PROFIT *hunters*

ARTEMIS UK Select *Fund*

Half-Yearly Report (unaudited)
for the six months ended
30 June 2017

ARTEMIS
The PROFIT Hunter

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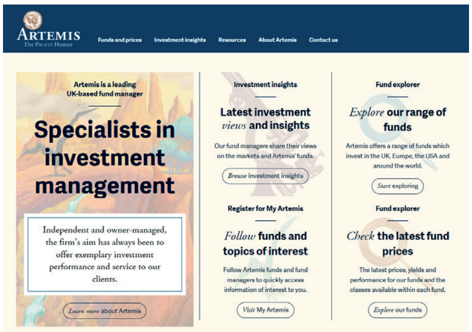

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artemisfunds.com

General information

About Artemis …

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

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

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

The firm now manages some £26.0 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 31 July 2017.

Fund status

Artemis UK Select Fund (formerly the Artemis UK Growth Fund) was constituted by a Trust Deed dated 17 March 1998 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The objective of the fund is to achieve long-term capital growth. The emphasis of the fund will be investment in companies listed, quoted and/or traded in the UK and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK.

Investment policy

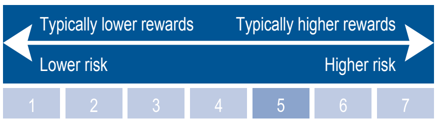
The manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of choice of investments either by company size or industry. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on ISDX may be included in the portfolio.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the regulations.

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website **artemisfunds.com**. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risk indicator for the fund is as above because:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- The fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains, however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this fund.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 2.

General information (continued)

Tax information reporting

UK tax legislation requires fund managers to provide information to HM Revenue & Customs ('HMRC') on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident outwith the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of information-account-holders.

Manager

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

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House
57 St James's Street
London SW1A 1LD

Trustee and Depositary

National Westminster Bank Plc †
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

Registrar

International Financial Data Services (UK) Limited *
IFDS House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

* Authorised and regulated by the FCA, 25 The North Colonnade, Canary Wharf, London E14 5HS.

† Authorised by the Prudential Regulation Authority ('PRA'), 20 Moorgate, London EC2R 6DA and regulated by the PRA and the FCA.

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis UK Select Fund for the six months ended 30 June 2017 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray
Director

R J Turpin
Director

Artemis Fund Managers Limited
London
24 August 2017

- The fund returned 11.1%* versus 5.5%* from the FTSE All-Share Index.
- We benefited from a strong recovery in stocks responsive to domestic demand.
- Amid uncertainty, we focus on valuations.

Performance – Post-Brexit losses recouped ...

The fund returned 11.1% versus 5.5% from the FTSE All-Share Index. It has now more than recovered the relative losses it suffered in the immediate wake of the UK's vote to leave the EU.

With global economic growth improving, unemployment continuing to fall and asset prices in many markets looking increasingly extended, we began the year with a belief that central banks would look beyond a short-term dip in inflation and slowly start to normalise monetary policy. So we were encouraged that the US Federal Reserve raised interest rates again in June – the second increase in 2017. For their part, the European Central Bank and the Bank of England made hawkish comments. The result was that yields on long-dated bonds rose in late June, reversing the majority of their falls earlier in the year. This, in turn, prompted a rotation within equity markets, with investors shifting away from defensive sectors and into financials. This suited the fund's positioning and, in combination with some strong stock-specific news and the recovery in some of our 'domestic' holdings, explains its wide margin of outperformance over the first half of 2017.

Review – Our domestic stocks recover...

During the first half of 2016, movements in the FTSE All-Share Index and in the fund tended to be dictated by polls ahead of the referendum on the UK's membership of the EU. Some 12 months on from the Brexit vote, we have yet to gain any degree of clarity on what it will eventually mean. The only thing we can say for certain is that a wide range of outcomes still seems possible. During the first half of this year, the 'snap' general election saw the UK electorate continue to confound the pollsters with no single party able to form a majority. The result leaves the UK with a weak government at a critical juncture in the Brexit negotiations. With limited room to manoeuvre, and no desire to head back to the ballot box for another election it appears increasingly likely that the government will follow the path of least resistance in negotiations making a form of 'soft' Brexit more likely. That sterling has strengthened since the election supports this view. If this seems a rather glass-half-empty view, we would note two things. First, politics seems to be making a smaller impact on our stocks this year than it did last year. Second, the UK economy has generally held up much better than expected six or 12 months ago. This has allowed a strong recovery in stocks responsive to domestic demand, in which the fund has tended to be overweight.

