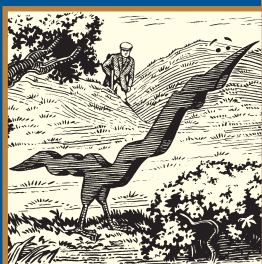


ARTEMIS  
Investment *Funds*  
*ICVC*

Half-Yearly Report (unaudited)  
for the six months ended 31 August 2016

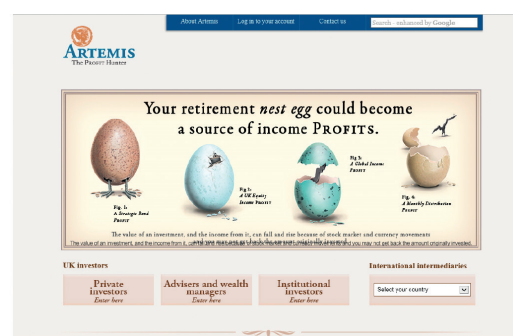


ARTEMIS  
The PROFIT Hunter

## Keep up to date ...

... with the performance of this and other Artemis funds throughout the year on Artemis' website

- Monthly fund commentaries and factsheets
- Artemis *Filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature



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\* These items comprise the authorised corporate director's report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook.

## Company information

### About Artemis...

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 £23.7 billion\* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Artemis' fund managers invest in the funds that they and their colleagues manage. This has been a key tenet of Artemis' approach to investment since the firm started. It means that we 'eat our own cooking' and that our fund managers' interests are directly aligned with those of our investors.

\* Source: Artemis as at 30 September 2016.

### The company

Artemis Investment Funds ICVC ('the company') is an investment company with variable capital incorporated under the Open-Ended Investment Companies Regulations 2001 ('the Regulations') in England and Wales under registered number IC001014 and authorised and regulated by the Financial Conduct Authority ('FCA') with effect from 20 June 2014. The company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. The company has an unlimited duration. Each sub-fund is treated as a segregated portfolio of assets, and those assets can only be used to meet the liabilities of that sub-fund. Shareholders are not liable for the debts of the company or any other sub-fund. The base currency of the company is Sterling.

The company has an umbrella structure and currently has eight sub-funds, each with a different investment objective. In the financial statements you will find an investment review for each sub-fund which includes details of the investment objectives.

The company is registered for sale in Austria, France, Germany, Ireland, Italy,

Luxembourg, Netherlands, Singapore, Spain and Switzerland. Such registrations are subject to applicable local laws and regulations and some sub-funds and/or share classes may not be available in all jurisdictions.

### Prospectus

Copies of the most recent Prospectus are available free of charge from the Authorised Corporate Director ('ACD') at the address on page 88.

### Half-Yearly Report

We are pleased to present the Half-Yearly Report of the company for the six months ended 31 August 2016. As required by the Regulations, information for each of the sub-funds has been included in this report. On the following pages we present the performance of each of those sub-funds during the period.

### Sub-fund cross holdings

At the period end none of the shares in any of the sub-funds were held by any other sub-funds of the company.

### Significant events

The launch dates of the share classes in the period are detailed in the table on page 89.

From 1 March 2016, the performance fee model was updated on the Artemis Pan-European Absolute Return Fund and the Artemis US Absolute Return Fund so that the net asset value of each share class must outperform the relevant 3 month LIBOR return before a performance fee is earned for that class, for the period ended 28 February 2017 and each subsequent Performance Period (where the 3 month LIBOR figure is negative, it will be deemed to be zero for the purposes of the calculation). All other aspects of the performance fee model are unchanged.

Further information is contained in the Prospectus which is available from the ACD at the address or website shown on page 88.

### Report of the authorised corporate director

We hereby approve the Half-Yearly Report of Artemis Investment Funds ICVC for the six months ended 31 August 2016 on behalf of Artemis Fund Managers Limited in accordance with the requirements of Collective Investment Schemes Source book ('COLL') as issued and amended by the FCA.

M J Murray  
Director

R J Turpin  
Director

Artemis Fund Managers Limited  
London

13 October 2016

The maintenance and integrity of the Artemis Fund Managers Limited web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Artemis Global Emerging Markets Fund

## Investment objective and policy

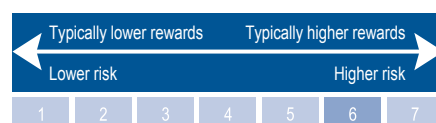
The objective of the Artemis Global Emerging Markets Fund (the 'sub-fund') is to achieve positive long-term returns through a combination of capital growth and income.

The sub-fund invests principally in companies listed, quoted and/or traded in emerging market countries and in companies which are headquartered or have a significant part of their activities in emerging markets which are quoted on a regulated market in developed countries.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments either by company size, industry, or the geographical split of the portfolio.

The sub-fund may also invest in other transferable securities, fixed interest securities, derivative instruments, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets.
- 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 risks of investing in the sub-fund include:

- The price of shares, 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.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-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 sub-fund is valued and priced.
- 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.

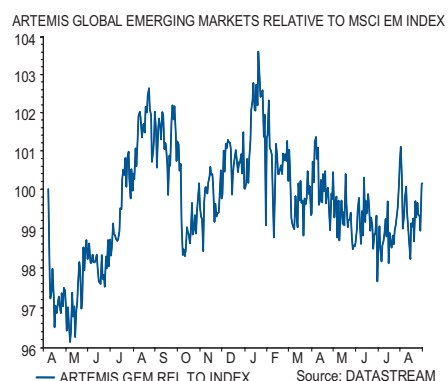
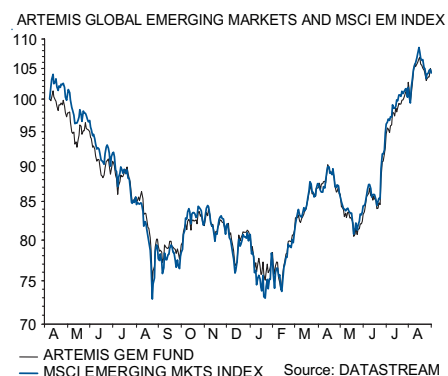
- The sub-fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the sub-fund will lose money.

## Artemis Global Emerging Markets Fund – Investment review

- Fund returned 29.5%\*, versus the benchmark's 30.6%\*.
- Sentiment has turned positive in emerging markets.
- The rally started in commodity-related companies but is now broadening out.

### Performance - What a difference a year makes ...

In the six months to 31 August 2016 the fund rose 29.5%, almost in line with the MSCI Emerging Markets Index, which returned 30.6%. Since its launch in April 2015 the fund has returned 4.4%\* versus a 3.6%\* gain in the MSCI Emerging Markets Index.



