% for the FTSE All-Share Index.

Over the 12 months the Fund delivered a good positive return and outperformed its comparative index. The largest single contribution came from Plus500, the online financial broker, which has performed exceptionally well since its initial public offering in July 2013. The company has grown significantly and easily exceeded market expectations. There was also a very strong return from Associated British Foods, largely driven by the success of Primark, which has recently begun expansions into France and the US. As ever in UK investing, what one does not hold was critical too, and we made very successful decisions to not hold HSBC and Barclays and time a good exit from Vodafone. On the downside, Serco performed very poorly due to falling margins and uncertainty over its relationship with its biggest client, the UK government. Centrica was also in the eye of Newton’s ‘state intervention’ theme as intense regulatory pressure on prices compounded temporary challenges due to the warm winter and falling gas prices. The food retail sector, including our holding Sainsbury’s, was also considerably out of favour in the period due primarily to the growing market share of Aldi and Lidl. Of the stocks we didn’t hold, our lack of exposure to Royal Dutch Shell and Shire were the most costly as both did well. Shell performed well due to its stricter approach to capital management under a new management team and Shire due to continued growth in its ADHD drug portfolio and then the bid approach from US rival AbbVie.

Positioning overall of the portfolio has turned more ‘defensive’ – to less economically sensitive areas of the market – toward the end of the period. We have taken profits in many stocks that have benefited from a general improvement in attitude to risk, particularly those exposed to the UK consumer. This included Associated British Foods, Whitbread and Standard Life while we sold entirely positions in Premier Oil, Serco, British Sky Broadcasting and Carphone Warehouse. Significant new purchases in the period included Moneysupermarket, the comparison website, Merlin Entertainments, the leisure group, Playtech, the online gaming software company, and Meggitt, the aerospace parts supplier. This remains a Fund with a long term investment horizon and turnover thus lies at around 50%. The number of total positions remains around 40, in the middle of the 30 to 50 stated range.

The table below shows the top ten purchases and sales for the year

Purchases	Sales
Playtech	Royal Dutch Shell B
Vodafone	Associated British Foods
British Sky Broadcasting	BHP Billiton
Meggitt	British Sky Broadcasting
Pets at Home	Imperial Tobacco
Rio Tinto	Mitie
Sainsbury (J)	Severn Trent
Merlin Entertainments	Vodafone
Admiral	BG
Serco	Premier Oil

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	191.31	168.43	3.0925
2011	204.07	167.85	2.4222
2012	206.33	182.38	3.8087
2013	245.89	208.05	4.7035
2014	264.22	234.59	4.5611
<b>Exempt Shares 2 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	167.29	147.05	3.9198
2011	185.52	152.95	3.5749
2012	193.88	167.26	4.8940
2013	235.87	195.57	6.0667
2014	256.60	227.17	6.3550
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	160.24	140.92	3.3986
2011	177.15	146.01	3.0065
2012	184.47	159.36	4.2573
2013	223.85	186.06	5.2987
2014	243.25	215.54	5.4691
<b>X Shares (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	170.38	149.56	5.1202
2011	190.69	157.36	4.9770
2012	201.51	173.10	6.3822
2013	247.01	203.29	7.8695
2014	269.60	238.05	8.5140
<b>P Shares (Net Income)**</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 25 June)	111.47	99.50	0.0220
2013 (to 23 September)	133.18	112.44	3.1992
**P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	104.61	99.78	N/A
2013	125.12	105.52	3.2522
2014	134.59	119.15	3.3368
<b>Institutional Shares W (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 5 September)	104.61	99.78	N/A
2013	127.27	105.53	3.2358
2014	138.46	122.58	3.4315
<b>Retail Advised Shares B (Net Income)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	102.71	98.00	N/A
2013	122.68	103.60	2.7529
2014	132.03	117.02	2.8847
<b>Retail Advised Shares B (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 27 September)	102.71	98.00	N/A
2013	124.55	103.60	2.7544
2014	135.30	119.92	2.8232

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Price and Revenue Record by Share Class**

Calendar Year

	<b>Highest Price</b>	<b>Lowest Price</b>	<b>Net Revenue per share*</b>
<b>X Shares (Net Income)***</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2013 (from 18 November)	101.89	97.37	n/a
2014 (to 13 February)	103.43	98.20	n/a

\*\*\*X Shares (Net Income) share class opened 18 November 2013 and closed 14 February 2014

\*Distributions are shown in the year declared rather than paid

**Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>		<b>Pence</b>	
30/06/2012	243,909,323	189.12	128,968,179
30/06/2013	241,263,469	223.20	108,092,282
30/06/2014	227,077,475	250.93	90,493,945
<b>Exempt Shares 2 (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	24,555,193	177.06	13,868,492
30/06/2013	25,102,335	215.10	11,670,041
30/06/2014	29,151,981	248.24	11,743,263
<b>Institutional Shares (Accumulation)</b>		<b>Pence</b>	
30/06/2012	84,713,150	168.66	50,226,477
30/06/2013	9,131,506	204.40	4,467,559
30/06/2014	9,663,318	235.30	4,106,842
<b>X Shares (Net Accumulation)</b>		<b>Pence</b>	
30/06/2012	43,615,494	183.34	23,789,291
30/06/2013	53,857,583	224.41	24,000,124
30/06/2014	81,215,934	260.93	31,125,323
<b>P Shares (Net Income)**</b>		<b>Pence</b>	
30/06/2012	15,288	101.92	15,000
30/06/2013	16,888	120.31	14,037
**P Shares (Net Income) share class closed 23 September 2013			
<b>Institutional Shares W (Net Income)</b>		<b>Pence</b>	
30/06/2013	2,202,874	112.82	1,952,497
30/06/2014	20,804,584	126.87	16,397,931
<b>Institutional Shares W (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	602,820	116.07	519,375
30/06/2014	3,026,643	133.95	2,259,561
<b>Retail Advised Shares B (Net Income)</b>		<b>Pence</b>	
30/06/2013	9,646,241	111.01	8,689,619
30/06/2014	5,344,424	124.82	4,281,663
<b>Retail Advised Shares B (Net Accumulation)</b>		<b>Pence</b>	
30/06/2013	5,689	113.77	5,001
30/06/2014	7,772	130.86	5,939

**Statistics (continued)**

<b>Ongoing Charges</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
<b>Share Class</b>	<b>%</b>	<b>%</b>
Sterling Income Shares	1.62	1.62
Exempt Shares 2 (Net Accumulation)	0.80	0.80
Institutional Shares (Accumulation)	1.05	1.05
X Shares (Net Accumulation)	0.05	0.05
Institutional Shares W (Net Income)	0.80	0.80
Institutional Shares W (Net Accumulation)	0.80	0.80
Retail Advised Shares B (Net Income)	1.12	1.12
Retail Advised Shares B (Net Accumulation)	1.12	1.12

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>United Kingdom 93.17% (93.54%)</b>			
<b>Oil &amp; Gas Equipment, Services &amp; Distributions 2.37% (2.64%)</b>			
Wood (John)	1,105,393	8,909,468	2.37
<b>Chemicals 1.32% (1.64%)</b>			
Johnson Matthey	159,862	4,955,722	1.32
<b>Mining 2.15% (3.35%)</b>			
BHP Billiton	428,855	8,103,215	2.15
<b>Aerospace &amp; Defence 3.50% (1.60%)</b>			
Meggitt	2,600,902	13,160,564	3.50
<b>Support Services 9.24% (12.34%)</b>			
Bunzl	387,894	6,287,762	1.67
Capita	963,958	11,027,680	2.93
Intertek	351,929	9,671,009	2.57
Wolseley	243,001	7,783,322	2.07
<b>Beverages 4.09% (3.02%)</b>			
Diageo	824,331	15,377,895	4.09
<b>Food Producers 3.56% (6.23%)</b>			
Associated British Foods	227,743	6,941,607	1.84
Unilever	244,404	6,476,706	1.72
<b>Tobacco 4.48% (7.29%)</b>			
British American Tobacco	484,995	16,868,126	4.48
<b>Pharmaceuticals &amp; Biotechnology 6.13% (4.72%)</b>			
GlaxoSmithKline	1,148,795	17,961,410	4.76
AstraZeneca	118,713	5,152,144	1.37
<b>Food &amp; Drug Retailers 3.64% (2.21%)</b>			
Sainsbury (J)	4,344,446	13,698,038	3.64
<b>General Retailers 3.80% (1.64%)</b>			
Carphone Warehouse	1,528,203	4,928,455	1.31
Just Eat	814,321	2,056,975	0.55
Pets at Home	3,566,736	7,283,275	1.94
<b>Media 5.48% (6.84%)</b>			
Moneysupermarket.com	4,812,505	9,018,634	2.40
Reed Elsevier	1,231,502	11,576,119	3.08
<b>Travel &amp; Leisure 14.44% (5.93%)</b>			
Compass	1,390,827	14,130,802	3.75
Domino's Pizza	1,107,842	5,788,474	1.54
Whitbread	260,356	11,458,268	3.05
Merlin Entertainments	2,077,380	7,418,324	1.97
Playtech	2,524,048	15,548,136	4.13
<b>Fixed Line Telecommunicatons 1.50% (0.00%)</b>			
Cable & Wireless Communications	11,488,683	5,657,028	1.50
<b>Electricity 3.04% (3.88%)</b>			
SSE	728,861	11,421,252	3.04

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Gas, Water &amp; Multiutilities 4.39% (7.45%)</b>			
Centrica	4,033,137	12,603,553	3.35
Severn Trent	202,359	3,909,576	1.04
<b>Nonlife Insurance 3.10% (1.51%)</b>			
Admiral	753,788	11,676,176	3.10
<b>Life Insurance 6.80% (6.36%)</b>			
Prudential	925,657	12,413,060	3.30
Standard Life	3,518,381	13,158,745	3.50
<b>Real Estate Investment Trusts 1.95% (1.34%)</b>			
Derwent London	274,420	7,346,223	1.95
<b>Financial Services 6.40% (2.03%)</b>			
Intermediate Capital	2,647,993	10,335,117	2.75
Plus500	2,995,208	13,725,541	3.65
<b>Technology Hardware &amp; Equipment 1.79% (1.45%)</b>			
Imagination Technologies	3,201,502	6,751,968	1.79
<b>Overseas Equities 5.88% (5.14%)</b>			
<b>United States of America 1.28% (0.00%)</b>			
eBay	164,306	4,810,456	1.28
<b>Switzerland 4.60% (5.14%)</b>			
Novartis	147,739	7,819,095	2.08
Roche	54,404	9,490,142	2.52
<b>Portfolio of investments</b>		<b>372,700,062</b>	<b>99.05</b>
<b>Net current assets</b>		<b>3,592,069</b>	<b>0.95</b>
<b>Total Net Assets</b>		<b>376,292,131</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Oil & Gas Producers and Construction & Materials portfolio categories, which, at 30 June 2013, represented 8.59% and 1.48%, respectively, of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
Income				
Net capital gains	1		43,512,957	62,953,046
Revenue	2	13,720,993		14,690,339
Expenses	3	(4,483,932)		(4,961,172)
Finance costs: Interest	5	-	-	
Net revenue before taxation		9,237,061		9,729,167
Taxation	4	(243,256)		(75,998)
Net revenue after taxation			8,993,805	9,653,169
<b>Total return before distributions</b>			<b>52,506,762</b>	<b>72,606,215</b>
Finance costs: Distributions	5		(9,050,605)	(9,740,696)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>43,456,157</b>	<b>62,865,519</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		341,829,405	396,808,448
Amounts receivable on issue of shares	97,990,366		41,135,925
Amounts payable on cancellation of shares	(110,527,932)		(161,952,494)
		(12,537,566)	(120,816,569)
Dilution adjustment		76,509	232,143
Stamp Duty Reserve Tax		(232,078)	(112,941)
Change in net assets attributable to Shareholders from investment activities (see above)		43,456,157	62,865,519
Retained distributions on accumulation shares		3,698,606	2,850,342
Unclaimed distributions		1,098	2,463
<b>Closing net assets attributable to Shareholders</b>		<b>376,292,131</b>	<b>341,829,405</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	30/06/2013 £
<b>ASSETS</b>				
Investment assets			372,700,062	337,314,586
Debtors	7	8,040,186	4,834,777	
Cash and bank balances	8	<u>5,441,608</u>	<u>7,115,721</u>	
Total other assets			<u>13,481,794</u>	<u>11,950,498</u>
Total assets			386,181,856	349,265,084
<b>LIABILITIES</b>				
Creditors	9	(5,091,526)	(2,048,393)	
Distribution payable on income shares		<u>(4,798,199)</u>	<u>(5,387,286)</u>	
Total other liabilities			<u>(9,889,725)</u>	<u>(7,435,679)</u>
Total liabilities			(9,889,725)	(7,435,679)
<b>Net assets attributable to Shareholders</b>			<u><u>376,292,131</u></u>	<u><u>341,829,405</u></u>



**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	5.0679	0.5068	4.5611	0.0000	4.5611	4.7035
Group 2	3.6307	0.3631	3.2676	1.2935	4.5611	4.7035
Exempt Shares 2 (Net Accumulation)						
Group 1	7.0611	0.7061	6.3550	0.0000	6.3550	6.0667
Group 2	3.0914	0.3091	2.7823	3.5727	6.3550	6.0667
Institutional Shares (Accumulation)						
Group 1	6.0768	0.6077	5.4691	0.0000	5.4691	5.2987
Group 2	3.6050	0.3605	3.2445	2.2246	5.4691	5.2987
X Shares (Net Accumulation)						
Group 1	9.4600	0.9460	8.5140	0.0000	8.5140	7.8695
Group 2	5.8951	0.5895	5.3056	3.2084	8.5140	7.8695
Institutional Shares W (Net Income)						
Group 1	3.7076	0.3708	3.3368	0.0000	3.3368	3.2522
Group 2	0.9573	0.0957	0.8616	2.4752	3.3368	3.2522
Institutional Shares W (Net Accumulation)						
Group 1	3.8128	0.3813	3.4315	0.0000	3.4315	3.2358
Group 2	1.3874	0.1387	1.2487	2.1828	3.4315	3.2358
Retail Advised Shares B (Net Income)						
Group 1	3.2052	0.3205	2.8847	0.0000	2.8847	2.7529
Group 2	2.4709	0.2471	2.2238	0.6609	2.8847	2.7529
Retail Advised Shares B (Net Accumulation)						
Group 1	3.1369	0.3137	2.8232	0.0000	2.8232	2.7544
Group 2	1.9299	0.1930	1.7369	1.0863	2.8232	2.7544

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

The net capital gains on investments during the year comprise:	30/06/2014 £	30/06/2013 £
Gains on non-derivative securities	43,522,133	62,968,182
Currency exchange losses	(4,366)	(11,164)
Activity charges	(4,810)	(3,972)
<b>Net capital gains</b>	<b>43,512,957</b>	<b>62,953,046</b>

### 2 Revenue

	30/06/2014 £	30/06/2013 £
UK dividends	11,660,847	14,095,082
Overseas dividends	1,964,964	549,633
Bank interest	5,508	26,503
Property income distribution	80,954	-
Stock lending	8,720	19,121
<b>Total revenue</b>	<b>13,720,993</b>	<b>14,690,339</b>