Looking further afield, political risks have faded following election results in the Netherlands and France. As Germany heads towards its elections in September, the resilience and popularity of Angela Merkel is striking. Economic growth in the eurozone was already stronger than expected at the start of the year. We see scope for momentum in the economy to build through the second half of 2017 as political worries give way to hopes of pro-market, business-friendly reforms. Over the Atlantic, hopes for change under President Trump have waned rapidly as his campaign promises have met the hard reality of Washington politics. As a result, the rotation out of those areas of the market that are less sensitive to economic growth and rising interest rates and into financial stocks (the so-called 'reflation trade') that we saw immediately after the US election, went into reverse in early 2017. This was aided by the fall in oil prices and the resultant lower inflation expectations, the combination of which helped to send expectations for long-term interest rates back to their pre-election lows.

Winners

Private equity house 3i Group is a long-term favourite of ours. Its wonder investment, Dutch discount retailer Action, is rolling out more than 200 stores a year and those stores are paying for themselves within a year of opening. This allows Action to internally fund its growth while also returning plenty of cash to its parent shareholder. We still believe this asset is still not fully understood by the market. This, in combination with the strong growth being reported by the rest of 3i Group's portfolio, means we anticipate its strong performance to continue.

Elsewhere news from our holdings was generally good. International Consolidated Airlines Group and Ryanair Holdings, for instance, are both performing well. Stronger-than-expected air fares and a lower oil price (so cheaper aviation fuel) have buoyed their profits and boosted market sentiment. In both cases, high cashflows are being returned to shareholders. We remain positive on both companies.

In the industrials sector, every part of Fenner's business is performing well again. It is profiting from a recovery in commodity related capital investment – both in shale oil where production is booming and they are taking market share and in mining where an aggressive de-stocking by their customers is now reversing. The smaller medical division has also exceeded expectations. In the same sector, the new management at Oxford Instruments is making rapid progress in unwinding their predecessors' unsuccessful M&A-led strategy. They are using the cash raised to de-gear a stretched balance sheet.

Our holdings in a number of UK housebuilders – Bellway, Crest Nicholson Holdings, Countryside Properties and Redrow – all contributed to returns. Trading remains

* Source: Lipper Limited, class I accumulation units, bid to bid basis, in sterling with dividends reinvested to 30 June 2017. Benchmark is the FTSE All-Share Index.

Investment review (continued)

strong and earnings forecasts and dividends continue to rise. We still believe that for as long as the monthly cost of a Help-to-Buy repayment mortgage remains less than the rental value of an equivalent property, demand for new-build homes will remain buoyant. Despite the strong run higher in share prices, there has as yet been no re-rating relative to the earnings these companies are producing. As such, we see the combination of fast growth with high and rising dividend yields as remaining attractive.

Losers

Inevitably, not all the news was quite so positive. Packaging business RPC Group suffered a bear raid as a research house raised questions about its business model, management incentive scheme and the quality of its accounting. We believe that these concerns are unfounded and used the weakness as an opportunity to add to our holding. We took further comfort from full-year results that beat expectations on profits, dividends and lower-than-expected debt.

Elsewhere, SuperGroup hurt performance. One of our five largest holdings, its lacklustre performance has been frustrating: despite reporting very strong growth across all parts of its business (retail, wholesale and online), its share price has moved sideways over the last 18 months. The net result has been a sharp de-rating that we can only ascribe to fears over UK consumer spending. We believe these fears are unjustified. First, 25% of its sales are online and growing very strongly with higher margins than its retail stores. Second the vast majority of new capital investment is being used to fund growth outside the UK. These are markets in which its brand has yet to mature and where potential returns remain alluring. Indeed, Superdry looks to be one of the few UK fashion retailers to have cracked both the European and US markets.

Activity

At the start of the year we initiated a new position in Ryanair Holdings. In the short-term, the yield environment looks better than the market fears and the low oil price helps costs. In the longer term, their advantage as the lowest-cost operator will allow them to continue to take market share. At the same time, Ryanair Holdings is earning higher returns than its peers, allowing it to fund organic growth while also returning cash to its shareholders through a buyback.