### Review – Sentiment shifts back to emerging markets ...

In the last six months there has been a marked shift in sentiment towards emerging markets. At the beginning of the year investors fretted about the collapsing oil price, widening credit spreads and potential economic

slowdown in the US and China. But then the oil price stabilised, credit spreads tightened and economic newsflow in both the US and China improved. On the back of this, emerging market equities recovered strongly. The stocks that led the rally were those that fell the furthest in 2015's sell-off. For example, Brazil fell more than 40% in 2015 (in US dollar terms) and has now rallied more than 90% from its lows in January. Such reversals in sentiment are challenging. In retrospect the fund did not have enough exposure to the most 'beaten-up' parts of the market, such as Brazilian banking and resource stocks.

More recently, as the market's focus has shifted from chasing previous losers to identifying companies with improving fundamentals, the fund's performance has started to pick up. Over the last three months the fund outperformed the market by 2.3%, almost making up for the underperformance of the previous three months.

Top contributors to performance included Chinese carmaker Geely, Automobile Holdings, camera lens manufacturer Sunny Optical, Technology Group, Korean semiconductor company Soulbrain and Brazilian companies Multiplus (a leader in loyalty management programmes) and electricity provider Transmissora Alianca de Energia Eletrica.

Less successful investments included Ju Teng International Holdings, a Chinese maker of laptop casings, consumer electronics company Casetek Holdings and online game developer Com2uS.

On the whole, our stock-picking in Asia has been effective. However, our currency and country bets have detracted from performance. We had too little exposure in Brazil and our overweight to Turkish equities detracted after the failed coup attempt.

### Transactions: The case for value ...

Our research has shown that 'value' investing (investing in stocks that trade on a lower multiple than the market average) tends to work best when there is a wide dispersion of valuations in the market and value stocks have started to outperform.

By the first week of March it became apparent that the dispersion in valuations was high within emerging markets and, crucially, value stocks had started to outperform. Accordingly, we increased our exposure to value stocks.

At a regional level we increased the fund's exposure to Asia, in particular in financials. We bought Bank of China and Guangzhou R&F Properties in China, Woori Bank in South Korea and First Financial Holdings in Taiwan. As economic growth was picking up we also increased the fund's exposure to other cyclical sectors such as construction, automobiles and technology.

We increased our exposure to Samsung Electronics and Tencent, both 'mega-cap' stocks. Although Tencent trades on a premium price-to-earnings multiple of 31x forward earnings, it has delivered above-average growth. In addition, steady upgrades to profit expectations suggest that future growth will remain above-average.

We funded these purchases in part by reducing our exposure to more defensive stocks. We reduced our exposure to telecoms by selling out of China Mobile. We also took profits in Malaysian healthcare company Top Glove and Gruma, a Mexican food producer. Other sales were prompted by disappointing corporate newsflow that undermined the case for some of our holdings. Examples included Vodacom, Liberty Holdings and Sappi. These sales reduced markedly our exposure to South Africa.

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is MSCI Emerging Markets Index (GBP).

After these changes, the fund's biggest overweights are in Thailand, Turkey and South Korea while its biggest underweights are in South Africa and India. At the sector level, it is still overweight in utilities, automobiles and construction and underweight in technology and retail.

---

## Outlook – The rally is spreading beyond commodities ...

Following five grim years that have tested the faith of the most ardent believer, emerging market equities appear to be back in favour. This year's rally has been confined to companies sensitive to commodity prices. But with signs of economic stabilisation increased, other cyclical sectors have started to pick up. This has been supportive for our stock-picking approach. We continue to find compelling investments underpinned by cheap valuations.

Thus, in spite of the strong rally so far, the financial characteristics of the fund remain highly attractive. It trades on a price-to-earnings ratio of 9.4x compared with 12.4x for the market and has a dividend yield some 33% higher than the market.

**Peter Saacke and Raheel Altaf**  
Fund managers

## Artemis Global Emerging Markets Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Tencent Holdings Ltd.	1,192	China Mobile Ltd.	675
Samsung Electronics Co. Ltd.	1,084	Vodacom Group Ltd.	627
Taiwan Semiconductor Manufacturing Co. Ltd.	639	PICC Property & Casualty Co. Ltd. H shares	552
Guangzhou R&F Properties Co. Ltd. H shares	616	Liberty Holdings Ltd.	545
Banco Bradesco SA Preference	609	Safaricom Ltd. (Morgan Stanley) Warrant 07/07/2016	486

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
Equities 99.60% (100.64%)			
Brazil 5.96% (5.48%)			
Banco Bradesco SA Preference	143,200	985	2.08
Cosan Ltd. A shares	86,000	469	0.99
Multiplus SA	37,300	371	0.78
Transmissora Alianca de Energia Eletrica SA	104,200	554	1.17
Vale SA Preference	125,000	444	0.94
		<b>2,823</b>	<b>5.96</b>
Chile 0.00% (0.33%)			
China 25.00% (17.55%)			
Agile Property Holdings Ltd.	400,000	171	0.36
Air China Ltd. H shares	963,400	542	1.14
Alibaba Group Holding Ltd., ADR	2,900	212	0.45
Bank of China Ltd. H shares	1,917,000	656	1.39
Beijing Jingneng Clean Energy Co. Ltd. H shares	850,000	195	0.41
China Communications Construction Co. Ltd. H shares	595,000	493	1.04
China Construction Bank Corp. H shares	1,144,000	651	1.37
China Galaxy Securities Co. Ltd. H shares	210,000	149	0.32
China High Speed Transmission Equipment Group Co. Ltd.	505,000	353	0.74
China Hongqiao Group Ltd.	365,000	237	0.50
China Petroleum & Chemical Corp. H shares	260,000	144	0.30
China State Construction Engineering Corp. Ltd. (J.P. Morgan) Warrants 14/09/2016	599,000	437	0.92
Geely Automobile Holdings Ltd.	1,445,000	882	1.86
Guangzhou Automobile Group Co. Ltd. H shares	700,000	734	1.55
Guangzhou R&F Properties Co. Ltd. H shares	621,991	793	1.67
Huaneng Renewables Corp. Ltd. H shares	830,000	234	0.49
Huishang Bank Corp. Ltd. H shares	1,889,200	678	1.43
Lee & Man Paper Manufacturing Ltd.	1,131,700	695	1.47
NetEase, Inc., ADR	2,400	385	0.81
Sunny Optical Technology Group Co. Ltd.	155,000	630	1.33
Tencent Holdings Ltd.	80,100	1,586	3.35
Xtep International Holdings Ltd.	960,000	377	0.80
Zhejiang Expressway Co. Ltd. H shares	722,900	614	1.30
		<b>11,848</b>	<b>25.00</b>
Greece 0.55% (0.00%)			
FF Group	14,100	260	0.55
		<b>260</b>	<b>0.55</b>