### 3 Expenses

	30/06/2014 £	30/06/2013 £
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	4,136,179	4,602,601
Administration fees	290,834	298,590
Registrar's disbursement fees	3	3,003
Safe custody charges	9,671	9,303
	<b>4,436,687</b>	<b>4,913,497</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	37,372	37,744
Distribution reconciliation service	212	396
	<b>37,584</b>	<b>38,140</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	6,840	6,660
- Non-audit services (tax compliance fee)†	2,544	2,589
Financial Conduct Authority fee	277	286
	<b>9,661</b>	<b>9,535</b>
<b>Total expenses</b>	<b>4,483,932</b>	<b>4,961,172</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,700 (2013: £5,550) and £2,120 (2013: £2,060) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013 £
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Overseas tax withheld	243,256	75,998
<b>Total tax charge (see note 4b)</b>	<b><u>243,256</u></b>	<b><u>75,998</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net revenue before taxation	<u>9,237,061</u>	<u>9,729,167</u>
<b>Corporation tax @ 20%</b>	1,847,412	1,945,833
Effects of:		
Dividends not subject to corporation tax	(2,738,060)	(2,922,292)
Excess management expenses	890,648	976,459
Overseas tax withheld	243,256	75,998
<b>Total tax charge (see note 4a)</b>	<b><u>243,256</u></b>	<b><u>75,998</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £32,411,674 (30/06/13: £27,958,435), as it is unlikely that there will be sufficient taxable profits in future periods to utilise these expenses. The deferred tax asset not recognised is £6,482,335 (30/06/13: £5,591,687).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013 £
Final dividend 30 June - Sterling Income Shares	4,127,520	5,084,121
Final dividend 30 June - Exempt Shares 2 (Net Accumulation)	746,284	707,987
Final dividend 30 June - Institutional Shares (Accumulation)	224,607	236,723
Final dividend 30 June - X Shares (Net Accumulation)	2,650,010	1,888,688
Final dividend 30 June - P Shares (Net Income)	-	449
Final dividend 30 June - Institutional Shares W (Net Income)	547,166	63,499
Final dividend 30 June - Institutional Shares W (Net Accumulation)	77,537	16,806
Final dividend 30 June - Retail Advised Shares B (Net Income)	123,513	239,217
Final dividend 30 June - Retail Advised Shares B (Net Accumulation)	168	138
	<b><u>8,496,805</u></b>	<b><u>8,237,628</u></b>
Amounts added on issue of shares	(1,097,767)	(581,408)
Amounts deducted on cancellation of shares	1,651,567	2,084,476
<b>Net distributions for the year</b>	<b><u>9,050,605</u></b>	<b><u>9,740,696</u></b>
Interest	-	-
<b>Total finance costs</b>	<b><u>9,050,605</u></b>	<b><u>9,740,696</u></b>

**Notes to the Financial Statements (continued)****6 Net movement between revenue after taxation and distributions**

	30/06/2014	30/06/2013
	£	£
Net revenue after taxation	8,993,805	9,653,169
Equalisation on conversions	56,749	87,454
Undistributed revenue brought forward	100	173
Undistributed revenue carried forward	(49)	(100)
	<b>9,050,605</b>	<b>9,740,696</b>

**7 Debtors**

	30/06/2014	30/06/2013
	£	£
Accrued revenue	1,761,047	1,691,753
Amount receivable for issue of shares	345,342	156,589
Income tax recoverable	12,898	-
Overseas tax recoverable	175,811	203,381
Sales awaiting settlement	5,745,088	2,783,054
	<b>8,040,186</b>	<b>4,834,777</b>

**8 Cash & bank balances**

	30/06/2014	30/06/2013
	£	£
Cash held at bank	5,441,608	6,702,376
Cash held in BNY Mellon Sterling Liquidity Fund	-	413,345
	<b>5,441,608</b>	<b>7,115,721</b>

**9 Creditors**

	30/06/2014	30/06/2013
	£	£
Accrued expenses	384,570	382,367
Amount payable for cancellation of shares	1,188,492	187,127
Purchases awaiting settlement	3,518,464	1,478,899
	<b>5,091,526</b>	<b>2,048,393</b>

**10 Related party transactions**

ACD's periodic charge, administration fees, registrar's disbursement fees, safe custody charges, collection charges, overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 5. The balance due to the ACD at 30 June 2014 in respect of these transactions was £1,218,077 (30/06/13: £402,794).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	350,580,369	3,416,258	353,996,627	324,054,225
Switzerland	17,309,237	175,811	17,485,048	17,775,180
United States of America	4,810,456	-	4,810,456	-
<b>Total</b>	<b>372,700,062</b>	<b>3,592,069</b>	<b>376,292,131</b>	<b>341,829,405</b>

### 12 Portfolio transaction costs

	£	30/06/2014	£	30/06/2013	£
Analysis of total purchase costs:					
Purchases before transaction costs		211,857,638		124,223,204	
Commissions	134,985		96,338		
Taxes	812,829		588,293		
Total purchase costs		947,814		684,631	
<b>Gross purchases total</b>		<b>212,805,452</b>		<b>124,907,835</b>	
Analysis of total sales proceeds:					
Sales before transaction costs		221,104,051		235,313,389	
Commissions	(162,251)		(121,871)		
Taxes	(338)		(741)		
Total sales costs		(162,589)		(122,612)	
<b>Total sales net of transaction costs</b>		<b>220,941,462</b>		<b>235,190,777</b>	

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil)

### 14 Stock lending

As at 30 June 2014, £13,721,800 of investments was subject to stock lending agreements and the Fund held £14,763,921 in collateral. The collateral is held in debt securities.

As at 30 June 2013, there were no investments subject to stock lending agreements.

Collateral accepted is non-cash in the form of Sovereign debt rated AA or better from approved Governments only, Supranational debt obligations rated AAA or better, and FTSE 100 DBV Equity baskets only.

The gross earnings and the fees for the year are £10,900 (30/06/13: £25,226) and £2,180 (30/06/13: £6,105).

Notes to the Financial Statements (continued)

15 Shareholders' funds

The Fund currently has eight share classes; Sterling Income Shares, Exempt Shares 2 (Net Accumulation), Institutional Shares (Accumulation), X Shares (Net Accumulation), Institutional Shares W (Net Income), Institutional Shares W (Net Accumulation), Retail Advised Shares B (Net Income) and Retail Advised Shares B (Net Accumulation). Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Exempt Shares 2 (Net Accumulation)	0.75%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
X Shares (Net Accumulation)	0.00%	0.03%
Institutional Shares W (Net Income)	0.75%	0.03%
Institutional Shares W (Net Accumulation)	0.75%	0.03%
Retail Advised Shares B (Net Income)	1.00%	0.10%
Retail Advised Shares B (Net Accumulation)	1.00%	0.10%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 624. The distribution is given in the distribution statement on page 630. All share classes have the same rights on winding up.

**BNY MELLON INVESTMENT FUNDS – THE BOSTON COMPANY US OPPORTUNITIES FUND\***

**Annual Report  
for the year ended  
30 June 2014**

\*BNY Mellon American Fund changed name to The Boston Company US Opportunities Fund on 13 February 2014

**Fund Report**

for the year ended 30 June 2014

**General Information**

Investment Adviser: The Boston Company Asset Management LLC

Fund Size: £80.44m

Comparative Index: S&amp;P 500 TR

Sector: IMA North America

Yield as at 30 June 2014:

Sterling Income Shares	0.00%
Euro Accumulation Shares	0.00%
Exempt Shares 1 (Net Accumulation)	0.56%
Institutional Shares (Accumulation)	0.17%
Institutional W Net Income	0.35%
Institutional W Net Accumulation	0.30%
Retail Advised B Net Income	0.12%
Retail Advised B Net Accumulation	0.13%
Institutional F Net Income	0.00%
Institutional F Net Accumulation	0.00%

Key Dates: Fund Launch 31 October 1986 (Managed by TBCAM since 30 January 2012)

**Investment Objective**

The objective of the Fund is to achieve capital growth from a portfolio of predominantly US securities. The Fund may also invest in collective investment schemes.

**Statutory Performance Data**

From	30/06/2013	30/06/2012	30/06/2011	30/06/2010	30/06/2009
To	30/06/2014	30/06/2013	30/06/2012	30/06/2011	30/06/2010
Sterling Income Shares*	13.62%	21.16%	n/a	n/a	n/a
Euro Accumulation Shares*	13.71%	20.02%	n/a	n/a	n/a
Exempt Shares 1 (Net Accumulation)*	14.84%	22.44%	n/a	n/a	n/a
Institutional Shares (Accumulation)*	14.27%	21.84%	n/a	n/a	n/a
Institutional W Net Income*	14.55%	n/a	n/a	n/a	n/a
Institutional W Net Accumulation*	14.55%	n/a	n/a	n/a	n/a
Retail Advised B Net Income*	14.19%	n/a	n/a	n/a	n/a
Retail Advised B Net Accumulation*	14.19%	n/a	n/a	n/a	n/a
Institutional F Net Income*	n/a	n/a	n/a	n/a	n/a
Institutional F Net Accumulation*	n/a	n/a	n/a	n/a	n/a
S&P 500 TR	10.53%	24.71%	7.94%	21.79%	25.96%

Source: Lipper as at 30 June 2014 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

\* Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.



## Fund Report (continued)

### Portfolio Summary

Over the 12-month period under review, the Sterling Income Share Class of the Fund returned +13.62% against +10.53% for the S&P 500 Index.

Over the 12-month period the Fund generated a solid return, outperforming the comparative index. Notably, the investment approach of the Fund, which was formerly known as the BNY Mellon American Fund, was modified during the first quarter of 2014, shifting from a large-cap-growth focus to an all-cap opportunistic strategy.

During the past year, US equities staged a broad rally, extending gains on continued economic strength and encouraging action and messaging from the US Federal Reserve, ultimately finishing the period near record highs. In this environment, effective stock selection drove the Fund's outperformance, especially in the healthcare, information technology and consumer discretionary sectors. Despite some volatility in 2014, the healthcare sector benefited from stock selection and disciplined trading within pharmaceuticals and biotechnology. Our holdings in Illumina, Alexion Pharmaceuticals and Forest Laboratories rallied 188%, 95% and 49%, respectively. Similarly, share-price fluctuations in information technology provided opportunities for the managers, who deftly traded around Facebook to yield fund-performance returns of 171% for the stock. Performance in consumer discretionary was buoyed by holdings in household durables, retail and casinos. Conversely, the Fund experienced some weakness in the materials sector, where 'defensive' – less sensitive to economic change – holding Yamana Gold sold off amid the constructive, economically-sensitive equity market rise.

In part influenced by changes in the benchmark and the Fund's approach in early 2014, turnover was healthy during the 12-month period. Overall, capital was reduced in consumer staples and consumer discretionary, reflecting profit-taking and more attractive opportunities elsewhere. Meanwhile, financials received the biggest capital contribution, finishing the period as the largest sector weight. The sector remains increasingly attractive because of interest-rate sensitivity and loan growth concurrent with compelling valuations. In addition, information technology and healthcare represent large weights in the portfolio, with the indiscriminate momentum sell-off in early 2014 yielding attractive valuations in companies that boast solid structures and strong business-improvement potential. Lastly, the Fund maintained a zero weight to 'defensive' telecommunications and utilities.

The table below shows the top ten purchases and sales for the year

#### Purchases

SPDR S&P 500 ETF Trust  
iShares Russell 1000 Growth Fund  
iShares Russell 3000 Growth Fund  
Ciena  
SVB Financial  
TD Ameritrade  
Microsoft  
JDS Uniphase  
Consol Energy  
Valero Energy

#### Sales

SPDR S&P 500 ETF Trust  
iShares Russell 1000 Growth Fund  
iShares Russell 3000 Growth Fund  
Mastercard  
IBM  
Schlumberger  
Amazon  
Comcast  
Antero Resources  
UMB Financial

## Statistics

### Price and Revenue Record by Share Class

Calendar Year

	Highest Price	Lowest Price	Net Revenue per share*
<b>Sterling Income Shares</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	112.25	89.16	0.0000
2011	114.30	87.43	0.0000
2012	114.93	99.42	0.0000
2013	147.56	111.05	0.0000
2014	157.44	140.48	0.0000
<b>Euro Accumulation Shares</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
2010	67.67	52.71	0.0000
2011	69.82	51.06	0.0000
2012	73.99	60.73	0.0000
2013	89.83	75.51	0.0000
2014	96.63	87.20	0.0000
<b>Exempt Shares 1 (Net Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2010	106.21	83.55	0.5113
2011	108.33	83.32	0.5282
2012	110.74	95.10	0.6769
2013	144.11	107.33	0.8170
2014	154.15	137.75	0.7051
<b>Institutional Shares (Accumulation)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 24 April)	106.55	95.73	0.0719
2013	137.78	103.12	0.2430
2014	147.21	131.46	0.0047
<b>Institutional W Net Income</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	101.66	95.42	0.0000
2013	122.33	98.45	0.4652
2014	140.41	125.43	0.3247
<b>Institutional W Net Accumulation</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 30 August)	101.66	95.42	0.0000
2013	122.33	98.45	0.4003
2014	140.97	125.93	0.3250
<b>Retail Advised B Net Income</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 24 September)	100.38	94.24	0.0000
2013	129.60	97.20	0.1614
2014	138.45	123.62	0.0000
<b>Retail Advised B Net Accumulation</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2012 (from 24 September)	100.38	94.25	0.0000
2013	129.79	97.20	0.1661
2014	138.64	123.80	0.0000
<b>Institutional F Net Income</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 7 May)	106.34	99.51	0.1198
<b>Institutional F Net Accumulation</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
2014 (from 7 May)	104.42	98.03	0.0885

\*Distributions are shown in the year declared rather than paid

**Statistics (continued)****Net Asset Value History by Share Class**

<b>Share class as at</b>	<b>Net Asset Value (£)</b>	<b>Per share</b>	<b>Shares in issue</b>
<b>Sterling Income Shares</b>			
		<b>Pence</b>	
30/06/2012	53,691,017	106.36	50,479,569
30/06/2013	40,220,623	130.81	30,746,965
30/06/2014	36,296,967	148.48	24,445,466
<b>Euro Accumulation Shares</b>			
		<b>Cents</b>	
30/06/2012	1,558,713	67.36	2,869,623
30/06/2013	1,227,356	77.33	1,851,959
30/06/2014	838,487	93.97 **	1,114,389
**Euro/Sterling exchange rate at close of business 30 June 2014:		1.24885	
<b>Exempt Shares 1 (Net Accumulation)</b>			
		<b>Pence</b>	
30/06/2012	884,377	102.22	865,204
30/06/2013	996,227	127.09	783,848
30/06/2014	730,370	145.81	500,907
<b>Institutional Shares (Accumulation)</b>			
		<b>Pence</b>	
30/06/2012	14,767	98.45	15,000
30/06/2013	307,314	121.81	252,289
30/06/2014	484,918	139.05	348,731
<b>Institutional W Net Income</b>			
		<b>Pence</b>	
30/06/2013	575,004	115.63	497,288
30/06/2014	11,221,112	132.40	8,475,346
<b>Institutional W Net Accumulation</b>			
		<b>Pence</b>	
30/06/2013	29,404	116.52	25,236
30/06/2014	26,468,059	133.25	19,863,486
<b>Retail Advised B Net Income</b>			
		<b>Pence</b>	
30/06/2013	2,443,432	114.69	2,130,386
30/06/2014	1,156,540	130.75	884,531
<b>Retail Advised B Net Accumulation</b>			
		<b>Pence</b>	
30/06/2013	8,614	114.52	7,522
30/06/2014	9,847	130.93	7,521
<b>Institutional F Net Income</b>			
		<b>Pence</b>	
30/06/2014	2,589,281	105.20	2,461,275
<b>Institutional F Net Accumulation</b>			
		<b>Pence</b>	
30/06/2014	645,448	103.42	624,093

**Statistics (continued)****Ongoing Charges**

<b>Share Class</b>	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>%</b>	<b>%</b>
Sterling Income Shares	1.68	1.68
Euro Accumulation Shares	2.18	2.17
Exempt Shares 1 (Net Accumulation)	0.63	0.61
Institutional Shares (Accumulation)	1.12	1.11
Institutional W Net Income	0.88	0.86
Institutional W Net Accumulation	0.88	0.86
Retail Advised B Net Income	1.18	1.18
Retail Advised B Net Accumulation	1.18	1.18
Institutional F Net Income	0.72	n/a
Institutional F Net Accumulation	0.72	n/a

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the investment manager, financial adviser, fund accountant, fund administrator and distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Share classes with less than 12 months' history may be estimated based on other share class data.