In the mining sector, we sold Vedanta Resources following a strong run in the shares and the departure of its well-regarded chief executive. We also sold out of Anglo American. The political situation in South Africa deteriorated, making it harder for the management team to restructure its business. We put the proceeds to work in Glencore, which offers a very high free cashflow yield at current commodity prices. That its exposure to iron ore is lower than its peers should mean its cashflows are more resilient.

Elsewhere, we added to our existing position in DS Smith which is in the process of buying a business in the US. So far, the market has only really thought of the potential synergies in working capital and costs. But we think there will also be significant revenue synergies that have yet to be appreciated. This is based principally on the strength of the relationships DS Smith has already established in Europe with major US-based customers. It can now apply its technological leadership to the US market. The share price may move much like a cyclical, but given 78% of its sales are to consumer staples and other ‘resilient categories’, the business should hold up well in the event of a downturn. Towards the end of the reporting period we started a position in Allied Irish Bank as part of its IPO. Ireland’s economic recovery continues apace and even on conservative estimates, this business should be able to return at least a third of its current market valuation over the next four years.

Outlook – Favouring ‘value’ and financials …

We are encouraged by recent comments from central banks that they are willing to look beyond the short-term dip in inflation. They seem to recognise the risk that a prolonged period of negative real interest rates increases the risk that asset-price bubbles form as investors chase returns. Long-dated bond yields have risen modestly in response to these comments. Whether this continues will depend on forward-looking commentary turning into changes in monetary policy over the coming months. That economic data in both the US and the EU remains supportive, we expect central banks in both economies to tighten policy over the next 12 months. Given this, we believe that the fund’s positioning in financials – and its tilt towards value (stocks on below-average valuations, which tend to do better when inflation expectations and interest rates are rising) – will help its relative performance.

The outlook for the UK is clouded by the uncertainty created by the UK election results and the on-going Brexit negotiations. This continues to weigh on sentiment. Since the autumn of 2016, forecasts for growth in the UK economy have risen steadily. The result is that we are no longer more optimistic than the market consensus. We are unlikely to see a material re-rating of stocks focused on domestic demand until the final agreement between the UK and EU is reached. Our preference is therefore to invest in companies that can increase their earnings even as wider conditions remain subdued – and pay us a reasonable dividend in the meantime. In the very short-term, however, we can see some of the current negative sentiment towards UK consumer spending improving a little. Inflation should fall in the second half of the year, reducing the squeeze on ‘real’ incomes.

Against this backdrop we continue to focus heavily on valuations. To this end we believe that the portfolio is well placed to prosper with a diversified collection of strong stock specific stories, providing above average earnings growth on a modest forward price-to-earnings multiple of just under 12x – a discount to the broader UK market, which trades on a multiple of closer to 15x.

Ed Legget
Fund manager

Five largest purchases and sales for the six months ended 30 June 2017

Purchases	Cost £'000	Sales	Proceeds £'000
Ryanair Holdings	15,616	Barclays	12,093
Glencore	15,148	Anglo American	11,943
RPC Group	11,824	British American Tobacco	11,064
Lloyds Banking Group	11,792	Fenner	10,484
DS Smith	9,741	WPP	10,438

Portfolio statement as at 30 June 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 99.73% (100.01%)			
Basic Materials 2.45% (3.28%)			
Glencore	4,800,000	13,891	2.45
		13,891	**2.45**
Consumer Goods 18.03% (23.06%)			
Bellway	200,000	5,972	1.06
British American Tobacco	210,000	11,057	1.95
Countryside Properties	3,720,000	12,644	2.24
Crest Nicholson Holdings	1,907,974	10,007	1.77
Galliford Try	472,339	5,512	0.97
Photo-Me International	9,000,000	14,783	2.61
Redrow	2,726,543	14,982	2.65
SuperGroup	1,827,874	27,053	4.78
		102,010	**18.03**
Consumer Services 13.91% (12.01%)			
888 Holdings	2,236,667	5,715	1.01
Dixons Carphone	2,500,000	7,090	1.25
EI Group	4,734,981	6,108	1.08
International Consolidated Airlines Group	3,180,119	19,606	3.46
Just Eat	1,350,000	8,829	1.56
Lookers	3,500,000	3,990	0.70
Pendragon	2,310,000	710	0.13
Playtech	905,000	8,638	1.53
Ryanair Holdings	1,150,000	18,048	3.19
		78,734	**13.91**
Financials 27.45% (21.90%)			
3i Group	3,099,983	28,008	4.95
Allied Irish Bank	1,681,000	7,143	1.26
Arrow Global Group	2,382,043	9,689	1.71
Aviva	1,973,329	10,518	1.86
Barclays	10,456,387	21,430	3.79
Intermediate Capital Group	1,374,613	11,444	2.02
International Personal Finance	1,187,330	2,007	0.36
Legal & General Group	3,200,000	8,314	1.47
Lloyds Banking Group	17,000,000	11,310	2.00
Prudential	1,711,991	30,568	5.40
St James's Place	1,250,000	14,887	2.63
		155,318	**27.45**