Investment	Holding	Valuation £'000	% of net assets
<b>Hong Kong 2.86% (7.24%)</b>			
NewOcean Energy Holdings Ltd.	710,000	160	0.34
Tongda Group Holdings Ltd.	2,700,000	427	0.90
Xinyi Glass Holdings Ltd.	428,000	280	0.59
Xinyi Solar Holdings Ltd.	1,565,000	490	1.03
		<b>1,357</b>	<b>2.86</b>
<b>Hungary 0.93% (0.42%)</b>			
MOL Hungarian Oil & Gas Plc	9,200	440	0.93
		<b>440</b>	<b>0.93</b>
<b>India 5.17% (5.60%)</b>			
Bharat Petroleum Corp. Ltd. (Morgan Stanley) Warrants 14/09/2016	38,400	262	0.55
eClerx Services Ltd. (J.P. Morgan) Warrants 14/09/2016	10,200	187	0.39
Grasim Industries Ltd. (J.P. Morgan) Warrants 24/07/2019	11,000	583	1.23
Hindustan Petroleum Corp. Ltd. (Morgan Stanley) Warrants 25/04/2018	17,000	236	0.50
Power Grid Corp of India Ltd. (Morgan Stanley) Warrants 14/09/2016	355,000	740	1.56
Tata Chemicals Ltd. (J.P. Morgan) Warrants 08/06/2017	26,000	164	0.35
Yes Bank Ltd. (Morgan Stanley) Warrants 28/10/2016	18,000	282	0.59
		<b>2,454</b>	<b>5.17</b>
<b>Indonesia 3.24% (2.79%)</b>			
Bank Tabungan Negara Persero Tbk. PT	5,250,000	602	1.27
Tambang Batubara Bukit Asam Persero Tbk. PT	630,000	359	0.76
Telekomunikasi Indonesia Persero Tbk. PT	2,395,000	577	1.21
		<b>1,538</b>	<b>3.24</b>
<b>Kenya 1.22% (0.97%)</b>			
Safaricom Ltd. (Merrill Lynch) Warrants 13/06/2019	4,000,000	579	1.22
		<b>579</b>	<b>1.22</b>
<b>Malaysia 1.58% (3.23%)</b>			
Tenaga Nasional Bhd.	272,000	749	1.58
		<b>749</b>	<b>1.58</b>
<b>Mexico 1.86% (4.03%)</b>			
Alpek SAB de CV	423,000	552	1.17
Banregio Grupo Financiero SAB de CV	75,000	329	0.69
		<b>881</b>	<b>1.86</b>
<b>Oman 0.63% (0.33%)</b>			
Ooredoo	215,600	300	0.63
		<b>300</b>	<b>0.63</b>
<b>Peru 1.06% (0.00%)</b>			
Credicorp Ltd.	4,200	505	1.06
		<b>505</b>	<b>1.06</b>
<b>Philippines 0.67% (1.75%)</b>			
Filinvest Land, Inc.	10,100,600	317	0.67
		<b>317</b>	<b>0.67</b>
<b>Poland 0.74% (1.49%)</b>			
Kernel Holding SA	30,100	350	0.74
		<b>350</b>	<b>0.74</b>
<b>Qatar 0.49% (0.45%)</b>			
Qatar National Bank SAQ	6,820	232	0.49
		<b>232</b>	<b>0.49</b>

## Artemis Global Emerging Markets Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
<b>Russia 5.22% (3.81%)</b>			
Gazprom PJSC, ADR	70,000	218	0.46
LSR Group PJSC, GDR	200,000	442	0.93
Lukoil PJSC, ADR	26,989	933	1.97
Mobile TeleSystems PJSC, ADR	56,000	348	0.73
Surgutneftegas OJSC, ADR	85,000	307	0.65
Tatneft PJSC, ADR	10,100	229	0.48
		<b>2,477</b>	<b>5.22</b>
<b>South Africa 1.59% (6.28%)</b>			
Kumba Iron Ore Ltd.	56,000	385	0.81
Sasol Ltd.	8,000	157	0.33
Shoprite Holdings Ltd.	20,800	211	0.45
		<b>753</b>	<b>1.59</b>
<b>South Korea 17.00% (13.15%)</b>			
Dongbu Insurance Co. Ltd.	6,100	281	0.59
Hankook Tire Co. Ltd.	17,300	658	1.39
Hyosung Corp.	5,000	449	0.95
Hyundai Home Shopping Network Corp.	1,600	134	0.28
Hyundai Marine & Fire Insurance Co. Ltd.	17,400	401	0.85
JB Financial Group Co. Ltd.	59,000	237	0.50
Korea Electric Power Corp., ADR	27,000	526	1.11
Korea Zinc Co. Ltd.	600	196	0.41
KT Corp.	5,117	110	0.23
KT Corp., ADR	23,600	280	0.59
KT&G Corp.	6,100	485	1.02
POSCO	3,300	520	1.10
Samsung Electronics Co. Ltd.	1,718	1,900	4.01
Samsung Electronics Co. Ltd., GDR	1,000	554	1.17
Shinhan Financial Group Co. Ltd.	7,200	201	0.43
Soulbrain Co. Ltd.	15,500	651	1.37
Woori Bank	65,500	474	1.00
		<b>8,057</b>	<b>17.00</b>
<b>Taiwan 12.01% (13.34%)</b>			
Chin-Poon Industrial Co. Ltd.	230,000	416	0.88
Chroma ATE, Inc.	112,000	220	0.47
Chunghwa Telecom Co. Ltd.	109,200	299	0.63
First Financial Holding Co. Ltd.	1,154,725	450	0.95
Gourmet Master Co. Ltd.	52,500	380	0.80
Largan Precision Co. Ltd.	4,000	342	0.72
Lite-On Technology Corp.	517,570	595	1.26
Taiwan Semiconductor Manufacturing Co. Ltd.	392,000	1,656	3.49
Tong Yang Industry Co. Ltd.	200,000	304	0.64
Tripod Technology Corp.	375,000	608	1.28
Win Semiconductors Corp.	277,000	423	0.89
		<b>5,693</b>	<b>12.01</b>

Investment	Holding	Valuation £'000	% of net assets
Thailand 6.58% (5.08%)			
CP ALL PCL	240,000	328	0.69
KCE Electronics PCL	341,700	734	1.55
PTT PCL	70,500	539	1.14
Siam Cement PCL (The)	70,000	816	1.72
Thanachart Capital PCL	527,200	461	0.97
Tisco Financial Group PCL, NVDR	201,000	239	0.51
		<b>3,117</b>	<b>6.58</b>
Turkey 4.92% (7.32%)			
Akbank TAS	183,000	372	0.79
Aygaz A/S	142,900	409	0.86
Cimsa Cimento Sanayi ve Ticaret A/S	40,000	156	0.33
Emlak Konut Gayrimenkul Yatirim Ortakligi A/S, REIT	248,000	185	0.39
Ford Otomotiv Sanayi A/S	30,100	257	0.54
KOC Holding A/S	44,000	147	0.31
Soda Sanayii A/S	285,970	297	0.63
Tofas Turk Otomobil Fabrikasi A/S	88,500	509	1.07
		<b>2,332</b>	<b>4.92</b>
Vietnam 0.32% (0.00%)			
Hoa Phat Group JSC	103,500	151	0.32
		<b>151</b>	<b>0.32</b>
Equities total		47,213	99.60
Investment assets		47,213	99.60
Net other assets		191	0.40
Net assets		47,404	100.00

The comparative percentage figures in brackets are as at 29 February 2016.