The Ongoing Charges figures for Institutional F Net Income and Institutional F Net Accumulation have been annualised as the share classes launched during the year.

**Portfolio Statement**

as at 30 June 2014

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Agriculture 1.91% (2.64%)</b>			
Philip Morris International	31,260	1,540,833	1.91
<b>Apparel 1.34% (3.08%)</b>			
Michael Kors	20,880	1,082,436	1.34
<b>Banks 6.17% (0.00%)</b>			
Comerica	67,230	1,971,467	2.45
SVB Financial	43,890	2,993,253	3.72
<b>Beverages 1.97% (4.38%)</b>			
PepsiCo	30,310	1,583,349	1.97
<b>Biotechnology 7.70% (8.64%)</b>			
Biogen Idec	8,930	1,646,763	2.05
Gilead Sciences	40,010	1,940,070	2.41
Illumina	15,240	1,591,338	1.98
Vertex Pharmaceuticals	18,270	1,011,563	1.26
<b>Computers 1.33% (4.55%)</b>			
EMC	69,300	1,067,152	1.33
<b>Diversified Financial Services 3.14% (3.90%)</b>			
Discover Financial	69,650	2,524,321	3.14
<b>Electronic &amp; Electrical Equipment 2.80% (0.00%)</b>			
Arrow Electronics	32,150	1,135,690	1.41
Agilent Technologies	33,270	1,117,270	1.39
<b>Industrial Engineering 1.67% (0.00%)</b>			
Parker Hannifin	18,230	1,340,289	1.67
<b>Financial Services 12.32% (0.00%)</b>			
E*Trade Financial	165,510	2,056,957	2.56
Goldman Sachs	19,780	1,937,453	2.41
Invesco	87,730	1,937,413	2.41
Raymond James Financial	62,950	1,866,944	2.32
TD Ameritrade	115,310	2,112,853	2.62
<b>Healthcare Equipment &amp; Services 1.65% (0.00%)</b>			
HCA	40,290	1,328,273	1.65
<b>Internet 3.52% (9.20%)</b>			
Facebook	19,990	786,576	0.98
Google	3,020	1,032,648	1.28
Google 'C' Shares	3,020	1,016,063	1.26
<b>Lodging 1.46% (1.14%)</b>			
Las Vegas Sands	26,420	1,177,725	1.46
<b>Manufacturers 3.88% (3.39%)</b>			
Danaher	27,370	1,259,771	1.57
Steelcase	210,390	1,860,454	2.31
<b>Media 4.33% (2.96%)</b>			
AMC Networks	22,950	824,930	1.03
LIN Media	88,920	1,415,564	1.76
Viacom	24,420	1,238,674	1.54
<b>Mining 5.70% (0.00%)</b>			
Consol Energy	101,160	2,725,643	3.39
Yamana Gold	386,010	1,855,720	2.31

**Portfolio Statement (continued)**

<b>Investments</b>	<b>Holding</b>	<b>Market Value (£)</b>	<b>Total Net Assets (%)</b>
<b>Non Equity Investment Instruments 5.43% (0.00%)</b>			
iShares Russell 3000 Growth	8,750	602,370	0.75
SPDR S&P 500 ETF Trust	32,860	3,760,974	4.68
<b>Non-Life Insurance 1.74% (0.00%)</b>			
Hartford Financial Services	66,890	1,400,510	1.74
<b>Oil &amp; Gas Services 2.42% (4.28%)</b>			
Valero Energy	66,500	1,948,115	2.42
<b>Pharmaceuticals 1.54% (5.37%)</b>			
Perrigo	14,500	1,235,746	1.54
<b>Pharmaceuticals &amp; Biotechnology 3.50% (0.00%)</b>			
Forest Labs	36,550	2,123,506	2.64
Isis Pharmaceuticals	34,480	694,702	0.86
<b>Real Estate 2.24% (0.00%)</b>			
Realogy	81,810	1,804,284	2.24
<b>Retail 1.70% (10.33%)</b>			
AmerisourceBergen	32,160	1,366,450	1.70
<b>Semiconductors 5.07% (5.33%)</b>			
Applied Micro Circuits	200,650	1,267,374	1.57
Mellanox Technologies	62,190	1,267,914	1.58
Xilinx	55,870	1,545,872	1.92
<b>Software 2.56% (6.41%)</b>			
Microsoft	84,410	2,058,600	2.56
<b>Support Services 1.72% (0.00%)</b>			
MSC Industrial Direct	24,710	1,381,714	1.72
<b>Technology, Hardware &amp; Equipment 1.25% (0.00%)</b>			
Dealertrack Technologies	37,890	1,004,505	1.25
<b>Telecommunications 7.11% (3.03%)</b>			
Ciena	219,740	2,782,332	3.46
JDS Uniphase	268,610	1,957,412	2.43
Juniper Networks	68,250	978,735	1.22
<b>Transportation 2.14% (3.48%)</b>			
Kirby	25,160	1,723,243	2.14
<b>Portfolio of investments</b>		<b>79,883,813</b>	<b>99.31</b>
<b>Net current assets</b>		<b>557,216</b>	<b>0.69</b>
<b>Total Net Assets</b>		<b>80,441,029</b>	<b>100.00</b>
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 30 June 2013

During the year ended 30 June 2014, the Fund disposed of its holdings in the Auto Parts & Equipments, Building Materials, Chemicals, Commercial Services, Engineering & Construction, Food Processing, Machinery, Metal Fabrication portfolio categories, which, at 30 June 2013, represented 1.26%, 0.73%, 3.04%, 4.12%, 1.31%, 3.48%, 1.53% & 2.01% respectively of the Total Net Assets of the Fund.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

## Financial Statements

### Statement of Total Return

for the year ended 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
Income					
Net capital gains	1		7,813,799		10,573,382
Revenue	2	657,395		736,438	
Expenses	3	(844,292)		(798,863)	
Finance costs: Interest	5	(101)		(200)	
Net expenses before taxation		(186,998)		(62,625)	
Taxation	4	(56,522)		(102,473)	
Net expenses after taxation			(243,520)		(165,098)
<b>Total return before distributions</b>			<b>7,570,279</b>		<b>10,408,284</b>
Finance costs: Distributions	5		23,344		(14,433)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>7,593,623</b>		<b>10,393,851</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 June 2014

	£	30/06/2014 £	£	30/06/2013 £
<b>Opening net assets attributable to Shareholders</b>		45,807,974		56,148,874
Amounts receivable on issue of shares	68,879,651		11,936,800	
Amounts payable on cancellation of shares	(41,942,749)		(32,706,838)	
		26,936,902		(20,770,038)
Dilution adjustment		33,862		28,157
Change in net assets attributable to Shareholders from investment activities (see above)		7,593,623		10,393,851
Retained distributions on accumulation shares		68,668		7,130
<b>Closing net assets attributable to Shareholders</b>		<b>80,441,029</b>		<b>45,807,974</b>

**Financial Statements (continued)****Balance Sheet**

as at 30 June 2014

	Notes	£	30/06/2014 £	£	30/06/2013 £
<b>ASSETS</b>					
Investment assets			79,883,813		45,621,398
Debtors	7	1,646,136		474,216	
Cash and bank balances	8	259,866		956,641	
Total other assets			1,906,002		1,430,857
Total assets			81,789,815		47,052,255
<b>LIABILITIES</b>					
Creditors	9	(1,318,315)		(1,238,530)	
Distribution payable on income shares		(30,471)		(5,751)	
Total other liabilities			(1,348,786)		(1,244,281)
Total liabilities			(1,348,786)		(1,244,281)
<b>Net assets attributable to Shareholders</b>			<b>80,441,029</b>		<b>45,807,974</b>



**Distribution Statement**

for the year ended 30 June 2014

**Final dividend distribution in pence per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Sterling Income Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Exempt Shares 1 (Net Accumulation)						
Group 1	0.7834	0.0783	0.7051	0.0000	0.7051	0.8170
Group 2	0.2156	0.0216	0.1940	0.5111	0.7051	0.8170
Institutional Shares (Accumulation)						
Group 1	0.0052	0.0005	0.0047	0.0000	0.0047	0.2430
Group 2	0.0008	0.0001	0.0007	0.0040	0.0047	0.2430
Institutional W Net Income						
Group 1	0.3608	0.0361	0.3247	0.0000	0.3247	0.4652
Group 2	0.0388	0.0039	0.0349	0.2898	0.3247	0.4652
Institutional W Net Accumulation						
Group 1	0.3611	0.0361	0.3250	0.0000	0.3250	0.4003
Group 2	0.1770	0.0177	0.1593	0.1657	0.3250	0.4003
Retail Advised B Net Income						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.1614
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.1614
Retail Advised B Net Accumulation						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.1661
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.1661
						Period
						Group 1: Shares purchased at launch on 7 May 2014
						Group 2: Shares purchased 8 May 2014 to 30 June 2014
Institutional F Net Income						
Group 1	0.1331	0.0133	0.1198	0.0000	0.1198	n/a
Group 2	0.0728	0.0073	0.0655	0.0543	0.1198	n/a
Institutional F Net Accumulation						
Group 1	0.0983	0.0098	0.0885	0.0000	0.0885	n/a
Group 2	0.0768	0.0077	0.0691	0.0194	0.0885	n/a

**Final dividend distribution in cents per Share**

						Period
						Group 1: Shares purchased prior to 1 July 2013
						Group 2: Shares purchased 1 July 2013 to 30 June 2014
	<b>Gross Revenue</b>	<b>Tax Credit @10%</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Amount Paid</b>	<b>Prior Period 30/06/2013</b>
Euro Accumulation Shares						
Group 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The distributions of all share classes are 100% franked.

## Notes to the Financial Statements

### 1 Net capital gains

	30/06/2014	30/06/2013
	£	£
The net capital gains on investments during the year comprise:		
Gains on non-derivative securities	7,910,769	10,604,607
Currency exchange losses	(41,417)	(18,121)
Activity charges	(28,630)	(13,104)
Corporation tax on Offshore Funds	(26,923)	-
<b>Net capital gains</b>	<b>7,813,799</b>	<b>10,573,382</b>

### 2 Revenue

	30/06/2014	30/06/2013
	£	£
Overseas dividends	657,203	735,787
Bank interest	169	651
Stock lending	23	-
<b>Total revenue</b>	<b>657,395</b>	<b>736,438</b>

### 3 Expenses

	30/06/2014	30/06/2013
	£	£
<b>Payable to the ACD or Associate of the ACD:</b>		
ACD's periodic charge	770,791	724,441
Administration fees	48,250	48,319
Registrar's disbursement fees	1,104	1,594
Safe custody charges	3,501	2,863
	<b>823,646</b>	<b>777,217</b>
<b>Payable to the Depositary or Associate of the Depositary:</b>		
Depositary's fees	15,510	13,682
Distribution reconciliation service	85	-
	<b>15,595</b>	<b>13,682</b>
<b>Other expenses:</b>		
Auditor's remuneration:		
- Audit services (audit fee)†	4,463	5,940
- Non-audit services (tax compliance fee)†	300	1,738
Financial Conduct Authority fee	288	286
	<b>5,051</b>	<b>7,964</b>
<b>Total expenses</b>	<b>844,292</b>	<b>798,863</b>

† The Audit services (audit fee) and Non-audit services (tax compliance fee) net of VAT for 2014 are £5,050 (2013: £4,950) and £250 (2013: £1,430) respectively.

## Notes to the Financial Statements (continued)

### 4 Taxation

	30/06/2014 £	30/06/2013 £
<b>a) Analysis of tax charge in year:</b>		
Corporation tax	(26,923)	-
	<u>(26,923)</u>	<u>-</u>
Overseas tax withheld	83,445	102,473
<b>Total tax charge (see note 4b)</b>	<b><u>56,522</u></b>	<b><u>102,473</u></b>

#### b) Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an ICVC (20%) (2013: 20%).

The differences are explained below:

Net expenses before taxation	<u>(186,998)</u>	<u>(62,625)</u>
<b>Corporation tax @ 20%</b>	<b>(37,400)</b>	<b>(12,525)</b>
Effects of:		
Dividends not subject to corporation tax	(131,441)	(147,153)
Excess management expenses	126,445	159,678
Movement in revenue accruals taxable on receipt	15,473	-
Overseas tax withheld	83,445	102,473
<b>Total tax charge (see note 4a)</b>	<b><u>56,522</u></b>	<b><u>102,473</u></b>

#### c) Deferred tax

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £4,533,619 (30/06/13: £3,901,399), as it is unlikely that there will be sufficient taxable profits in the future to utilise these expenses. The deferred tax asset not recognised is £906,725 (30/06/13: £780,280).

### 5 Finance costs

#### Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	30/06/2014 £	30/06/2013 £
Final dividend 30 June - Exempt Shares 1 (Net Accumulation)	3,532	6,404
Final dividend 30 June - Institutional Shares (Accumulation)	16	613
Final dividend 30 June - Institutional W Net Income	27,522	2,313
Final dividend 30 June - Institutional W Net Accumulation	64,567	101
Final dividend 30 June - Retail Advised B Net Income	-	3,438
Final dividend 30 June - Retail Advised B Net Accumulation	-	12
Final dividend 30 June - Institutional F Net Income	2,949	-
Final dividend 30 June - Institutional F Net Accumulation	553	-
	<b><u>99,139</u></b>	<b><u>12,881</u></b>
Amounts added on issue of shares	(126,189)	(1,132)
Amounts deducted on cancellation of shares	3,706	2,684
<b>Net distributions for the year</b>	<b><u>(23,344)</u></b>	<b><u>14,433</u></b>
Interest	101	200
<b>Total finance costs</b>	<b><u>(23,243)</u></b>	<b><u>14,633</u></b>

## Notes to the Financial Statements (continued)

### 6 Net movement between (expenses)/revenue after taxation and distributions

	30/06/2014 £	30/06/2013 £
Net expenses after taxation	(243,520)	(165,098)
Equalisation on conversions	12,301	5,857
Transfer from capital for distribution deficit on Sterling Income share class	199,193	164,097
Transfer from capital for distribution deficit on Euro Accumulation share class	7,931	9,556
Transfer from capital for distribution deficit on Retail Advised B Net Income	7	-
Transfer from capital for distribution deficit on Retail Advised B Net Accumulation	744	-
Undistributed revenue carried forward	-	21
	<b>(23,344)</b>	<b>14,433</b>

### 7 Debtors

	30/06/2014 £	30/06/2013 £
Accrued revenue	59,102	34,686
Amount receivable for issue of shares	986,380	63,410
Amounts receivable on open currency contracts	587,615	-
Overseas tax recoverable	6,253	7,034
Sales awaiting settlement	6,786	369,086
	<b>1,646,136</b>	<b>474,216</b>

### 8 Cash & bank balances

	30/06/2014 £	30/06/2013 £
Cash held at bank	259,866	956,641
	<b>259,866</b>	<b>956,641</b>

### 9 Creditors

	30/06/2014 £	30/06/2013 £
Accrued expenses	95,718	66,651
Amount payable for cancellation of shares	27,534	178,081
Amounts payable on open currency contracts	588,938	-
Purchases awaiting settlement	606,125	993,798
	<b>1,318,315</b>	<b>1,238,530</b>

### 10 Related party transactions

ACD's periodic charge, collection charges, administration fees, registrar's disbursement fees, safe custody charges, activity charges, and overdraft interest paid to, and bank interest received from the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 1, 2, 3 and 5, details of shares issued and cancelled by the ACD are shown in the Statement of Change Net Assets Attributable to Shareholders and Note 5. The balance due from the ACD at 30 June 2014 in respect of these transactions was £880,061 (30/06/13: £173,307 due to the ACD).