Investment information (continued)

Investment	Holding	Global exposure £'000 *	Valuation £'000	% of net assets
Healthcare 3.21% (5.41%)				
Shire	425,000		18,181	3.21
			18,181	**3.21**
Industrials 31.48% (30.36%)				
BBA Aviation	5,500,000		16,825	2.97
Biffa	2,450,000		5,402	0.96
Bodycote	2,352,974		17,777	3.14
DS Smith	5,603,846		26,770	4.73
Fenner	4,912,013		14,036	2.48
Forterra	2,425,000		6,166	1.09
Hays	3,873,021		6,483	1.15
Howden Joinery Group	924,874		3,764	0.67
Interserve	2,750,000		6,476	1.14
IWG	1,716,041		5,587	0.99
Keller Group	920,000		8,110	1.43
Melrose Industries	3,800,000		9,200	1.63
Oxford Instruments	1,087,712		11,258	1.99
Renishaw	250,000		9,060	1.60
RPC Group	2,762,500		20,829	3.68
SThree	535,441		1,608	0.28
Tyman	2,438,582		8,797	1.55
			178,148	**31.48**
Oil & Gas 3.20% (3.22%)				
BP	3,184,945		14,246	2.52
John Wood Group	600,000		3,843	0.68
			18,089	**3.20**
Telecommunications 0.00% (0.77%)				
Equities total			**564,371**	**99.73**
Contracts for difference 0.02% (0.01%)				
Consumer Goods 0.00% (0.00%)				
Dairy Crest Group	(192,387)	(1,160)	7	-
		(1,160)	**7**	**-**
Consumer Services 0.02% ((0.01)%)				
AO World	(2,440,584)	(2,825)	104	0.02
		(2,825)	**104**	**0.02**
Healthcare 0.00% (0.00%)				
Mediclinic International	(200,000)	(1,499)	(1)	-
		(1,499)	**(1)**	**-**
Industrials 0.00% (0.02%)				
IMI	(150,000)	(1,806)	15	-
Mitie Group	(1,769,318)	(4,908)	25	-
		(6,714)	**40**	**-**
Contracts for difference total		**(12,198)**	**150**	**0.02**
Investment assets (including investment liabilities)			564,521	99.75
Net other assets			1,389	0.25
Net assets attributable to unitholders			565,910	100.00

The comparative percentage figures in brackets are as at 31 December 2016.
*Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

Statement of total return for the six months ended 30 June 2017

	30 June 2017		30 June 2016	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		51,323		(106,315)
Revenue	8,768		11,273	
Expenses	(3,230)		(3,357)	
Interest payable and similar charges	(166)		(564)	
Net revenue before taxation	5,372		7,352	
Taxation	192		(115)	
Net revenue after taxation		5,564		7,237
Total return before distributions		**56,887**		**(99,078)**
Distributions		(38)		(540)
Change in net assets attributable to unitholders from investment activities		56,849		(99,618)

Statement of change in net assets attributable to unitholders for the six months ended 30 June 2017

	30 June 2017		30 June 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		529,836		687,500
Amounts receivable on issue of units	16,513		14,951	
Amounts payable on cancellation of units	(37,288)		(130,014)	
		(20,775)		(115,063)
Change in net assets attributable to unitholders from investment activities		56,849		(99,618)
Closing net assets attributable to unitholders		565,910		472,819

Balance sheet as at 30 June 2017

	30 June 2017	31 December 2016
	£'000	£'000
Assets		
Fixed assets		
Investments	564,522	530,068
Current assets		
Debtors	2,196	2,035
Cash and bank balances	5,613	2,349
Total current assets	**7,809**	**4,384**
Total assets	**572,331**	**534,452**
Liabilities		
Investment liabilities	1	51
Creditors		
Bank overdraft	-	3,519
Other creditors	6,420	1,046
Total creditors	**6,420**	**4,565**
Total liabilities	**6,421**	**4,616**
Net assets attributable to unitholders	565,910	529,836

Notes to the financial statements

1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016 as set out therein.