## Artemis Global Emerging Markets Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		From 8 April to 31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		8,809		(3,123)
Revenue	1,118		292	
Expenses	(218)		(90)	
Interest payable and similar charges	(1)		-	
Net revenue before taxation	899		202	
Taxation	(106)		(25)	
Net revenue after taxation		793		177
<b>Total return before distributions</b>		<b>9,602</b>		<b>(2,946)</b>
Distributions		53		78
Change in shareholders' funds from investment activities		9,655		(2,868)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		From 8 April to 31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		25,587		-
Amounts receivable on issue of shares	12,563		21,155	
Amounts payable on cancellation of shares	(433)		(279)	
		12,130		20,876
Dilution adjustment		32		17
Change in shareholders' funds from investment activities		9,655		(2,868)
Closing net assets attributable to shareholders		47,404		18,025

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	47,213	25,750
<b>Current assets</b>		
Debtors	317	489
Cash and bank balances	48	375
<b>Total current assets</b>	<b>365</b>	<b>864</b>
<b>Total assets</b>	<b>47,578</b>	<b>26,614</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	-	281
Other creditors	174	746
<b>Total creditors</b>	<b>174</b>	<b>1,027</b>
<b>Total liabilities</b>	<b>174</b>	<b>1,027</b>
Net assets attributable to shareholders	47,404	25,587

## Artemis Global Emerging Markets Fund – 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation EUR	90.73c	89.25c	1.7%
I distribution GBP	19.43p	101.52p	7.8%
I accumulation GBP	112.32p	104.20p	7.8%
I accumulation USD	91.96c	91.48c	0.5%

## Artemis Global Emerging Markets Fund – Comparative tables

### Fund sizes & net asset values

Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>29 February 2016</b>	25,586,765		
I accumulation EUR		74.50c	10,000
I distribution GBP		78.40p	13,420,725
I accumulation GBP		80.49p	18,702,105
I accumulation USD		74.56c	10,000
<b>31 August 2016</b>	47,403,770		
I accumulation EUR		89.25c	10,000
I distribution GBP		101.52p	13,446,052
I accumulation GBP		104.20p	32,378,859
I accumulation USD		91.48c	10,000

### Fund performance

	Since launch*	1 year	6 months
Artemis Global Emerging Markets Fund	4.4	30.3	29.5
MSCI Emerging Markets Index (GBP)	3.6	31.3	30.6
Sector average	6.7	32.5	30.4
Position in sector	38/56	45/59	39/60
Quartile	3	3	3

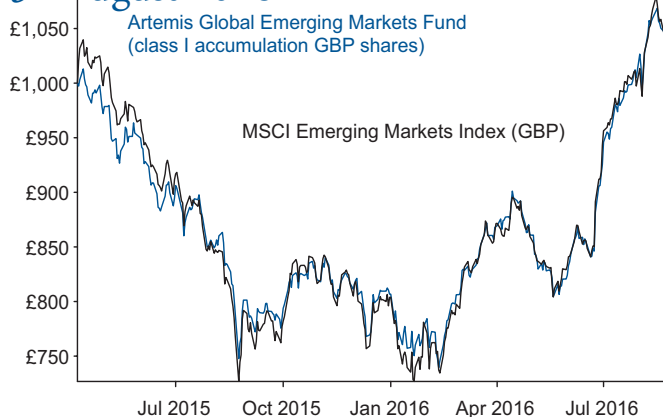
\* Data from 8 April 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Emerging Markets, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Ongoing charges

Class	31 August 2016
I accumulation EUR	1.00%
I distribution GBP	1.00%
I accumulation GBP	1.00%
I accumulation USD	1.00%

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

### Value of £1,000 invested at launch to 31 August 2016



# Artemis Global Equity Income Fund

## Investment objective and policy

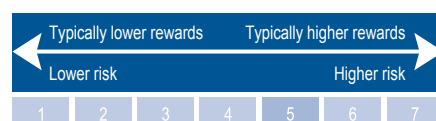
The Artemis Global Equity Income Fund (the 'sub-fund') aims to achieve income combined with long-term capital growth.

The sub-fund invests principally in a portfolio of equities selected on a global basis.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments either by company size, industry, or the geographical split of the portfolio.

The sub-fund may also invest in other transferable securities, fixed interest securities, derivative instruments, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets.
- 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 risks of investing in the sub-fund include:

- The price of shares, 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.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-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 sub-fund is valued and priced.

■ 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.

■ The sub-fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the sub-fund will lose money.

## Artemis Global Equity Income Fund – Investment review

- The fund returned 12.8%\* vs. a 20.8%\* gain from the MSCI All Country World Index.
- As 'growth' stocks and the US outperformed, our exposure to 'value' stocks and Europe was not rewarded.
- Highly valued defensive or 'quality growth' stocks popular with many income funds could prove vulnerable should bond yields rise.

### Performance – Our holdings in value stocks and Europe remain out of favour ...

The fund returned 12.8% over the period and continued to provide its shareholders with an attractive yield, significantly above the market. While that might seem a satisfactory absolute return, we are conscious that the fund lagged its benchmark and the majority of its peers. The investment strategy that this fund follows has produced strong relative – and absolute – returns since 2010. So what explains its underperformance over the review period? Below, we give a detailed answer to this question. But the short answer is: we like cheap stocks showing some growth in earnings (albeit those whose growth is slower than the wider market) and who give a lot of cash back to their shareholders. And, as a category, this type of stock has been firmly out of favour.

Although our stock selection wasn't as strong as in previous years, it was not the chief reason for our underperformance. We had a decent balance between stocks that made a significant positive contribution to performance and stocks that hurt. The biggest positive contributors included: DFDS, a Danish shipping company; Cia Energetica de Minas Gerais ('CEMIG'), a Brazilian utility that is partly state-owned; the London-listed but Tbilisi-based BGEO; Beijing Capital International Airport; Intersil, a US semiconductor stock; and casino operator Skycity Entertainment Group. The biggest negatives were: Bezeq,

an Israeli telecoms operator; Euskaltel, the largest Basque cable-operator; Rai Way, an Italian operator of broadcast towers; Cobham, a UK-based industrial company, Parques Reunidos, a Spanish amusement park operator; and Unipolsai, an Italian insurer.

Of greater importance, however, were the fund's regional and style biases. Among the six biggest negatives, four were from southern Europe, where many good stocks were caught in a severe sell-off as the (perceived) risk premium has increased. Regionally, favouring Europe over the US proved the wrong decision. Broadly speaking, US equities were up 21% in the reporting period (in sterling terms) while European equities rose by only 16%. Returns from southern Europe, to which the fund has a significant level of exposure, were even worse – the Italian market rose by just 9% over the period.

In terms of style, having more exposure to 'value' (stocks trading on a lower multiple of their earnings than the market average) than to 'growth' (those whose earnings are growing more quickly than average) was not the right call. Furthermore, our holdings in that area of the global market where these two themes intersect – value stocks in Europe – were particularly unhelpful.