## Notes to the Financial Statements (continued)

### 11 Financial instruments

#### 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.

#### Foreign currency risk

	30/06/2014	30/06/2014	30/06/2014	30/06/2013
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	-	465,560	465,560	(102,418)
Europe	-	8,497	8,497	107,014
United States of America	79,883,813	83,159	79,966,972	45,803,378
<b>Total</b>	<b>79,883,813</b>	<b>557,216</b>	<b>80,441,029</b>	<b>45,807,974</b>

### 12 Portfolio transaction costs

	30/06/2014	30/06/2013
	£	£
Analysis of total purchase costs:		
Purchases before transaction costs	137,682,030	18,811,221
Commissions	55,850	9,545
Taxes	-	-
Total purchase costs	55,850	9,545
<b>Gross purchases total</b>	<b>137,737,880</b>	<b>18,820,766</b>
Analysis of total sales proceeds:		
Sales before transaction costs	111,216,532	36,695,042
Commissions	(26,146)	(12,875)
Taxes	(2,082)	(864)
Total sales costs	(28,228)	(13,739)
<b>Total sales net of transaction costs</b>	<b>111,188,304</b>	<b>36,681,303</b>

### 13 Contingent liabilities

There were no contingent liabilities at the balance sheet date. (30/06/13: nil).

### 14 Stock lending

As at 30 June 2014, there were no investments subject to stock lending agreements. (30/06/13: nil)

The gross earnings and the fees for the year are £23 (30/06/13: nil) and nil (30/06/13: nil).

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**Notes to the Financial Statements (continued)**


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**15 Shareholders' funds**


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The Fund currently has ten share classes; Sterling Income Shares, Euro Accumulation Shares, Exempt Shares 1 (Net Accumulation), Institutional Shares (Accumulation), Institutional W Net Income, Institutional W Net Accumulation, Retail Advised B Net Income, Retail Advised B Net Accumulation, Institutional F Net Income and Institutional F Net Accumulation. Each share class suffers a different annual ACD charge and Administration fee which is payable to the ACD and is shown below:

	ACD charge	Administration fee
Sterling Income Shares	1.50%	0.10%
Euro Accumulation Shares	2.00%	0.10%
Exempt Shares 1 (Net Accumulation)	0.50%	0.03%
Institutional Shares (Accumulation)	1.00%	0.03%
Institutional W Net Income	0.75%	0.03%
Institutional W Net Accumulation	0.75%	0.03%
Retail Advised B Net Income	1.00%	0.10%
Retail Advised B Net Accumulation	1.00%	0.10%
Institutional F Net Income	0.55%	0.03%
Institutional F Net Accumulation	0.55%	0.03%

Consequently the level of net revenue attributable to each share class will differ.

The net asset value, the net asset value per share and the number of shares in issue are shown on page 640. The distribution is given in the distribution statement on page 646. All share classes have the same rights on winding up.

## **Statement of the Authorised Corporate Director's Responsibilities and Directors' Statement**

### **Statement of the Authorised Corporate Director's Responsibilities**

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') requires the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period, which give a true and fair view of the financial position of the Company as at the end of the year, and of the net revenue and expenses and the net gains or losses on the property of the Company for the year then ended.

In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and the Prospectus;
- comply with applicable accounting standards;
- keep proper accounting records that enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- 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

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the Regulations.

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

### **Directors' Statement**

In accordance with the requirements of the rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook, we hereby certify the Report on behalf of the Directors of BNY Mellon Fund Managers Limited.

**D M Turnbull**  
**Director**  
**BNY Mellon Fund Managers Limited**

**12 September 2014**

## **Statement of the Depositary's Responsibilities and Report of the Depositary**

### **Statement of the Depositary's Responsibilities**

The Depositary is responsible for the safekeeping of all 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 in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company, the application of the revenue of the Company, and the investment and borrowing powers applicable to the Company.

### **Report of the Depositary**

Having carried out such procedures as we considered 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 of the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption, cancellation and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company,
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**National Westminster Bank Plc  
Trustee & Depositary Services  
Edinburgh**

**12 September 2014**



## **Independent Auditor's Report to the Members of BNY Mellon Investment Funds**

We have audited the financial statements of BNY Mellon Investment Funds ("the Company") for the year ended 30 June 2014 which comprise the Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets Attributable to Shareholders, Aggregated Balance Sheet and the related notes 1 to 16 together with the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, Distribution Statements and the related notes for each Sub-Fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the Authorised Corporate Director (ACD) and Auditor**

As explained more fully in the ACD's responsibilities statement set out on page 652, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

The maintenance and integrity of the BNY Mellon Fund Managers Limited web site is the responsibility of the ACD; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its Sub-Funds as at 30 June 2014 and of the net revenue and the net gains on the scheme property of the Company and its Sub-Funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**Ernst & Young LLP**  
**Statutory Auditor**  
**London**

**12 September 2014**

## Investor Information

BNY Mellon Investment Funds (the “Company”) is an open-ended investment company with variable capital, incorporated in England and Wales under registered number IC 27 and authorised by the Financial Conduct Authority, with effect from 13 April 1999.

The Company has been established as an “umbrella company”. The assets of each Sub-Fund are treated as separate from those of every other Sub-Fund and will be invested in accordance with that Sub-Fund’s own investment objective and policy. For the avoidance of doubt, and as at the date of this annual report, the Company is not a UK protected cell company on the basis that it has received an extension from the FCA.

Investors should be aware that the Company’s creditors may look to all the Company’s assets for payment regardless of the Sub-Fund in respect of which the debt has arisen. Assets may be re-allocated to and from other Sub-Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, BNY Mellon Fund Managers Limited, the authorised corporate director, (“ACD”) will advise shareholders in the next report to shareholders. The FCA registered number for the ACD is 122007.

Each Sub-Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-Fund and within the Sub-Funds charges will be allocated between share classes in accordance with the terms of issue of those share classes.

Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-Fund may be allocated by the ACD in a manner which is fair to shareholders as a whole but they will normally be allocated to all Sub-Funds pro rata to the value of the net assets of the relevant funds.

Although each Sub-Fund, so far as possible, will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient, the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Sub-Funds in a manner which is fair to the shareholders of the Company generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Sub-Funds. If there is any such re-allocation the ACD will advise shareholders of it in the next succeeding annual or half-yearly report to shareholders.

Shareholders are not, however, liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

## Significant Events

The following additions and amendments have been made:-

### Additions:-

**2000** – launched the following Sub-Funds/share classes: Newton Global Innovation Fund (24 March); Newton European High Yield Bond Fund (02 October) and A Share Class of Newton Intrepid Fund (27 October).

**2002** – launched the following Sub-Funds: Newton UK Opportunities Fund (08 February);

**2004** – launched the following Sub-Funds/share classes: Newton American Fund – Exempt 1 Net Acc. (02 August), Newton Income Fund – Exempt 2 Net Acc. (14 September), Newton Absolute Intrepid Fund - Exempt 2 Net Acc. (28 October), Newton UK Equity Fund – Exempt 2 Net Acc. (14

**2005** – launched the following Sub-Funds/share classes: Newton Higher Income Fund – Exempt 2 Net Acc. (26 January) and Institutional Net Acc. (11 April), Newton Overseas Equity Fund – Exempt 2 Net Acc. (26 January), Newton UK Opportunities Fund – Exempt 2 Net Acc. (31 January) and Institutional Net Acc. (25 May), Newton Income Fund – Institutional Net Acc. (11 April), Newton Global Balanced Fund – Exempt 2 Net Acc. (14 April), Newton Long Corporate Bond Fund – Exempt 2 Gross Acc. (6 May), Newton Global Opportunities Fund (01 July), Newton 60/40 Global Equity Fund – Exempt 2 Net Acc. (3 November), Newton Global Higher Income Fund (30 November), Newton Asian Income Fund (30 November), Newton International Bond Fund – Institutional Net Acc. (7 December).

**2006** – launched the following Sub-Funds/share classes: Newton Absolute Intrepid Fund – X Net Acc. (27 February), Newton International Growth Fund – Exempt 1 Net Acc. (02 February), Newton Global Dynamic Bond Fund – Sterling Inc. and Exempt 2 Gross Acc. (28 April), Newton Higher Income Fund – Institutional Net Inc. (2 May), Newton Balanced Fund – Institutional Net Acc. (5 June), Newton Managed Fund – Institutional Net Acc. (12 June), Newton Income Fund – Institutional Net Inc. (23 June), Newton Global Dynamic Bond Fund – Institutional Net Inc. (29 June), Newton Global Higher Income Fund – Exempt Shares 2 Net Inc. (4 August), Newton Long Corporate Bond Fund – Institutional Net Acc. (24 October), Newton Phoenix Multi-Asset Fund – Sterling Inc. and Sterling Acc. (27 November), Newton Global Opportunities Fund – X Net Acc. (12 December).

**2007** – launched the following Sub-Funds/share classes: Newton Oriental Fund – Institutional Net Acc. (29 January) and X Net Acc. (3 July), Newton European Higher Income Fund – Sterling Inc. and Institutional Net Inc. launched (30 January) and Institutional Net Acc. (10 September), Newton Long Corporate Bond Fund – X Gross Acc. (2 April), Newton Long Gilt Fund – X Shares Gross Acc. (2 April), Newton Overseas Equity Fund – X Gross Acc. (16 April), Newton UK Equity Fund – X Net Acc. (16 April), Newton International Bond Fund – Institutional Net Inc. (27 April), and Exempt 2 Gross Acc. (18 May), Newton Higher Income Fund – X Net Acc. (2 July), Newton UK Opportunities Fund – X Gross Acc. (2 July), Mellon Long-Term Global Equity Fund (Walter Scott & Partners Limited act as Investment Advisers to this sub-fund) – Institutional Net Acc. and Exempt 2 Net Acc. (24 August) and Sterling Inc. (28 September), Newton International Growth Fund – X Net Acc. (10 September), Newton Global Higher Income Fund – X Net Acc. (1 October), Newton Index Linked Gilt Fund – X Gross Acc. (1 October), Newton Diversified Growth Fund – Institutional Acc. and Exempt 2 Net Acc. (14 December).

**Investor Information (continued)**

**2008** – launched the following share classes: Newton European High Yield Bond Fund – X Net Acc. (19 March); Newton Global Dynamic Bond Fund – X Net Acc. (19 March); Newton Income Fund – X Net Acc. (19 March); Newton Phoenix Multi-Asset Fund – Exempt Shares 2 Net Acc. (1 February); Newton Strategic Corporate Bond Fund – X Net Acc. (19 March);

**2009** – launched the following Sub-Funds/share classes: Newton International Growth Fund – Exempt 3 Net Acc. (2 February); Newton Growth Fund – Institutional Net Acc (3 March); Newton Asian Income Fund – X Net Inc (2 April); Newton European Higher Income Fund – X Net Inc. (2 April); Newton Higher Income Fund – X Net Inc. (2 April); BNY Mellon Global Strategic Bond Fund – Sterling Inc., Institutional Net Inc., Institutional Net Acc. (9 April); Newton Real Return Fund – Institutional Net Acc. (30 June); X Net Inc. (15 July); Newton International Bond Fund – X Net Acc. (29 June); Newton Real Return Fund X Shares Net Inc share class (15 July); Newton Real Return Fund Exempt 2 Net Inc share class (14 August); Newton Overseas Equity Fund – Exempt 3 Net Acc (22 September); Newton UK Equity Fund – Exempt 2 Net Acc reopened (15 October); Newton UK Equity Fund – X Shares Net Acc re-launched (14 December);

**2010** – launched the following share classes: Newton Real Return Fund – P Net Acc (26 February); Newton Higher Income Fund – X Net Inc re-launched (8 October 2010); Newton Global Higher Income Fund – X Net Inc (8 October 2010); Newton Global Dynamic Bond Fund – X Net Inc (11 October 2010); Newton European Higher Income Fund – X Net Inc re-launched (12 November 2010); BNY Mellon Long-Term Global Equity Fund – X Net Acc (17 December 2010);

**2011** – launched the following share classes: Newton Global Dynamic Bond Fund – X Gross Acc (18 February); Newton Global High Yield Bond Fund - X Net Inc (25 May); Newton Index Linked Gilt Fund – X Net Inc (25 May); Newton Income Fund – X Net Inc (25 May);