2. Post balance sheet events

Since 30 June 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	23 August 2017	30 June 2017	Movement
I distribution	549.93	529.10	3.9%
I accumulation	565.81	544.42	3.9%
R accumulation	537.14	517.41	3.8%

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 December 2014	722,931,286		
I accumulation		429.38	72,499,880
R accumulation		415.81	98,993,814
31 December 2015	687,500,387		
I accumulation		481.75	77,478,183
R accumulation		463.02	67,869,117
31 December 2016	529,835,714		
I distribution		476.29	2,192
I accumulation		490.11	57,514,701
R accumulation		467.55	53,029,508
30 June 2017	565,910,028		
I distribution		529.10	36,399
I accumulation		544.42	58,300,032
R accumulation		517.41	47,992,173

Ongoing charges

Class	30 June 2017
I distribution	0.82%
I accumulation	0.82%
R accumulation	1.57%

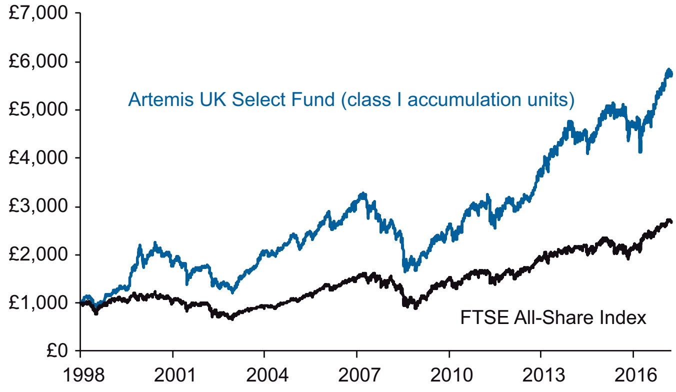
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Select Fund	471.1	91.8	29.0	34.0	11.1
FTSE All-Share Index	165.1	65.2	23.9	18.1	5.5
FTSE 100 Index	130.9	58.2	21.6	16.9	4.7
Sector average	190.4	75.6	25.9	22.7	7.3
Position in sector	5/83	55/218	81/237	12/249	33/252
Quartile	1	1	2	1	1

* Data from 3 April 1998. Source: Lipper Limited, data from 3 April 1998 to 1 September 2010 reflects class R accumulation units, and from 1 September 2010 reflects class I accumulation units, bid to bid in sterling to 30 June 2017. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA UK All Companies.

Value of £1,000 invested at launch to 30 June 2017

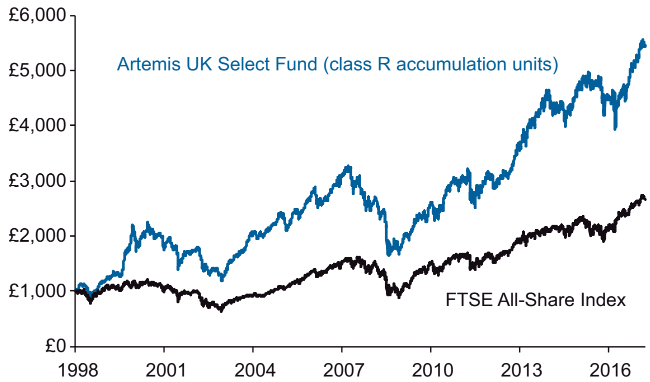


Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Select Fund	442.8	84.7	26.1	33.0	10.6
FTSE All-Share Index	165.1	65.2	23.9	18.1	5.5
FTSE 100 Index	130.9	58.2	21.6	16.9	4.7

* Data from 3 April 1998. Source: Lipper Limited, class R accumulation units, bid to bid, in sterling to 30 June 2017. All performance figures show total return with dividends reinvested, percentage growth.

Value of £1,000 invested at launch to 30 June 2017



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