Our bias to value stocks is nothing new. As income managers looking for yield, we are always likely to have higher exposure to value (which tends to offer a higher yield but lower growth) than the wider market. We have to buy cheap stocks because that's where we find the higher yields. Companies offering stable, predictable or fast-growing growth in earnings usually trade on higher multiples, thereby suppressing the dividend yield investors can squeeze from them. This value bias is not necessarily a bad thing: over a period of more than a century, value as an investment style has outperformed. Within that timeframe, however, there have been periods in which it has struggled. The years since the financial crisis have been one such period. As there is

no underlying growth in the global economy, asset prices are being pushed up not by better earnings but by lower yields on government bonds (due to quantitative easing ('QE') and low interest rates) which have made investors more willing to pay higher multiples for 'growth', which is scarce. Equally, they have shunned sectors where there is low (or negative) growth such as miners, financials and energy companies.

Since its launch, the fund has had a pronounced bias away from the expensive stocks held by many global income funds. In part, that was because we did not envisage then-negligible yields on bonds falling much further. Our belief was that maintaining a relatively high level of exposure to value stocks would help protect the fund from a change in monetary policy or a rise in bond yields. We appreciate that the earnings of these stocks tend to be more volatile than those of, say, consumer staples companies. Unlike companies with strong brands (like Unilever or Nestle) they are price takers rather than price makers (think of the undifferentiated products sold by miners, energy companies and industrial stocks). In other words, their fortunes depend on the wider economy. But we are attracted to these sectors by their more modest valuations, which offer the fund some protection – they won't have as far to fall should events not unfold in the way the market expects. As bond yields moved lower, our value stocks lagged growth and high-quality defensive stocks. There has not yet been a trigger to prompt investors to buy them: bond yields have not risen (quite the reverse); monetary policy has not tightened (it has grown looser) and we have not seen the establishment of a 'normal' business cycle in the global economy. So we must accept that we bought into value too soon, which is the same thing as being wrong. Timing is everything. We remain in wait-and-see mode, with a portfolio which is cheaper than the wider market, and whose dividend yield is higher and which we believe will offer a similar

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is MSCI All Country World Index (GBP).

rate of earnings growth to the global market.

One additional factor that didn't help our returns was that we have occasionally underestimated the willingness of politicians and central bankers to 'do whatever it takes' to prop up financial markets. At times, this has left us chasing our tail. For example, we reacted sharply to the outcome of the Brexit vote, selling some of the fund's more volatile financial holdings in Europe, such as Danske Bank and Intesa Sanpaolo. To our surprise, however, the market soon reconciled itself to the vote, helped again by dovish noises from central bankers. As markets snapped back, the more defensive positioning we had adopted weighed on returns.

## Review – Post-crisis trends persist, for now ...

The last six months brought an intensification of many of the trends that have dominated markets since the financial crisis. Monetary policy became even looser and QE in Japan, Europe and the UK expanded. Yields on government bonds, meanwhile, fell to even more remarkable levels, with the result that around a quarter of developed market government bonds now offer negative yields. As yields fell, the price of 'risk' assets shot higher even though the economy went nowhere and earnings growth was largely absent.

Because some of these post-crisis trends have been in place for so long, they seem to have assumed an air of inevitability or permanence. Price movements in some parts of the bond and equity markets imply that investors believe interest rates and bond yields will remain low forever. Markets have reconciled themselves to the once-unthinkable prospect of negative rates and are even using them to re-value and re-price certain types of equities. Our concern has been that this complacency is storing up a myriad of dangers for all assets. To date, those concerns have proven to be somewhat misplaced (but not completely: core inflation in the US

is running higher than last year even though nominal bond yields are lower and recently we have seen a strong rally in Japanese 'value' stocks in a response to a spike in bond yields).

In equity markets, the main beneficiaries of these continued post-crisis trends have been 'long duration' and 'secular growth' stocks. By 'long duration' we mean that the bulk of the current value of the company is based on the value of cash flows and profits generated far into the future. These are companies like Amazon, whose earnings grow almost irrespective of trends in the wider economy and whose profits are expected to grow massively in the future (which is why the company is trading on a price-to-earnings multiple of 195x). Because so much hope rests on earnings expected to be made in the far-off future, long-duration stocks are particularly sensitive to changes in the long-term discount rate applied to those cashflows. Put more simply, they are helped by the expectation that interest rates will remain low forever. If rates were to go higher rather than lower, the effect on these companies would be dramatic.

Some 'bond proxies' have also benefited from long-established trends. These are lower volatility stocks whose reliable, coupon-like dividends make them an alternative to bonds. These include US consumer staples companies and brands such as Procter & Gamble, Philip Morris or UPS. To us, one of the worrying consequences of the overwhelming consensus in favour of these stocks has been that their valuations (the multiples at which their share prices trade relative to their underlying earnings) have risen to extreme levels. For example, we thought that when tobacco stocks in the US began trading on price-to-earnings (p/e) multiples of around 18x, they had probably become too expensive against the wider market. Those multiples then increased to 20x – and then to 25x. There seems little indication that investors are worried by this. But there must be a possibility that a bubble is forming in some consumer staples stocks. (Although

we appreciate that the definition of a bubble is when 'stocks that I don't own keep going up...'). And while the fund no longer has much exposure to tobacco stocks, we can see their performance being okay until such time as the market starts worrying more about inflation than deflation, when risk-free rates move higher and when 'growth' gives way to 'value'.

History tells us that no trend lasts forever: every market cycle comes to an end. Yet as the last six months have shown, pointing out that valuations have become stretched is one thing but predicting precisely when that will change is another. We acknowledge that current trends may persist and that expensive assets could become even more expensive. But the threat of what could happen when those trends go into reverse means we are unwilling to risk our clients' capital on their continuation.

Clearly, the principal reason for the gains in defensive growth stocks and low volatility bond proxies has been that yields on government bonds have fallen. Because US Treasuries are the world's benchmark 'risk-free' asset, their mispricing causes other assets to be mispriced in turn. If that were to go into reverse, the price movements in the equity market could be severe. Might that happen? If we look at unemployment data and economic growth in the US, Treasury bonds do appear mispriced. Their yields are far lower than they ought to be. However, a long period of QE and zero or negative interest rates, both in the US as well as in Europe and Japan means the old rules no longer apply and, in relative terms, US Treasuries have been turned into high yielding assets. For Japanese investors, a return of 1.5% in nominal US dollar terms is still much better than what is on offer in the Japanese government bond market.