**2012** – launched the following share classes: Newton Asian Income Fund – Euro Institutional Acc (30 January); Newton Real Return Fund – Sterling Exempt 1 Net Acc (29 February); Newton Asian Income Fund – Euro Acc (5 March); Newton Asian Income Fund – Euro Inc (5 March); Newton Asian Income Fund – Euro Institutional Inc (5 March); Newton Global Higher Income Fund – Sterling Acc (13 March); Newton Asian Income Fund – USD Institutional Inc (2 April); Newton Asian Income Fund – USD Institutional Acc (2 April); Newton Asian Income Fund – USD Inc (2 April); Newton Asian Income Fund – USD Acc (2 April); Newton UK Equity Fund – Sterling Exempt Net Acc 1 (2 April); Newton UK Equity Fund – Sterling Exempt Net Acc 3 (2 April); BNY Mellon American Fund – Sterling Institutional Acc (24 April); Newton Continental European Fund – Sterling P Net Inc (20 June); Newton Corporate Bond Fund – Sterling P Net Inc (20 June); Newton Global Balanced Fund – Sterling P Net Inc (21 June); Newton Global Dynamic Bond Fund – Sterling P Net Inc (21 June); Newton Global Equity Fund – Sterling P Net Inc (21 June); Newton International Bond Fund – Sterling P Net Inc (22 June); Newton Managed Fund – Sterling P Net Inc (22 June); Newton Oriental Fund – Sterling P Net Inc (22 June); Newton Real Return Fund – Sterling P Net Inc (25 June); Newton UK Opportunities Fund – Sterling P Net Inc (25 June); Newton Continental European Fund – Institutional W Net Inc (30 August); Newton Continental European Fund – Institutional W Net Acc (30 August); Newton Asian Income Fund – Institutional W Net Inc (30 August); Newton Asian Income Fund – Institutional W Net Acc (30 August); BNY Mellon Long-Term Global Equity Fund – Institutional W Net Inc (30 August); BNY Mellon Long-Term Global Equity Fund – Institutional W Net Acc (30 August); BNY Mellon Global Strategic Bond Fund – Institutional W Net Inc (30 August); BNY Mellon Global Strategic Bond Fund – Institutional W Net Acc (30 August); BNY Mellon American Fund – Institutional W Net Inc (30 August); BNY Mellon American Fund – Institutional W Net Acc (30 August); Newton Pan-European Fund – Institutional W Net Inc (31 August); Newton Pan-European Fund – Institutional W Net Acc (31 August); Newton Managed Fund – Institutional W Net Inc (31 August); Newton Managed Fund – Institutional W Net Acc (31 August); Newton Cautious Managed Fund – Institutional W Net Inc (31 August); Newton Cautious Managed Fund – Institutional W Net Acc (31 August); Newton Balanced Fund – Institutional W Net Inc (31 August); Newton Balanced Fund – Institutional W Net Acc (31 August); Newton Global High Yield Bond Fund – Institutional W Net Inc (3 September); Newton Global High Yield Bond Fund – Institutional W Net Acc (3 September); Newton Global Equity Fund – Institutional W Net Inc (3 September); Newton Global Equity Fund – Institutional W Net Acc (3 September); Newton Global Dynamic Bond Fund – Institutional W Net Inc (3 September); Newton Global Dynamic Bond Fund – Institutional W Net Acc (3 September); Newton European Higher Income Fund – Institutional W Net Inc (3 September); Newton European Higher Income Fund – Institutional W Net Acc (3 September); Newton Corporate Bond Fund – Institutional W Net Inc (3 September); Newton Corporate Bond Fund – Institutional W Net Acc (3 September); Newton Oriental Fund – Institutional W Net Inc (4 September); Newton Oriental Fund – Institutional W Net Acc (4 September); Newton International Bond Fund – Institutional W Net Inc (4 September); Newton International Bond Fund – Institutional W Net Acc (4 September); Newton Higher Income Fund – Institutional W Net Inc (4 September); Newton Higher Income Fund – Institutional W Net Acc (4 September); Newton Global Opportunities Fund – Institutional W Net Inc (4 September); Newton Global Opportunities Fund – Institutional W Net Acc (4 September); Newton Global Higher Income Fund – Institutional W Net Inc (4 September); Newton Global Higher Income Fund – Institutional W Net Acc (4 September); Newton UK Opportunities Fund – Institutional W Net Inc (5 September); Newton UK Opportunities Fund – Institutional W Net Acc (5 September); Newton UK Equity Fund – Institutional W Net Inc (5 September); Newton UK Equity Fund – Institutional W Net Acc (5 September); Newton Real Return Fund – Institutional W Net Inc (5 September); Newton Real Return Fund – Institutional W Net Acc (5 September); Newton Phoenix Multi-Asset Fund – Institutional W Net Inc (5 September); Newton Phoenix Multi-Asset Fund – Institutional W Net Acc (5 September); Newton European Higher Income Fund – P Net Inc (20 September); Newton Cautious Managed Fund – P Net Inc (20 September); Newton Asian Income Fund – P Net Inc (20 September); Newton UK Equity Fund – P Net Inc (21 September); Newton Higher Income Fund – P Net Inc (21 September); Newton Global Higher Income Fund – P Net Inc (21 September); Newton Global High Yield Bond Fund – P Net Inc (21 September); BNY Mellon Global Strategic Bond Fund – Retail Advised B Net Inc (24 September); BNY Mellon Global Strategic Bond Fund – Retail Advised B Net Acc (24 September); BNY Mellon American Fund – Retail Advised B Net Inc (24 September); BNY Mellon American Fund – Retail Advised B Net Acc (24 September); Newton Global Opportunities Fund – Retail Advised B Net Inc (25 September); Newton Global Opportunities Fund – Retail Advised B Net Acc (25 September); BNY Mellon Long-Term Global Equity Fund – Retail Advised B Net Inc (25 September); BNY Mellon Long-Term Global Equity Fund – Retail Advised B Net Acc (25 September); Newton Phoenix Multi-Asset Fund – Retail Advised B Net Inc (27 September); Newton Phoenix Multi-Asset Fund – Retail

**Investor Information (continued)****2012 (continued)**

Advised B Net Acc (27 September); Newton Oriental Fund – Retail Advised B Net Inc (26 September); Newton Oriental Fund – Retail Advised B Net Acc (26 September); Newton UK Opportunities Fund – Retail Advised B Net Inc (27 September); Newton UK Opportunities Fund – Retail Advised B Net Acc (27 September); Newton Continental European Fund – Retail Advised B Net Inc (27 September); Newton Continental European Fund – Retail Advised B Net Acc (27 September); Newton Pan-European Fund – Retail Advised B Net Inc (28 September); Newton Pan-European Fund – Retail Advised B Net Acc (28 September); Newton Balanced Fund – Retail Advised B Net Inc (28 September); Newton Balanced Fund – Retail Advised B Net Acc (28 September); Newton Global Higher Income Fund – Retail Advised B Net Inc (1 October); Newton Global Higher Income Fund – Retail Advised B Net Acc (1 October); Newton Asian Income Fund – Retail Advised B Net Inc (1 October); Newton Asian Income Fund – Retail Advised B Net Acc (1 October); ); Newton Asian Income Fund P Net Inc (1 October); Newton Global Dynamic Bond Fund – Retail Advised B Net Inc (2 October); Newton Global Dynamic Bond Fund – Retail Advised B Net Acc (2 October); Newton European Higher Income Fund – Retail Advised B Net Inc (2 October); Newton European Higher Income Fund – Retail Advised B Net Acc (2 October); Newton International Bond Fund – Retail Advised B Net Inc (3 October); Newton International Bond Fund – Retail Advised B Net Acc (3 October); Newton Higher Income Fund – Retail Advised B Net Inc (3 October); Newton Higher Income Fund – Retail Advised B Net Acc (3 October); Newton Global Higher Income Fund – P Net Acc (3 October); Newton Global Dynamic Bond Fund – P Net Acc (3 October); Newton Higher Income Fund – P Net Acc (4 October); Newton Global High Yield Bond Fund – Retail Advised B Net Inc (4 October); Newton Global High Yield Bond Fund – Retail Advised B Net Acc (4 October); Newton Emerging Income Fund – X Net Inc (4 October); Newton Emerging Income Fund – X Net Acc (4 October); Newton Emerging Income Fund – Institutional W Net Inc (4 October); Newton Emerging Income Fund – Sterling Acc (4 October); Newton Emerging Income Fund – Sterling Inc (4 October); Newton Corporate Bond Fund – Retail Advised B Net Inc (4 October); Newton Corporate Bond Fund – Retail Advised B Net Acc (4 October); Newton Real Return Fund – P Net Acc (5 October); Newton Oriental Fund – P Net Acc (5 October); Newton Managed Fund – Retail Advised B Net Inc (5 October); Newton Managed Fund – Retail Advised B Net Acc (5 October); Newton Cautious Managed Fund – Retail Advised B Net Inc (5 October); Newton Cautious Managed Fund – Retail Advised B Net Acc (5 October); Newton Real Return Fund – Retail Advised B Net Inc (8 October); Newton Real Return Fund – Retail Advised B Net Acc (8 October); Newton Global Equity Fund – Retail Advised B Net Inc (8 October); Newton Global Equity Fund – Retail Advised B Net Acc (8 October); Newton UK Equity Fund – Retail Advised B Net Inc (9 October); Newton UK Equity Fund – Retail Advised B Net Acc (9 October); Newton Corporate Bond Fund – P Net Acc (12 October); Newton Global High Yield Bond Fund – P Net Acc (15 October); Newton Emerging Income Fund – Institutional Inc (15 October); Newton Emerging Income Fund – Institutional Acc (15 October); Newton Emerging Income Fund – Institutional W Net Acc (15 October); Newton International Bond Fund – P Net Acc (16 October); Newton Emerging Income Fund – Retail Advised B Net Inc (23 October); Newton Emerging Income Fund – Retail Advised B Net Acc (23 October).

**2013** – launched the following share classes: Insight Equity Income Booster Fund – Institutional W Net Acc (9 February); Insight Equity Income Booster Fund – Institutional W Net Inc (9 February); Insight Equity Income Booster Fund – Sterling Acc (9 February); Insight Equity Income Booster Fund – Sterling Inc (9 February); Insight Equity Income Booster Fund – X Net Acc (9 February); Insight Equity Income Fund – Institutional W Net Acc (9 February); Insight Equity Income Fund – Institutional W Net Inc (9 February); Insight Equity Income Fund – Sterling Acc (9 February); Insight Equity Income Fund – Sterling Inc (9 February); Insight Global Absolute Return Fund – Institutional Acc (9 February); Insight Global Absolute Return Fund – Sterling Acc (9 February); Insight Global Multi-Strategy Fund – Institutional Acc (9 February); Insight Global Multi-Strategy Fund – Institutional Inc (9 February); Insight Global Multi-Strategy Fund – S Net Acc (9 February); Insight Global Multi-Strategy Fund – S Net Inc (9 February); Insight Global Multi-Strategy Fund – Sterling Acc (9 February); Insight Global Multi-Strategy Fund – Sterling Inc (9 February); Insight Inflation-Linked Corporate Bond Fund – Institutional Acc (9 February); Insight Inflation-Linked Corporate Bond Fund – Institutional Inc (9 February); Insight Inflation-Linked Corporate Bond Fund – Sterling Acc (9 February); Insight Inflation-Linked Corporate Bond Fund – Sterling Inc (9 February); Insight Strategic Bond Fund – Sterling Acc (9 February); Insight Strategic Bond Fund – Sterling Inc (9 February); Insight Equity Income Booster Fund – Retail Advised B Net Acc (11 February); Insight Equity Income Booster Fund – Retail Advised B Net Inc (11 February); Insight Equity Income Fund – Retail Advised B Net Acc (11 February); Insight Equity Income Fund – Retail Advised B Net Inc (11 February); Insight Global Absolute Return Fund – Institutional W Net Acc (11 February); Insight Global Absolute Return Fund – Institutional W Net Inc (11 February); Insight Global Absolute Return Fund – Retail Advised B Net Acc (11 February); Insight Global Absolute Return Fund – Retail Advised B Net Inc (11 February); Insight Global Absolute Return Fund – Sterling Inc (11 February); Insight Global Multi-Strategy Fund – Institutional W Net Acc (11 February); Insight Global Multi-Strategy Fund – Institutional W Net Inc (11 February); Insight Global Multi-Strategy Fund – Retail Advised B Net Acc (11 February); Insight Global Multi-Strategy Fund – Retail Advised B Net Inc (11 February); Insight Inflation-Linked Corporate Bond Fund – Institutional W Net Acc (11 February); Insight Inflation-Linked Corporate Bond Fund – Institutional W Net Inc (11 February); Insight Inflation-Linked Corporate Bond Fund – Retail Advised B Net Acc (11 February); Insight Inflation-Linked Corporate Bond Fund – Retail Advised B Net Inc (11 February); Insight Strategic Bond Fund – Institutional W Net Acc (11 February); Insight Strategic Bond Fund – Institutional W Net Inc (11 February); Insight Strategic Bond Fund – Retail Advised B Net Acc (11 February); Insight Strategic Bond Fund – Retail Advised B Net Inc (11 February); Newton Global Higher Income Fund – Exempt 2 Net Acc (14 February); Newton Phoenix Multi-Asset Fund – X Net Acc (21 May); Newton Global Dynamic Bond Fund – Exempt 2 Gross Inc (11 June); Newton Global Opportunities Fund – Exempt 2 Net Inc (11 June); Insight Inflation-Linked Corporate Bond Fund – X Net Acc (6 November); Newton Long Corporate Bond Fund – X Net Inc (18 November); Newton Long Gilt Fund – X Net Inc (18 November); Newton UK Opportunities Fund – X Net Inc (18 November); Newton Asian Income Fund – X Net Acc USD (2 December).

**2014** – launched the following share classes: Insight Strategic Bond Fund Institutional Inc (17 February); Insight Strategic Bond Fund Institutional Acc (17 February); Newton Long Gilt Fund X Net Acc (14 April); Newton Long Corporate Bond Fund X Net Acc (30 April); The Boston Company US Opportunities Fund F Net Inc (7 May); The Boston Company US Opportunities Fund F Net Acc (14 May); Newton Global Higher Income Fund U Net Inc (19 May); Newton Global Higher Income Fund U Net Acc (19 May).

## Investor Information (continued)

### Amendments:-

#### 2004 –

- 30 July - Newton Intrepid Fund name changed to Newton Absolute Intrepid Fund.
- 31 July - Following the restructuring of Newton's range of exempt unit trusts, a number of Sub-Funds and/or share classes were added to the Company. The Sub-Funds offer one or more of the following Share Class types – Sterling Inc., Mellon Newton Euro Acc., Exempt 1 Net Acc., Exempt 2 Net Acc., Exempt 1 Gross Acc., Exempt 2 Gross Acc., Institutional Net Acc.
- 2 August – The name of the Company was changed from Newton Investment Funds to Mellon Investment Funds ICVC (“MIF”) and the name of the ACD was changed from Newton Fund Managers Limited to Mellon Fund Managers Limited.

#### 2005 –

- 31 March – Mellon Newton Euro Acc. shares name changed to Euro Acc. shares. The following funds offer a Euro Acc. share class: Newton American Fund; Newton Continental European Fund; Newton Global Innovation Fund; Newton International Bond Fund; Newton International Growth Fund; Newton Japan Fund; Newton Oriental Fund and Newton Pan-European Fund. The MIF Prospectus was amended to include an Exempt 3 class for all Sub-Funds as and when required.
  - 1 July – The MIF Prospectus was amended to include an X Share Class for all Sub-Funds as and when required.
- MIF is meeting the requirements of the European Union Savings Directive (EUSD).
- 30 September - At a series of Extraordinary General Meetings of Shareholders in the Company the following changes were approved and effected from:
  - 1 October –
  - The objective of the Company was changed, as stated in the Instrument of Incorporation, to enable Sub-Funds of the Company to take up the wider powers prescribed by the recently amended UCITS Directive. The wider powers were adopted by the following Sub-Funds: Newton European High Yield Bond Fund, Newton Strategic Corporate Bond Fund (formerly Newton High Yield Bond Fund), Newton International Bond Fund, Newton Long Corporate Bond Fund, Newton Absolute Intrepid Fund, Newton Balanced Fund, Newton Global Balanced Fund and Newton Managed Intrepid Fund. Consequently the investment objective and policy of these Sub-Funds was amended to permit greater investment flexibility, including the greater use of derivatives.
  - The Newton High Yield Bond Fund name changed to Newton Strategic Corporate Bond Fund.
  - The following Sub-Funds had the investment objective and policy amended to take up/permit greater investment flexibility but did not take up the wider investment powers permitted under the amended UCITS Directive: Newton American Fund; Newton Continental European Fund; Newton Income Fund; Newton Index Linked Gilt Fund; Newton Japan Fund; Newton Oriental Fund; Newton Pan-European Fund and Newton UK Equity Fund.
  - The limit on investing in other collective investment schemes was increased from 5% to 10% on all Sub-Funds.
  - The investment objective of all Sub-Funds explicitly permits the use of collective investment schemes as an asset class.
  - The investment objective and policy of the Newton International Bond Fund was amended to remove the list of Government and other public securities allowable for investment.
  - 14 October – The basis for charging Registrar Fees and other allowable expenses to the Sub-Funds changed. An Administration Fee of 0.10% per annum is charged on Sterling Income shares; 0.03% per annum is charged on Institutional Income shares, Institutional Accumulation shares and all Exempt and X share classes. The Administration Fee is calculated and accrued daily and payable monthly.
  - 8 November – The Prospectus was amended to include an Institutional Inc. share class for all Sub-Funds as and when required.
  - 13 November – The annual management charge of the Newton Absolute Intrepid Fund is charged to capital rather than income.