The growing popularity of 'smart beta' strategies is adding to the risks facing markets. These passive strategies are most often packaged as exchange-traded funds (ETFs). They focus on investing in stocks possessing either one or a narrow range of attributes (or 'factors' in industry jargon) such as

## Artemis Global Equity Income Fund – Investment review (continued)

'low beta' and 'low volatility'. Some of the most popular invest in low volatility equities offering yields. Their success in attracting assets has played an important role in driving up the price of high quality, defensive equities to their current exalted multiples. They may also have had the perverse effect of artificially creating one of the attributes that they invest in: the illusion of low volatility. The flows into these types of funds have been such that those equities that meet their criteria have a queue of investors willing to buy them almost irrespective of price. In the short term, that demand appears to have smoothed out volatility. Our worry is that this may be storing up trouble. Were low volatility ETFs to fall out of favour and start selling rather than buying the same narrow group of expensive, over-owned equities, the long-suppressed volatility could suddenly return. And if stocks that have been bought as a higher yielding alternative to a bond suddenly start behaving like stocks again, it could provoke a disorderly retreat. Our hunch is that low volatility stocks have been bought by yield-hungry investors since the financial crisis, which has made them into even lower volatility investments. This positive feedback may carry on for a while – but not in perpetuity.

So while the fund has some exposure to low volatility bond proxies, it has far less invested in some of the most fashionable areas of the market than its peers. That balanced approach has meant holding stocks in those areas that have been less sought-after. We have, for instance, bought some bond proxies that offer higher yields but whose shares are sufficiently volatile to disqualify them being owned by a low volatility ETF. These stocks have not been on investors' radar this year but they could begin to appear should conditions change.

### Outlook – Through the looking-glass ...

The next six months are unlikely to be dull. Equities are expensive in absolute and historic terms, but so is

everything: real estate, government and corporate bonds, art, classic cars... Markets have done what central bankers have encouraged them to do: borrow cheaply to acquire financial assets. US companies are borrowing to buy back their own shares in what resembles a de-facto leveraged buyout of the S&P 500. This cannot last forever. We are by no means forecasting an imminent sell-off and so are not running a particularly high cash balance. But we are avoiding companies that trade on historically high multiples of earnings. We do think market volatility is likely to increase over the next year, with the potential for violent rotations between different sectors irrespective of the market's overall direction. A market in which miners outperform tobacco and where the US underperforms Europe would leave many investors unhappy. We try to be prepared for such an outcome. At the most basic level, we think there is some protection to be had in buying value. Our strategy tends to perform well when yields rise, when value outperforms growth, when financials outperform consumer staples and when Europe outperforms the US. Those conditions have been largely absent since the fund's launch, but this could change.

What might prompt such a change? A lot depends on interest rates in the US. If the long-term cost of capital were to increase, it would have profound implications for equities. At the moment, there is no 'term structure': borrowing for a year costs about as much (or, rather, as little) as it does for 10 years. With long-term financing rates so low, investors are prepared to be patient and buy 'long duration' investments. They might not stay patient forever.

More broadly, we are in the final stages of the grand experiment in monetary policy that has unfolded since the financial crisis. Central bankers elsewhere are becoming more explicit in indicating that there is a limit to what loose monetary policy can do. QE and zero or negative interest rates made sense in the beginning, but they seem to

have trapped central bankers. The implication is that something else, possibly fiscal stimulus or 'helicopter money', may be needed. And if there were to be a co-ordinated global move towards fiscal stimulus, we think it better to own companies that would benefit from faster growth. Industrial stocks, for example, might be better placed to profit than utility companies, so we have been adding to General Motors, Intel and Corning, while selling down Ferrovial and Enagas as well as US bond proxies.

And what of emerging markets? While the kind of policy actions recently taken by the Chinese government have historically ended badly (a gain in the short-term leading to more pain in the longer term), we acknowledge that enough fuel may have been thrown onto the fire to keep it burning for a while, perhaps even until 2018. Despite this recovery, we are not convinced that this is the right time to take a large overweight stance in emerging markets. They will come under renewed pressure whenever bond yields in the US start to move higher. There is still too much dollar-denominated debt in emerging markets and we can't help but recall 2014, when a rally in the dollar sent emerging market equities sharply lower. So just as the fund has less invested in US consumer staples companies, nor does it hold the lowest quality, most volatile stocks in emerging markets. It doesn't, for example, have much in Brazilian mining companies, which rallied sharply in early 2016 following their near-death experience in late 2015. But it does have exposure to Brazilian toll-roads (through CCR) and utilities (CEMIG) along with the Hong Kong-based water utility Guangdong Investment and a slightly more controversial holding in Banco do Brasil.

With its Italian infrastructure companies and US industrial stocks, much of our portfolio may appear unfashionable and dull. If the global business cycle fails to reassert itself, if yields continue to fall and if consumer staples outperform the wider market,

it could again lag the market. Yet we continue to believe that our balanced approach is appropriate given valuations in some areas of the market and the growing uncertainties surrounding monetary policy. Furthermore, we like its financial characteristics. On a forward-looking basis, we expect the companies in our portfolio to generate a yield of more than 4% – and we anticipate the payments we receive from them to grow. It does not hold stocks that are expensive simply because they are deemed, correctly or not, to be 'safe'. As one asset manager in the US recently noted: "Investors are buying bonds for capital appreciation and stocks for income. The world has turned upside down." This 'through-the-looking-glass' world worries us – equities are not bonds and shouldn't be expected to behave as if they were.

**Jacob de Tusch-Lec**  
**Fund manager**

## Artemis Global Equity Income Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
BHP Billiton Plc	3,197	Franco-Nevada Corp.	4,033
Citigroup, Inc.	2,925	Altria Group, Inc.	3,792
Zions Bancorporation	2,709	Reynolds American, Inc.	3,417
Aberdeen Asset Management Plc	2,664	Imperial Brands Plc	3,162
Johnson & Johnson	2,556	Ryder System, Inc.	2,771

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 98.69% (98.11%)</b>			
<b>Australia 0.00% (1.43%)</b>			
Belgium 0.33% (0.00%)			
Melexis NV	8,364	419	0.33
		<b>419</b>	<b>0.33</b>
<b>Brazil 3.93% (0.00%)</b>			
AES Tiete Energia SA	216,000	834	0.65
AES Tiete Energia SA Rights 21/09/2016	6,925	6	–
Banco do Brasil SA	266,389	1,486	1.16
CCR SA	222,219	907	0.71
Cia Energetica de Minas Gerais Preference	857,985	1,799	1.41
		<b>5,032</b>	<b>3.93</b>
<b>Canada 0.19% (2.29%)</b>			
Franco-Nevada Corp.	4,634	245	0.19
		<b>245</b>	<b>0.19</b>
<b>China 2.41% (3.05%)</b>			
Beijing Capital International Airport Co. Ltd. H shares	1,800,000	1,546	1.21
China Cinda Asset Management Co. Ltd. H shares	974,000	250	0.20
Ping An Insurance Group Co. of China Ltd. H shares	160,000	630	0.49
Shenzhen Expressway Co. Ltd. H shares	824,000	659	0.51
		<b>3,085</b>	<b>2.41</b>
<b>Czech Republic 1.76% (0.00%)</b>			
Moneta Money Bank A/S	914,194	2,254	1.76
		<b>2,254</b>	<b>1.76</b>
<b>Denmark 4.35% (3.71%)</b>			
AP Moeller-Maersk A/S B shares	1,124	1,275	1.00
Danske Bank A/S	6,900	154	0.12
DFDS A/S	60,944	2,452	1.92
DONG Energy A/S	48,518	1,465	1.14
Sydbank A/S	8,932	216	0.17
		<b>5,562</b>	<b>4.35</b>
<b>Finland 0.77% (0.25%)</b>			
Metso OYJ	45,858	986	0.77
		<b>986</b>	<b>0.77</b>
<b>France 4.66% (4.09%)</b>			
Amundi SA	37,575	1,397	1.09