#### 2006 -

- 30 June – Newton Managed Intrepid Fund was merged into Newton Absolute Intrepid Fund.
- 18 December – Newton Global Innovation Fund was closed.

#### 2007 -

- 1 September – Newton Growth Fund annual management charge increased to 1.5%.
- 1 October – Following the successful merger of Mellon Financial Corporation with Bank of New York, Mellon Fund Managers Limited became part of BNY Asset Management International Holdings Limited.
- 1 October - Newton Strategic Corporate Bond Fund changed from the IMA UK Other Bond to the IMA UK Corporate Bond Sector.
- 3 October - the Exempt 3 Net Acc. share class of both the Newton Overseas Equity Fund and the Newton UK Equity Fund was closed.
- 31 December – Newton Equity & Bond Fund changed sector from IMA UK Equity & Bond Income to IMA Balanced Managed. The performance record was retained.

#### 2008 -

- 31 March - Following the successful merger of Mellon Financial Corporation with The Bank of New York, the name of the Company changed from Mellon Investment Funds ICVC (“MIF”) to BNY Mellon Investment Funds (“BNYMIF”) and the name of the ACD from Mellon Fund Managers Limited to BNY Mellon Fund Managers Limited.
- 31 March – Mellon Long-Term Global Equity Fund name changed to BNY Mellon Long-Term Global Equity Fund.
- 11 June – Newton Absolute Intrepid Fund changed sector from IMA Active Managed to IMA Absolute Return. The performance record from 31 March 2004 is retained.
- 1 July - No initial charge will be applied to the reinvestment of distribution income.

## Investor Information (continued)

### 2008 (continued)

- 18 September – Newton UK Equity Fund X Net Acc. share class was closed.
- 31 December – the name of the Newton Strategic Corporate Bond Fund changed to Newton Corporate Bond Fund.
- The Newton Corporate Bond Fund moved from the IMA UK Corporate Bond Sector to the IMA £ Corporate Bond Sector. The performance record was retained.
- Newton Higher Income Fund - at the interim accounting date (31 December 2008), in accordance with the Regulations and the objective of the Fund, a proportion of the income available for distribution was retained within the Fund. For the period 1 January to 30 June 2009, the value of the deferred income was included in the daily Net Asset Value (NAV) calculations and, therefore, included in the published price. At the annual accounting date (30 June 2009) all accrued income was distributed.
- Suspension of dealing – the ACD and Depositary have agreed that the previous suspension limit of 28 days be extended to indefinite. The ACD and Depositary must review the temporary suspension at least every 28 days and inform the FSA of the result of that review with the aim of ending the temporary suspension as soon as practicable after the exceptional circumstances have ceased. Following the end of the temporary suspension, for dealing purposes, the ACD will recommence the calculation of the net asset value and share price of the fund(s) at the next relevant valuation point.

### 2009 -

- 28 January – Newton Diversified Growth Fund Exempt 2 Net Acc. share class was closed.
- 5 February – Newton Diversified Growth Fund Institutional Net Acc. share class was closed.
- 25 February – Newton UK Equity Fund Exempt 2 Net Acc. share class was closed.
- 1 July –  
The Newton Absolute Intrepid Fund name changed to Newton Real Return Fund.  
The Newton Higher Income Fund distribution frequency changed from half-yearly to quarterly.  
The BNY Mellon Long-Term Global Equity Fund minimum investment level reduced to £1,000 and ISA functionality introduced.
- Administration for the Exempt and X share classes moved from the London office to BNY Mellon House, Ingrave Road, Brentwood, CM15 8TG.
- Shares in Exempt and X share classes represented to 4 decimal places.
- 1 August – the annual management charge of the Newton Income Fund is charged to capital rather than income.
- 9 October 2009 - Newton International Bond Fund X Shares Net Acc closed;
- 30 October 2009 (close of business)

### Newton European High Yield Bond Fund

- At an Extraordinary General Meeting held on 28 October 2009, Shareholders voted in favour of the following changes which will be implemented with effect from midnight on 30 October 2009:-
- The name of the Newton European High Yield Bond Fund changed to Newton Global High Yield Bond Fund;
- The investment objective changed to:-  
“The objective of the Sub-Fund is to achieve a high yield from a globally diversified portfolio which may include but is not limited to fixed interest bonds and other debt instruments (such as floating rate notes and index-linked notes).  
The Sub-Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes. At least 80% of the Sub-Fund’s assets should be in Sterling denominated assets or hedged back to Sterling” with effect from 31 October 2009;
- The IMA sector changed from Global Bonds to £ High Yield – please note that the performance history has been retained.

### Newton Equity & Bond Fund

- The lead fund manager changed from Jamie Korner to Simon Nicholls.
- 30 November 2009 (close of business) – Newton Global Dynamic Bond – change of benchmark from a customised benchmark of 25% Merrill Lynch Global Bond Index; 25% Merrill Lynch Global High Yield index; 25% JP Morgan Emerging Markets Bond Index; 25% JP Morgan Global Bonds Index hedged to a cash benchmark of LIBOR 1 month GBP + 2% p.a. (gross);
- 31 December 2009 (midnight) – the following changes were implemented on the Newton Equity & Bond Fund:-
- The Annual Management Charge was reduced on the Sterling Income share class from 1.5% to 1.25% and on the Institutional Net Acc. share class from 1% to 0.75%.
- The IMA sector changed from Balanced Managed to Cautious Managed;

### 2010 -

- 29 January 2010 (midnight) - the name of the Newton Equity & Bond Fund changed to Newton Cautious Managed Fund;
- 19 March 2010 – Newton Real Return Fund P Net Acc share class was reduced to zero;
- 31 March 2010 (midnight) – the following changes were made to the Newton 60/40 Global Equity Fund:-
  - name changed to Newton 50/50 Global Equity Fund;
  - investment objective changed as follows:
  - The objective of the Sub-Fund is to invest in a broad spread of UK and international securities to achieve income and capital growth over the longer term.
  - The Sub-Fund will be managed to a benchmark of approximately 50% UK and 50% international equities.
  - The Sub-Fund may also invest in collective investment schemes.
  - The benchmark changed to:
  - 50% UK equities represented by FTSE All-Share; and
  - 50% overseas equities represented by 1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK and 1/3 FTSE AW Asia Pacific
- 27 April 2010 – the Newton European Higher Income Fund X shares net income share class was reduced to zero;
- 27 April 2010 – the Newton Higher Income Fund X shares net income share class was reduced to zero;

## Investor Information (continued)

### 2011 -

- 4 February 2011 – Newton Corporate Bond X Net Acc closed
- 17 June 2011 - Newton Japan Fund Exempt 1 Net Acc closed
- 24 June 2011 - Newton Japan Fund closed
- 26 September 2011 – Newton Income Fund X Inc share class was reduced to zero
- 17 October 2011 - As part of an internal re-structuring in 2011 The Royal Bank of Scotland Group plc transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc was appointed as depositary of the Funds on 17 October 2011.

As depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland and the change of depositary will have no impact on the way the Funds are operated.

- 17 October 2011 – The settlement cycle of Newton Long Gilt Fund Exempt Shares 2 (Gross Accumulation) and X Shares (Gross Accumulation), and of Newton Index Linked Gilt Fund Exempt Shares 2 (Gross Accumulation), X Shares (Net Income) and X Shares (Gross Accumulation) changed from T+1 to T+4.

### 2012 -

- 30 January 2012 – the name of the Newton International Growth Fund changed to Newton Global Equity Fund;
- 30 January 2012 – the Investment Adviser of the Newton American Fund changed from Newton Investment Management Limited to The Boston Company Asset Management, LLC. The fund name also changed to the BNY Mellon American Fund;
- 31 March 2012 – the Newton Growth Fund and Newton UK Equity Fund merged into the Newton Income Fund;
- 2 April 2012 – following the successful merger, the Newton Income Fund was renamed the Newton UK Equity Fund;
- 4 September 2012 – Newton UK Equity Exempt Shares 2 (Net Accumulation) share class was closed;
- 4 October 2012 – Newton Emerging Income Fund launched.

### 2013 -

- 28 January 2013 – Newton Pan-European Fund closed;
- 9 February 2013 – Insight Strategic Bond Fund, Insight Inflation-Linked Corporate Bond Fund, Insight Global Multi-Strategy Fund, Insight Global Absolute Return Fund, Insight Equity Income Booster Fund and Insight Equity Income Fund launched;
- 15 June 2013 – the Newton Cautious Managed Fund merged into the Newton Managed Income Fund; a Sub-Fund of BNY Mellon Managed Funds I;
- 13 December 2013 – Newton European Higher Income Fund closed.
- 23 December 2013 - In line with Investment Management Association (IMA) and Financial Conduct Authority (FCA) changes in relation to targeted absolute return funds, clarification has been made to the investment objective of certain Sub-Funds to specify a) the investment period over which the Sub-Fund aims to achieve a positive return; b) the performance aim and the time period in which the Sub-Fund will aim to achieve that; and c) that capital is at risk and there is no guarantee that the absolute return or performance aim will be achieved. Affected Sub-Funds are the Newton Real Return Fund, Newton Global Dynamic Bond Fund, Newton Phoenix Multi-Asset Fund and Insight Global Absolute Return Fund. There is no change to the way the Sub-Funds are managed.

### 2014 -

- 13 February 2014 – The BNY Mellon American Fund changed name to The Boston Company US Opportunities Fund and the investment objective and policy of the fund was updated;
- 15 February 2014 – the Newton Overseas Equity Fund merged into the Newton Global Equity Fund;
- 15 February 2014 – the BNY Mellon Global Strategic Bond Fund merged into the Insight Strategic Bond Fund;

• **Client classification notice:** Under the FCA's Conduct of Business rules we are required to classify our investors. We have classified you as a Retail Client unless otherwise notified. This means that you will have the maximum amount of protection available for complaints and compensation, and will receive information in a straightforward way. However, some clients, such as professional investors, may not necessarily have the same rights under the Financial Ombudsman Service and the Financial Services Compensation Scheme. Further details may be found on our website – [www.bnymellonim.co.uk](http://www.bnymellonim.co.uk) under Client Classification.

The ACD makes available the daily prices of shares on its website: [www.bnymellonim.com](http://www.bnymellonim.com). Selected share prices are also available, free, via our Priceline on 0500 330 000.

The ACD has dispensed with the requirement to convene Annual General Meetings of the Company. However, Extraordinary General Meetings will continue to take place as and when required.

## Dilution Adjustment

As set out in the Prospectus, the ACD may make a dilution adjustment when calculating the price of a share. In deciding whether to make a dilution adjustment at any valuation point, the ACD will take into account the number of shares to be created or cancelled. Where the number of shares to be created exceeds the number of shares to be cancelled, the dilution adjustment to the share price will be upwards. Where the number of shares to be cancelled exceeds the number of shares to be created, the dilution adjustment to the share price will be downwards.

## **Investor Information (continued)**

### **Annual and Interim Reports**

The ACD acts on instructions received from shareholders when making a copy of the Interim and Annual Short Report for BNY Mellon Investment Funds available each year.

### **Help the Environment - Access the Reports Online**

You can log on to our website and access a copy of the Long Form Financial Statements and the Short Report in English, German, Spanish or Portuguese using the following links:-

English Long Form – [www.bnymellonam.com/mifenlong](http://www.bnymellonam.com/mifenlong)

English Short Report – [www.bnymellonam.com/mifenshort](http://www.bnymellonam.com/mifenshort)

German Long Form – [www.bnymellonam.com/mifdelong](http://www.bnymellonam.com/mifdelong)

German Short Report – [www.bnymellonam.com/mifdeshort](http://www.bnymellonam.com/mifdeshort)

Spanish Long Form – [www.bnymellonam.com/mifeslong](http://www.bnymellonam.com/mifeslong)

Spanish Short Report – [www.bnymellonam.com/mifesshort](http://www.bnymellonam.com/mifesshort)

Portuguese Long Form – [www.bnymellonam.com/mifptlong](http://www.bnymellonam.com/mifptlong)

Portuguese Short Report – [www.bnymellonam.com/mifptshort](http://www.bnymellonam.com/mifptshort)

A hard copy of the full Long Form financial statements is also available upon written request from BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, United Kingdom. The annual accounting period is to 30 June and the interim accounting period is to 31 December.

If you have received a hard copy of the latest Short Report but would prefer not to receive a hard copy for future reporting periods but instead receive written notification of when the report is available to view online, please write to BNY Mellon Fund Managers Limited at Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, United Kingdom and we will note your instructions on your account.

If you reside outside the UK but wish to receive a copy of the Annual and Interim Short Reports in English, please write to BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, United Kingdom and we will record your preference on your account.

The cost of producing the BNY Mellon Investment Funds Interim and Annual Reports is charged to the Company in accordance with the provisions of the Regulations and the Prospectus. This Short Report is printed on recycled material from sustainable sources.



**Investor Information (continued)****Post Balance Sheet Events**

As indicated in the Accounting Policies in Note 1 (b) to the Aggregated Financial Statements, the investments have been valued at close of business on 30 June 2014. Since that date the Sub-Funds quoted prices have changed as detailed in the following table, which shows the quoted prices at midday on 30 June 2014 and at midday on 8 September 2014.

	<b>Price @ 30 June 2014 (pence/cents)</b>	<b>Price @ 8 September 2014 (pence/cents)</b>	<b>% change</b>
<b>BNY Mellon Long-Term Global Equity Fund</b>			
Sterling Income Shares	159.43	169.42	6.27
Institutional Shares (Net Accumulation)	179.43	191.30	6.62
Exempt Shares 2 (Net Accumulation)	182.29	194.45	6.67
X Shares (Net Accumulation)	134.02	143.17	6.83
Institutional Shares W (Net Income)	120.24	126.92	5.56
Institutional Shares W (Net Accumulation)	121.56	129.67	6.67
Retail Advised Shares B (Net Income)	119.20	126.15	5.83
Retail Advised Shares B (Net Accumulation)	120.04	127.96	6.60
<b>Insight Equity Income Fund</b>			
Sterling Income Shares	161.72	161.94	0.14
Sterling Accumulation Shares	476.36	482.78	1.35
Institutional Shares W (Net Income)	140.59	141.00	0.29
Institutional Shares W (Net Accumulation)	537.52	545.62	1.51
Retail Advised Shares B (Net Income)	114.36	114.64	0.24
Retail Advised Shares B (Net Accumulation)	119.87	121.60	1.44
<b>Insight Equity Income Booster Fund</b>			
Sterling Income Shares	138.55	136.74	-1.31
Sterling Accumulation Shares	209.42	212.46	1.45
X Shares (Net Accumulation)*	165.85	165.66	-0.11
Institutional Shares W (Net Income)	143.03	141.33	-1.19
Institutional Shares W (Net Accumulation)	217.59	221.02	1.58
Retail Advised Shares B (Net Income)	104.20	102.92	-1.23
Retail Advised Shares B (Net Accumulation)	115.30	117.06	1.53
<b>Insight Global Absolute Return Fund</b>			
Sterling Accumulation Shares	105.95	108.15	2.08
Institutional Shares (Accumulation)	107.15	109.55	2.24
Sterling Income Shares	105.80	107.78	1.87
Institutional Shares W (Net Income)	106.80	108.10	1.22
Institutional Shares W (Net Accumulation)	107.19	109.62	2.27
Retail Advised Shares B (Net Income)	106.52	108.06	1.45
Retail Advised Shares B (Net Accumulation)	106.82	109.17	2.20
<b>Insight Global Multi-Strategy Fund</b>			
Sterling Income Shares	107.26	110.56	3.08
Sterling Accumulation Shares	107.65	110.96	3.07
Institutional Shares (Income)	107.68	110.89	2.98
Institutional Shares (Accumulation)	108.73	112.16	3.15
S Shares (Net Income)	107.54	111.29	3.49
S Shares (Net Accumulation)	109.04	113.01	3.64
Institutional Shares W (Net Income)	107.70	110.90	2.97
Institutional Shares W (Net Accumulation)	108.74	112.20	3.18
Retail Advised Shares B (Net Income)	107.56	110.76	2.98
Retail Advised Shares B (Net Accumulation)	108.45	111.84	3.13

\*X Shares (Net Accumulation) Share Class closed 14/08/2014, the comparison price is as at 14/08/2014.

**Investor Information (continued)**

	Price @ 30 June 2014 (pence/cents)	Price @ 8 September 2014 (pence/cents)	% change
<b>Insight Inflation Linked Corporate Bond Fund</b>			
Sterling Income Shares	103.42	102.83	-0.57
Sterling Accumulation Shares	105.73	106.36	0.60
Institutional Shares (Income)	103.69	102.93	-0.73
Institutional Shares (Accumulation)	106.51	107.25	0.69
Institutional Shares W (Net Income)	103.74	102.98	-0.73
Institutional Shares W (Net Accumulation)	106.58	107.32	0.69
Retail Advised Shares B (Net Income)	103.62	102.94	-0.66
Retail Advised Shares B (Net Accumulation)	106.21	106.90	0.65
X Shares (Net Accumulation)	103.31	104.10	0.76
<b>Insight Strategic Bond Fund</b>			
Sterling Income Shares	104.31	104.11	-0.19
Sterling Accumulation Shares	107.68	108.18	0.46
Institutional Shares W (Net Income)	104.36	104.13	-0.22
Institutional Shares W (Net Accumulation)	108.29	108.88	0.54
Retail Advised Shares B (Net Income)	104.29	104.08	-0.20
Retail Advised Shares B (Net Accumulation)	107.95	108.48	0.49
Institutional Shares (Income)	102.47	102.26	-0.20
Institutional Shares (Accumulation)	102.88	103.42	0.52
<b>Newton 50/50 Global Equity Fund</b>			
Exempt Shares 1 (Net Accumulation)	245.87	255.59	3.95
X Shares (Net Accumulation)	256.24	266.63	4.05
Exempt Shares 2 (Net Accumulation)	182.03	189.18	3.93
<b>Newton Asian Income Fund</b>			
Sterling Income Shares	176.02	190.72	8.35
Institutional Shares (Income)	183.74	199.25	8.44
Institutional Shares (Accumulation)	277.86	305.22	9.85
X Shares (Net Income)	190.29	206.70	8.62
Institutional Shares (Accumulation) Euro	126.96	139.16	9.61
Institutional Shares (Income) Euro	108.48	117.41	8.23
Euro Accumulation Shares	118.45	129.72	9.51
Euro Income Shares	107.31	116.02	8.12
Institutional Shares (Income) USD	112.06	115.00	2.62
Institutional Shares (Accumulation) USD	123.35	128.24	3.96
USD Income Shares	110.85	113.66	2.53
USD Accumulation Shares	121.85	126.57	3.87
Institutional Shares W (Net Income)	105.38	114.33	8.49
Institutional Shares W (Net Accumulation)	113.00	124.18	9.89
Retail Advised Shares B (Net Income)	102.64	111.30	8.44
Retail Advised Shares B (Net Accumulation)	109.57	120.33	9.82
P Shares (Net Income)	103.42	112.15	8.44
X Shares (Net Accumulation) USD	107.95	112.41	4.13
<b>Newton Balanced Fund</b>			
Sterling Income Shares	173.43	175.82	1.38
Institutional Shares (Accumulation)	229.06	236.24	3.13
Institutional Shares W (Net Income)	110.29	111.89	1.45
Institutional Shares W (Net Accumulation)	114.20	117.84	3.19
Retail Advised Shares B (Net Income)	107.60	109.15	1.44
Retail Advised Shares B (Net Accumulation)	111.77	115.26	3.12
<b>Newton Continental European Fund</b>			
Sterling Income Shares	196.77	199.39	1.33
Euro Accumulation Shares	126.80	129.63	2.23
Exempt Shares 1 (Net Accumulation)	197.21	202.61	2.74
Institutional Shares W (Net Income)	134.78	135.60	0.61
Institutional Shares W (Net Accumulation)	137.77	141.48	2.69
Retail Advised Shares B (Net Income)	130.16	131.36	0.92
Retail Advised Shares B (Net Accumulation)	132.81	136.29	2.62

**Investor Information (continued)**

	<b>Price @ 30 June 2014 (pence/cents)</b>	<b>Price @ 8 September 2014 (pence/cents)</b>	<b>% change</b>
<b>Newton Corporate Bond Fund</b>			
Sterling Income Shares	84.34	84.63	0.34
Institutional Shares W (Net Income)	103.58	104.03	0.43
Institutional Shares W (Net Accumulation)	109.87	111.37	1.37
Retail Advised Shares B (Net Income)	102.06	102.46	0.39
Retail Advised Shares B (Net Accumulation)	107.76	109.16	1.30
P Shares (Net Accumulation)	107.28	108.64	1.27
<b>Newton Emerging Income Fund</b>			
Sterling Income Shares	93.93	101.83	8.41
Sterling Accumulation Shares	99.76	109.75	10.01
X Shares (Net Income)	96.51	104.92	8.71
X Shares (Net Accumulation)	102.50	113.07	10.31
Institutional Shares W (Net Income)	95.26	103.45	8.60
Institutional Shares W (Net Accumulation)	101.15	111.45	10.18
Institutional Shares (Income)	94.92	103.02	8.53
Institutional Shares (Accumulation)	100.73	110.93	10.13
Retail Advised Shares B (Net Income)	93.42	101.38	8.52
Retail Advised Shares B (Net Accumulation)	99.02	109.03	10.11
<b>Newton Global Balanced Fund</b>			
Exempt Shares 1 (Net Accumulation)	322.38	333.76	3.53
Exempt Shares 2 (Net Accumulation)	218.12	225.79	3.52
<b>Newton Global Dynamic Bond Fund</b>			
Sterling Income Shares	109.99	109.64	-0.32
Exempt Shares 2 (Gross Accumulation)	183.30	184.19	0.49
Institutional Shares (Income)	115.21	114.93	-0.24
X Shares (Net Accumulation)	156.72	157.39	0.43
X Shares (Net Income)	103.24	103.10	-0.14
X Shares (Gross Accumulation)	185.78	186.83	0.57
P Shares (Net Income)	103.94	103.65	-0.28
Institutional Shares W (Net Income)	102.82	102.59	-0.22
Institutional Shares W (Net Accumulation)	107.57	107.93	0.33
Retail Advised Shares B (Net Income)	101.71	101.45	-0.26
Retail Advised Shares B (Net Accumulation)	106.01	106.30	0.27
Exempt Shares 2 (Gross Income)	101.02	100.82	-0.20
<b>Newton Global Equity Fund</b>			
Sterling Income Shares	99.13	104.14	5.05
Euro Accumulation Shares	111.32	117.04	5.14
Exempt Shares 2 (Net Accumulation)	217.76	230.07	5.65
Exempt Shares 1 (Net Accumulation)	158.75	167.76	5.68
X Shares (Net Accumulation)	163.90	173.37	5.78
Exempt Shares 3 (Net Accumulation)	156.59	165.40	5.63
Institutional Shares W (Net Income)	127.42	132.92	4.32
Institutional Shares W (Net Accumulation)	128.96	136.22	5.63
Retail Advised Shares B (Net Income)	123.19	128.84	4.59
Retail Advised Shares B (Net Accumulation)	124.21	131.11	5.56
<b>Newton Global High Yield Bond Fund</b>			
Sterling Income Shares	67.48	65.74	-2.58
X Shares (Net Accumulation)	110.03	108.87	-1.05
X Shares (Net Income)	91.95	89.75	-2.39
Institutional Shares W (Net Income)	107.14	104.47	-2.49
Institutional Shares W (Net Accumulation)	117.68	116.34	-1.14
Retail Advised Shares B (Net Income)	104.10	101.46	-2.54
Retail Advised Shares B (Net Accumulation)	113.62	112.27	-1.19
P Shares (Net Accumulation)	113.19	111.81	-1.22

**Investor Information (continued)**

	Price @ 30 June 2014 (pence/cents)	Price @ 8 September 2014 (pence/cents)	% change
<b>Newton Global Higher Income Fund</b>			
Sterling Income Shares	145.14	148.74	2.48
Institutional Shares (Income)	151.56	155.46	2.57
Institutional Shares (Accumulation)	219.17	228.87	4.43
Exempt Shares 2 (Net Income)	154.55	158.61	2.63
X Shares (Net Accumulation)	219.14	229.30	4.64
X Shares (Net Income)	128.94	132.51	2.77
Sterling Accumulation Shares	121.87	127.11	4.30
Institutional Shares W (Net Income)	112.93	115.89	2.62
Institutional Shares W (Net Accumulation)	119.90	125.27	4.48
Retail Advised Shares B (Net Income)	111.56	114.44	2.58
Retail Advised Shares B (Net Accumulation)	118.02	123.23	4.41
Exempt Shares 2 (Net Accumulation)	110.42	115.37	4.48
U Shares (Net Income)	100.65	103.30	2.63
U Shares (Net Accumulation)	100.65	105.18	4.50
<b>Newton Global Opportunities Fund</b>			
Sterling Income Shares	186.39	196.08	5.20
Exempt Shares 2 (Net Accumulation)	215.22	227.65	5.78
X Shares (Net Accumulation)	227.01	240.40	5.90
Institutional Shares W (Net Income)	124.48	130.09	4.51
Institutional Shares W (Net Accumulation)	125.97	133.24	5.77
Retail Advised Shares B (Net Income)	121.98	127.81	4.78
Retail Advised Shares B (Net Accumulation)	123.11	130.14	5.71
Exempt Shares 2 (Net Income)	106.10	110.88	4.51
<b>Newton Higher Income Fund</b>			
Sterling Income Shares	61.35	60.94	-0.67
Exempt Shares 1 (Net Accumulation)	309.76	313.99	1.37
Exempt Shares 2 (Net Accumulation)	193.29	195.83	1.31
Institutional Shares (Accumulation)	183.44	185.76	1.26
Institutional Shares (Income)	64.85	64.48	-0.57
X Shares (Net Accumulation)	320.30	324.90	1.44
X Shares (Net Income)	120.57	120.10	-0.39
Institutional Shares W (Net Income)	117.51	116.89	-0.53
Institutional Shares W (Net Accumulation)	125.38	127.03	1.32
Retail Advised Shares B (Net Income)	115.59	114.93	-0.57
Retail Advised Shares B (Net Accumulation)	122.84	124.38	1.25
<b>Newton Index Linked Fund</b>			
Exempt Shares 2 (Gross Accumulation)	311.30	326.19	4.78
Institutional Shares (Accumulation)	292.02	305.84	4.73
X Shares (Gross Accumulation)	315.71	330.93	4.82
X Shares (Net Income)	286.14	297.63	4.02
<b>Newton International Bond Fund</b>			
Sterling Income Shares	195.28	203.17	4.04
Euro Accumulation Shares	148.44	154.52	4.10
Institutional Shares (Accumulation)	240.50	251.27	4.48
Institutional Shares (Income)	206.93	214.99	3.90
Exempt Shares 2 (Gross Accumulation)	163.33	170.83	4.59
Institutional Shares W (Net Income)	89.41	92.89	3.89
Institutional Shares W (Net Accumulation)	91.21	95.31	4.50
P Shares (Net Accumulation)	90.64	94.63	4.40
Retail Advised Shares B (Net Income)	89.63	93.20	3.98
Retail Advised Shares B (Net Accumulation)	91.05	95.08	4.43

**Investor Information (continued)**

	Price @ 30 June 2014 (pence/cents)	Price @ 8 September 2014 (pence/cents)	% change
<b>Newton Long Corporate Bond Fund</b>			
Exempt Shares 1 (Gross Accumulation)	251.26	259.42	3.25
Exempt Shares 2 (Gross Accumulation)	168.91	174.36	3.23
Institutional Shares (Accumulation)	141.33	145.63	3.04
X Shares (Gross Accumulation)	254.77	263.15	3.29
X Shares (Net Income)	102.29	103.78	1.46
X Shares (Net Accumulation)	101.77	104.95	3.12
<b>Newton Long Gilt Fund</b>			
Exempt Shares 2 (Gross Accumulation)	399.94	420.85	5.23
Institutional Shares (Accumulation)	367.36	385.96	5.06
X Shares (Gross Accumulation)	405.84	427.23	5.27
X Shares (Net Accumulation)	100.84	106.04	5.16
<b>Newton Managed Fund</b>			
Sterling Income Shares	597.78	618.04	3.39
Institutional Shares (Accumulation)	698.98	729.92	4.43
Institutional Shares W (Net Income)	122.96	126.81	3.13
Institutional Shares W (Net Accumulation)	126.22	131.87	4.48
Retail Advised Shares B (Net Income)	119.76	123.63	3.23
Retail Advised Shares B (Net Accumulation)	122.72	128.14	4.42
<b>Newton Oriental Fund</b>			
Sterling Income Shares	503.73	547.66	8.72
Euro Accumulation Shares	231.55	252.76	9.16
Exempt Shares 1 (Net Accumulation)	370.94	406.96	9.71
Institutional Shares (Accumulation)	172.33	188.89	9.61
X Shares (Net Accumulation)	383.32	420.95	9.82
P Shares (Net Income)	110.51	119.53	8.16
Institutional Shares W (Net Income)	104.92	113.30	7.99
Institutional Shares W (Net Accumulation)	106.35	116.62	9.66
Retail Advised Shares B (Net Income)	100.69	109.02	8.27
Retail Advised Shares B (Net Accumulation)	101.67	111.41	9.58
<b>Newton Phoenix Multi-Asset Fund</b>			
Sterling Income Shares	138.81	140.48	1.20
Sterling Accumulation Shares	165.44	169.12	2.22
Exempt Shares 2 (Net Accumulation)	174.85	178.97	2.36
Institutional Shares W (Net Income)	109.28	110.34	0.97
Institutional Shares W (Net Accumulation)	112.53	115.21	2.38
Retail Advised Shares B (Net Income)	107.61	108.74	1.05
Retail Advised Shares B (Net Accumulation)	110.69	113.26	2.32
X Shares (Net Accumulation)	102.50	105.04	2.48
<b>Newton Real Return Fund</b>			
Sterling Income Shares	291.16	290.54	-0.21
Sterling Income A Shares	118.64	118.29	-0.30
Exempt Shares 2 (Net Accumulation)	221.11	224.45	1.51
X Shares (Net Accumulation)	179.44	182.37	1.63
Institutional Shares (Accumulation)	140.02	142.08	1.47
X Shares (Net Income)	128.66	128.56	-0.08
Exempt Shares 2 (Net Income)	192.90	192.51	-0.20
Exempt Shares 1 (Net Accumulation)	109.78	111.46	1.53
Institutional Shares W (Net Income)	102.68	102.47	-0.20
Institutional Shares W (Net Accumulation)	107.22	108.84	1.51
Retail Advised Shares B (Net Income)	100.79	100.56	-0.23
Retail Advised Shares B (Net Accumulation)	105.15	106.68	1.46
P Shares (Net Accumulation)	105.30	106.85	1.47