Investment	Holding	Valuation £'000	% of net assets
Axa SA	33,998	549	0.43
Fonciere Des Regions, REIT	7,048	499	0.39
Groupe Eurotunnel SE	187,690	1,582	1.24
Total SA	52,504	1,936	1.51
		<b>5,963</b>	<b>4.66</b>
<b>Germany 8.50% (5.40%)</b>			
Bayer AG	21,374	1,737	1.36
Deutsche Pfandbriefbank AG	166,709	1,226	0.96
Drillisch AG	54,743	1,928	1.51
ProSiebenSat.1 Media SE	27,608	908	0.71
Siemens AG	22,458	2,053	1.60
TLG Immobilien AG	177,178	3,024	2.36
		<b>10,876</b>	<b>8.50</b>
<b>Hong Kong 2.13% (1.83%)</b>			
CK Hutchison Holdings Ltd.	132,426	1,292	1.01
Guangdong Investment Ltd.	1,226,000	1,432	1.12
		<b>2,724</b>	<b>2.13</b>
<b>Ireland 1.59% (1.02%)</b>			
Eaton Corp. Plc	19,194	981	0.77
Green REIT Plc	410,905	511	0.40
Seagate Technology Plc	21,139	546	0.42
		<b>2,038</b>	<b>1.59</b>
<b>Isle of Man 0.00% (0.19%)</b>			
<b>Israel 3.65% (3.60%)</b>			
Bezeq The Israeli Telecommunication Corp. Ltd.	1,492,829	2,270	1.77
Israel Chemicals Ltd.	421,517	1,349	1.06
Shikun & Binui Ltd.	796,613	1,053	0.82
		<b>4,672</b>	<b>3.65</b>
<b>Italy 5.55% (7.90%)</b>			
Ei Towers SpA	45,643	1,808	1.41
Enav SpA	101,083	325	0.26
Infrastrutture Wireless Italiane SpA	430,741	1,590	1.24
Rai Way SpA	641,943	2,084	1.63
UnipolSai SpA	1,009,297	1,289	1.01
		<b>7,096</b>	<b>5.55</b>
<b>Japan 4.25% (2.66%)</b>			
ITOCHU Corp.	28,600	257	0.20
Mitsubishi UFJ Financial Group, Inc.	100,700	419	0.33
Mitsubishi UFJ Financial Group, Inc., ADR	25,762	104	0.08
Nippon Telegraph & Telephone Corp.	22,300	747	0.59
Nomura Real Estate Holdings, Inc.	45,500	565	0.44
NTT DOCOMO, Inc.	57,244	1,098	0.86
Sekisui House Ltd.	182,400	2,240	1.75
		<b>5,430</b>	<b>4.25</b>
<b>Luxembourg 0.30% (0.76%)</b>			
RTL Group SA	5,857	379	0.30
		<b>379</b>	<b>0.30</b>

Artemis Global Equity Income Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Macau 0.00% (0.50%)			
Netherlands 0.00% (0.71%)			
New Zealand 2.32% (1.36%)			
Air New Zealand Ltd.	334,168	416	0.32
SkyCity Entertainment Group Ltd.	923,749	2,553	2.00
		<b>2,969</b>	<b>2.32</b>
Norway 3.20% (4.23%)			
Borregaard ASA	134,807	831	0.65
BW LPG Ltd.	92,693	192	0.15
Ocean Yield ASA	120,163	730	0.57
Storebrand ASA	729,849	2,339	1.83
		<b>4,092</b>	<b>3.20</b>
Portugal 0.28% (1.30%)			
CTT-Correios de Portugal SA	64,214	356	0.28
		<b>356</b>	<b>0.28</b>
Singapore 1.08% (2.89%)			
Ascendas Real Estate Investment Trust	549,648	752	0.59
Mapletree Logistics Trust, REIT	1,051,000	628	0.49
		<b>1,380</b>	<b>1.08</b>
South Africa 0.19% (0.00%)			
Kumba Iron Ore Ltd.	36,000	247	0.19
		<b>247</b>	<b>0.19</b>
Spain 3.21% (4.62%)			
Enagas SA	33,106	740	0.58
Euskaltel SA	283,659	1,903	1.49
Parques Reunidos Servicios Centrales SAU	138,088	1,464	1.14
		<b>4,107</b>	<b>3.21</b>
Sweden 0.82% (0.00%)			
Nobina AB	48,847	230	0.18
Volvo AB B shares	99,086	814	0.64
		<b>1,044</b>	<b>0.82</b>
Switzerland 1.33% (2.62%)			
Cembra Money Bank AG	23,268	1,286	1.01
Oriflame Holding AG	17,355	409	0.32
		<b>1,695</b>	<b>1.33</b>
Taiwan 0.41% (0.00%)			
MediaTek, Inc.	87,392	522	0.41
		<b>522</b>	<b>0.41</b>
Turkey 0.20% (0.00%)			
Haci Omer Sabanci Holding AS	107,822	256	0.20
		<b>256</b>	<b>0.20</b>
United Kingdom 12.04% (8.32%)			
3i Group Plc	190,978	1,179	0.92
Aberdeen Asset Management Plc	891,054	2,878	2.25
Amec Foster Wheeler Plc	103,708	564	0.44
BAE Systems Plc	244,543	1,310	1.02
BGEO Group Plc	56,550	1,620	1.27
BHP Billiton Plc	315,980	3,195	2.50