**Investor Information (continued)**

	<b>Price @ 30 June 2014 (pence/cents)</b>	<b>Price @ 8 September 2014 (pence/cents)</b>	<b>% change</b>
<b>Newton UK Equity Fund</b>			
Sterling Income Shares	708.70	734.97	3.71
Institutional Shares (Accumulation)	194.60	203.90	4.78
Institutional Shares (Income)	729.91	757.66	3.80
X Shares (Net Accumulation)	233.79	245.43	4.98
Exempt Shares 1 (Net Accumulation)	366.41	384.28	4.88
Exempt Shares 3 (Net Accumulation)	158.66	166.37	4.86
Institutional Shares W (Net Income)	117.39	121.91	3.85
Institutional Shares W (Net Accumulation)	122.08	127.97	4.82
Retail Advised Shares B (Net Income)	113.55	117.87	3.80
Retail Advised Shares B (Net Accumulation)	117.81	123.41	4.75
<b>Newton UK Opportunities Fund</b>			
Sterling Income Shares	255.26	253.10	-0.85
Exempt Shares 2 (Net Accumulation)	248.02	250.73	1.09
Institutional Shares (Accumulation)	235.09	237.53	1.04
X Shares (Net Accumulation)	260.70	263.84	1.20
Institutional Shares W (Net Income)	130.09	128.16	-1.48
Institutional Shares W (Net Accumulation)	133.83	135.29	1.09
Retail Advised Shares B (Net Income)	127.59	126.01	-1.24
Retail Advised Shares B (Net Accumulation)	130.75	132.10	1.03
<b>The Boston Company US Opportunities Fund</b>			
Sterling Income Shares	148.79	158.76	6.70
Euro Accumulation Shares	94.10	100.09	6.37
Exempt Shares 1 (Net Accumulation)	146.11	156.22	6.92
Institutional Shares (Accumulation)	139.34	148.84	6.82
Institutional W Net Income	133.00	141.70	6.54
Institutional W Net Accumulation	133.53	142.70	6.87
Retail Advised B Net Income	131.02	139.92	6.79
Retail Advised B Net Accumulation	131.21	140.13	6.80
Institutional F Net Income	105.55	112.71	6.78
Institutional F Net Accumulation	103.64	110.80	6.91

**Investor Information (continued)****Synthetic Risk & Reward Indicators****BNY Mellon Long-Term Global Equity Fund (1)**

Sterling Income Shares

Institutional Shares (Net Accumulation)

Exempt Shares 2 (Net Accumulation)

X Shares (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)

1 2 3 4 5 6 7


**Insight Equity Income Fund**

Sterling Income Shares

Sterling Accumulation Shares

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Insight Equity Income Booster Fund (2)**

Sterling Income Shares

Sterling Accumulation Shares

X Shares (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Insight Global Absolute Return Fund**

Sterling Accumulation Shares

Institutional Shares (Accumulation)

Sterling Income Shares

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Insight Global Multi-Strategy Fund**

Sterling Income Shares

Sterling Accumulation Shares

Institutional Shares (Income)

Institutional Shares (Accumulation)

S Shares (Net Income)

S Shares (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Insight Inflation Linked Corporate Bond Fund (3)**

Sterling Income Shares

Sterling Accumulation Shares

Institutional Shares (Income)

Institutional Shares (Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)






**Investor Information (continued)****Synthetic Risk & Reward Indicators (continued)****Newton Emerging Income Fund**

Sterling Income Shares  
Sterling Accumulation Shares  
X Shares (Net Income)  
X Shares (Net Accumulation)  
Institutional Shares W (Net Income)  
Institutional Shares W (Net Accumulation)  
Institutional Shares (Income)  
Institutional Shares (Accumulation)  
Retail Advised Shares B (Net Income)  
Retail Advised Shares B (Net Accumulation)

1	2	3	4	5	6	7

**Newton European Higher Income Fund (5)**

Sterling Income Shares  
Institutional Shares (Income)  
Institutional Shares (Accumulation)  
X Shares (Net Income)  
Institutional Shares W (Net Income)  
Institutional Shares W (Net Accumulation)  
Retail Advised Shares B (Net Income)  
Retail Advised Shares B (Net Accumulation)


**Newton Global Balanced Fund**

Exempt Shares 1 (Net Accumulation)  
Exempt Shares 2 (Net Accumulation)


**Newton Global Dynamic Bond Fund (6)**

Sterling Income Shares  
Exempt Shares 2 (Gross Accumulation)  
Institutional Shares (Income)  
X Shares (Net Accumulation)  
X Shares (Net Income)  
X Shares (Gross Accumulation)  
P Shares (Net Income)  
Institutional Shares W (Net Income)  
Institutional Shares W (Net Accumulation)  
Retail Advised Shares B (Net Income)  
Retail Advised Shares B (Net Accumulation)  
Exempt Shares 2 (Gross Income)


**Newton Global Equity Fund (2)**

Sterling Income Shares  
Euro Accumulation Shares  
Exempt Shares 2 (Net Accumulation)  
Exempt Shares 1 (Net Accumulation)  
X Shares (Net Accumulation)  
Exempt Shares 3 (Net Accumulation)  
Institutional Shares W (Net Income)  
Institutional Shares W (Net Accumulation)  
Retail Advised Shares B (Net Income)  
Retail Advised Shares B (Net Accumulation)


**Newton Global High Yield Bond Fund**

Sterling Income Shares  
X Shares (Net Accumulation)  
X Shares (Net Income)  
Institutional Shares W (Net Income)  
Institutional Shares W (Net Accumulation)  
Retail Advised Shares B (Net Income)  
Retail Advised Shares B (Net Accumulation)  
P Shares (Net Accumulation)


## Newton Global Higher Income Fund (1)

Sterling Income Shares						
Institutional Shares (Income)						
Institutional Shares (Accumulation)						
Exempt Shares 2 (Net Income)						
X Shares (Net Accumulation)						
X Shares (Net Income)						
Sterling Accumulation Shares						
Institutional Shares W (Net Income)						
Institutional Shares W (Net Accumulation)						
Retail Advised Shares B (Net Income)						
Retail Advised Shares B (Net Accumulation)						
Exempt Shares 2 (Net Accumulation)						

Sterling Income Shares							
Exempt Shares 2 (Net Accumulation)							
X Shares (Net Accumulation)							
Institutional Shares W (Net Income)							
Institutional Shares W (Net Accumulation)							
Retail Advised Shares B (Net Income)							
Retail Advised Shares B (Net Accumulation)							
Exempt Shares 2 (Net Income)							

Sterling Income Shares						
Exempt Shares 1 (Net Accumulation)						
Exempt Shares 2 (Net Accumulation)						
Institutional Shares (Accumulation)						
Institutional Shares (Income)						
X Shares (Net Accumulation)						
X Shares (Net Income)						
Institutional Shares W (Net Income)						
Institutional Shares W (Net Accumulation)						
Retail Advised Shares B (Net Income)						
Retail Advised Shares B (Net Accumulation)						

Exempt Shares 2 (Gross Accumulation)						
Institutional Shares (Accumulation)						
X Shares (Gross Accumulation)						
X Shares (Net Income)						

Sterling Income Shares						
Euro Accumulation Shares						
Institutional Shares (Accumulation)						
Institutional Shares (Income)						
Exempt Shares 2 (Gross Accumulation)						
Institutional Shares W (Net Income)						
Institutional Shares W (Net Accumulation)						
P Shares (Net Accumulation)						
Retail Advised Shares B (Net Income)						
Retail Advised Shares B (Net Accumulation)						

Exempt Shares 1 (Gross Accumulation)						
Exempt Shares 2 (Gross Accumulation)						
Institutional Shares (Accumulation)						
X Shares (Gross Accumulation)						

**Investor Information (continued)****Synthetic Risk & Reward Indicators (continued)****Newton Long Gilt Fund**

Exempt Shares 2 (Gross Accumulation)

Institutional Shares (Accumulation)

X Shares (Gross Accumulation)

1	2	3	4	5	6	7

**Newton Managed Fund (1)**

Sterling Income Shares

Institutional Shares (Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Newton Oriental Fund**

Sterling Income Shares

Euro Accumulation Shares

Exempt Shares 1 (Net Accumulation)

Institutional Shares (Accumulation)

X Shares (Net Accumulation)

P Shares (Net Income)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)


**Newton Phoenix Multi-Assets Fund**

Sterling Income Shares

Sterling Accumulation Shares

Exempt Shares 2 (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)

X Shares (Net Accumulation)


**Newton Real Return Fund**

Sterling Income Shares

Sterling Income A Shares

Exempt Shares 2 (Net Accumulation)

X Shares (Net Accumulation)

Institutional Shares (Accumulation)

X Shares (Net Income)

Exempt Shares 2 (Net Income)

Exempt Shares 1 (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)

P Shares (Net Accumulation)


**Newton UK Equity Fund**

Sterling Income Shares

Institutional Shares (Accumulation)

Institutional Shares (Income)

X Shares (Net Accumulation)

Exempt Shares 1 (Net Accumulation)

Exempt Shares 3 (Net Accumulation)

Institutional Shares W (Net Income)

Institutional Shares W (Net Accumulation)

Retail Advised Shares B (Net Income)

Retail Advised Shares B (Net Accumulation)


**Investor Information (continued)****Synthetic Risk & Reward Indicators (continued)**

	1	2	3	4	5	6	7
<b>Newton UK Opportunities Fund (2)</b>							
Sterling Income Shares							
Exempt Shares 2 (Net Accumulation)							
Institutional Shares (Accumulation)							
X Shares (Net Accumulation)							
Institutional Shares W (Net Accumulation)							
Retail Advised Shares B (Net Income)							
Retail Advised Shares B (Net Accumulation)							

**The Boston Company US Opportunities Fund**

Sterling Income Shares							
Euro Accumulation Shares							
Exempt Shares 1 (Net Accumulation)							
Institutional Shares (Accumulation)							
Institutional W Net Income							
Institutional W Net Accumulation							
Retail Advised B Net Income							
Retail Advised B Net Accumulation							
Institutional F Net Income							
Institutional F Net Accumulation							

The Synthetic Risk Reward Indicator was changed on the following Funds:

- (1) The Synthetic Risk Reward Indicator was changed from category 6 to 5, effective 5th February 2014.
- (2) The Synthetic Risk Reward Indicator was changed from category 6 to 5, effective 5th May 2014.
- (3) The Synthetic Risk Reward Indicator was changed from category 4 to 3, effective 5th May 2014.
- (4) The Synthetic Risk Reward Indicator was changed from category 5 to 4, effective 3rd June 2014.
- (5) The Fund closed on 13/12/2013
- (6) The Synthetic Risk & Reward Indicator was changed from category 4 to 3, effective 7th January 2014.
- (7) The Synthetic Risk Reward Indicator was changed from category 5 to 4, effective 5th May 2014.
- (8) The Synthetic Risk Reward Indicator was changed from category 5 to 4, effective 4th March 2014.

We have calculated the risk and reward category, as shown above, using a method of calculation derived from EU rules. It is based on the rate at which the value of the Fund has moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the Fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment.

Please note that these amendments are not due to a change in the investment objectives of the Sub-Fund, but are due to market movements during the reporting period.

Funds in category 3 have in the past shown moderately low volatility. With a fund of category 3, you have a moderately low risk of losing money but your chance for gains is also moderately low.

Funds in category 4 have in the past shown moderate volatility. With a fund of category 4, you have a moderate risk of losing money but your chance for gains is also moderate.

Funds in category 5 have in the past shown moderately high volatility. With a fund of category 5, you have a moderately high risk of losing money but your chance for gains is also moderately high.

Funds in category 6 have in the past shown relatively high volatility. With a fund of category 6, you have a relatively high risk of losing money but your chance for gains is also relatively high.

Funds in category 7 have in the past shown very high volatility. With a fund of category 7, you have a very high risk of losing money but your chance for gains is also very high.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

## INVESTMENT FUNDS INFORMATION

### Company

BNY Mellon Investment Funds  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

Tel.: +44 (0) 207 163 4300

### Authorised Corporate Director (ACD)

BNY Mellon Fund Managers Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

Tel.: +44 (0) 207 163 4300

### Directors of BNY Mellon Fund Managers Limited

G A Brisk  
L E Lenel (resigned 31 August 2013)  
J F Lubran  
M J Oomen  
D M Turnbull (Chairman)

### Dealing

(i) For all Share Classes (other than Exempt and X):

Call, **free**, on 0500 440 000  
Call +44 (0) 203 528 4012

(ii) For Exempt and X Share Classes:

Call 0844 892 2715  
Fax 0844 892 2716

### Priceline

(i) Call, **free**, on 0500 330 000

### Client Enquiries

(i) Call, **free**, on 0800 614 330  
(ii) Call +44 (0) 203 528 4002

### Authorisation

BNY Mellon Fund Managers Limited  
Authorised and regulated by the  
Financial Conduct Authority

BNY Mellon Fund Managers Limited  
Registered in England No. 1998251  
A subsidiary of BNY Mellon Investment Management  
EMEA Limited with effect from 27 January 2014,  
prior to that a subsidiary of BNY Mellon Asset  
Management International Limited

### Investment Advisers

Newton Investment Management Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
Authorised and regulated by the  
Financial Conduct Authority

Walter Scott & Partners Limited  
One Charlotte Square  
Edinburgh EH2 4DR  
Authorised and regulated by the  
Financial Conduct Authority

The Boston Company Asset Management LLC  
BNY Mellon Center  
One Boston Place  
Boston MA 02108-4408  
Registered with and regulated by the  
Securities and Exchange Commission

Insight Investment Management (Global)  
Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
Authorised and regulated by the  
Financial Conduct Authority

### Registrar and Administration

BNY Mellon Fund Managers Limited  
Client Service Centre  
PO Box 12041  
Brentwood  
CM14 9LS

### Depository

National Westminster Bank plc  
Trustee & Depositary Services  
Younger Building  
1st Floor  
3 Redheughs Avenue  
Edinburgh EH12 9RH

### Auditors

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

Registered office:  
1 More London Place  
London SE1 2AF

## MANAGEMENT AND PROFESSIONAL SERVICES

### Austrian Paying and Information Agent

UniCredit Bank Austria  
Schottengasse 6-8  
1011 Vienna  
Austria

### Austrian Tax Agent

Deloitte Tax Wirtschaftsprüfungs GmbH  
1010, Wien  
Renngasse 1  
Austria

### German Information Agent

Meriten Investment Management GmbH  
Elisabethstrasse 65  
40217 Düsseldorf  
Germany

### German Tax Agent

Deloitte Audit S.a.r.l  
Société à responsabilité limitée  
560, rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

### Luxembourg Paying Agent

The Bank of New York Mellon  
Luxembourg S.A.  
2-4 rue Eugene Ruppert  
Vertigo Building – Polaris  
L-2453 Luxembourg

### Belgian Agent

J.P. Morgan Europe Limited, Brussels Branch  
1 Boulevard du Roi Albert II  
Brussels  
B1210 - Belgium

### Swiss Paying Agent & Representative Agent

BNP Paribas Securities Services, Paris,  
Succursale de Zurich  
Selnaustrasse 16  
CH-8002 Zurich  
Switzerland

### French Centralising & Financial Agent

BNP Paribas Securities Services  
3 rue d'Antin  
75002 Paris  
France