Investment	Holding or nominal value	Valuation £'000	% of net assets
Cobham Plc	700,004	1,135	0.89
Phoenix Group Holdings	155,382	1,347	1.05
Prudential Plc	158,492	2,175	1.70
		<b>15,403</b>	<b>12.04</b>
<b>United States of America 29.24% (33.38%)</b>			
AbbVie, Inc.	43,693	2,134	1.67
American Capital Agency Corp., REIT	15,487	230	0.18
Apple, Inc.	31,269	2,522	1.97
Blackstone Group LP (The)	54,148	1,136	0.89
Booz Allen Hamilton Holding Corp.	49,267	1,146	0.90
Carlyle Group LP (The)	32,448	389	0.30
Chimera Investment Corp., REIT	39,940	499	0.39
Citigroup, Inc.	35,807	1,305	1.02
Corning, Inc.	52,531	910	0.71
General Motors Co.	113,338	2,731	2.14
Intel Corp.	66,951	1,819	1.42
Intersil Corp. A shares	44,073	615	0.48
Johnson & Johnson	9,621	875	0.68
Johnson Controls, Inc.	67,283	2,256	1.76
KKR & Co. LP	104,311	1,180	0.92
L Brands, Inc.	30,393	1,769	1.38
Las Vegas Sands Corp.	24,324	943	0.74
Lazard Ltd. A shares	74,752	2,115	1.65
Leidos Holdings, Inc.	5,223	159	0.12
Lockheed Martin Corp.	4,742	864	0.68
Macy's, Inc.	17,700	514	0.40
Maxim Integrated Products, Inc.	11,867	369	0.29
MetLife, Inc.	20,782	685	0.54
Molson Coors Brewing Co. B shares	11,869	932	0.73
Northrop Grumman Corp.	3,944	638	0.50
Occidental Petroleum Corp.	26,870	1,592	1.24
Outfront Media, Inc., REIT	22,389	387	0.30
Pfizer, Inc.	46,944	1,246	0.97
Synchrony Financial	58,987	1,225	0.96
Western Digital Corp.	55,657	1,995	1.56
Zions Bancorporation	96,706	2,232	1.75
		<b>37,412</b>	<b>29.24</b>
<b>Equities total</b>		<b>126,244</b>	<b>98.69</b>
<b>Corporate bonds 1.14% (0.90%)</b>			
<b>Denmark 0.00% (0.25%)</b>			
<b>Germany 1.14% (0.65%)</b>			
RWE AG, FRN 7.00% Perpetual	£1,400,000	1,463	1.14
		<b>1,463</b>	<b>1.14</b>
<b>Corporate bonds total</b>		<b>1,463</b>	<b>1.14</b>
<b>Forward currency contracts 0.09% (0.30%)</b>			
Buy Australian Dollar 2,200,000 dated 13/09/2016		1,258	0.98
Sell US Dollar 1,688,610 dated 13/09/2016		(1,285)	(1.00)

## Artemis Global Equity Income Fund – Investment information (continued)

Investment	Valuation £'000	% of net assets
Buy Euro 2,100,000 dated 13/09/2016	1,781	1.39
Sell Swiss Franc 2,281,713 dated 13/09/2016	(1,765)	(1.38)
Buy Euro 32,200,000 dated 13/09/2016	27,312	21.35
Sell US Dollar 36,286,990 dated 13/09/2016	(27,613)	(21.59)
Buy Japanese Yen 162,000,000 dated 13/09/2016	1,194	0.93
Sell US Dollar 1,527,466 dated 13/09/2016	(1,162)	(0.91)
Buy Sterling 14,376,000 dated 13/09/2016	14,376	11.24
Sell US Dollar 18,015,150 dated 13/09/2016	(14,546)	(11.37)
Buy Swiss Franc 2,263,380 dated 13/09/2016	1,751	1.37
Sell Euro 2,100,000 dated 13/09/2016	(1,781)	(1.39)
Buy US Dollar 1,663,420 dated 13/09/2016	1,266	0.99
Sell Australian Dollar 2,200,000 dated 13/09/2016	(1,258)	(0.98)
Buy US Dollar 71,764,856 dated 13/09/2016	54,610	42.69
Sell Euro 63,917,000 dated 13/09/2016	(54,215)	(42.38)
Buy US Dollar 23,098,261 dated 13/09/2016	17,577	13.74
Sell Sterling 17,360,000 dated 13/09/2016	(17,360)	(13.57)
Buy US Dollar 1,536,346 dated 13/09/2016	1,169	0.91
Sell Japanese Yen 162,000,000 dated 13/09/2016	(1,194)	(0.93)
Forward currency contracts total	115	0.09
Investment assets	127,822	99.92
Net other assets	103	0.08
Net assets	127,925	100.00

The comparative percentage figures in brackets are as at 29 February 2016.

## Artemis Global Equity Income Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		From 3 June 2015 to 31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		11,798		(5,319)
Revenue	2,841		368	
Expenses	(543)		(139)	
Interest payable and similar charges	(4)		-	
Net revenue before taxation	2,294		229	
Taxation	(210)		(37)	
Net revenue after taxation		2,084		192
<b>Total return before distributions</b>		<b>13,882</b>		<b>(5,127)</b>
Distributions		(2,123)		(196)
Change in shareholders' funds from investment activities		11,759		(5,323)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		From 3 June 2015 to 31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		97,821		-
Amounts receivable on issue of shares	25,714		75,680	
Amounts payable on cancellation of shares	(9,303)		(5,630)	
		16,411		70,050
Dilution adjustment		32		85
Change in shareholders' funds from investment activities		11,759		(5,323)
Retained distributions on accumulation shares		1,902		264
Closing net assets attributable to shareholders		127,925		65,076

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	128,375	97,209
<b>Current assets</b>		
Debtors	1,547	1,087
Cash and bank balances	-	233
<b>Total current assets</b>	<b>1,547</b>	<b>1,320</b>
<b>Total assets</b>	<b>129,922</b>	<b>98,529</b>
<b>Liabilities</b>		
Investment liabilities	553	62
<b>Creditors</b>		
Bank overdraft	288	-
Distribution payable	327	42
Other creditors	829	604
<b>Total creditors</b>	<b>1,444</b>	<b>646</b>
<b>Total liabilities</b>	<b>1,997</b>	<b>708</b>
Net assets attributable to shareholders	127,925	97,821

## Artemis Global Equity Income Fund – 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I distribution EUR	87.46c	86.27c	1.4%
I accumulation EUR	90.81c	89.56c	1.4%
I distribution GBP	108.02p	100.50p	7.5%
I accumulation GBP	112.20p	104.39p	7.5%
I distribution USD	86.63c	86.41c	0.3%
I accumulation USD	89.97c	89.74c	0.3%
R accumulation EUR	92.19c	91.00c	1.3%
R accumulation USD	92.69c	92.52c	0.2%

## Artemis Global Equity Income Fund – Distribution table

### Interim dividend distribution for the six months ended 31 August 2016 (payable on 31 October 2016) per share.

Group 1 - Shares purchased prior to 1 March 2016.

Group 2 - Shares purchased from 1 March 2016 to 31 August 2016.

	Net revenue	Equalisation	Distribution per share 31 October 2016	Distribution per share 31 October 2015
<b>I distribution EUR</b>				
Group 1	1.7475c	-	1.7475c	0.5364c
Group 2	0.3281c	1.4194c	1.7475c	0.5364c
<b>I accumulation EUR</b>				
Group 1	1.5320c	-	1.5320c	0.3757c
Group 2	0.2015c	1.3305c	1.5320c	0.3757c
<b>I distribution GBP</b>				
Group 1	2.0413p	-	2.0413p	0.5351p
Group 2	1.6013p	0.4400p	2.0413p	0.5351p
<b>I accumulation GBP</b>				
Group 1	1.7843p	-	1.7843p	0.3784p
Group 2	0.4484p	1.3359p	1.7843p	0.3784p
<b>I distribution USD</b>				
Group 1	1.7540c	-	1.7540c	0.5480c
Group 2	1.2026c	0.5514c	1.7540c	0.5480c
<b>I accumulation USD</b>				
Group 1	1.5341c	-	1.5341c	0.3826c
Group 2	0.9914c	0.5427c	1.5341c	0.3826c
<b>R accumulation EUR</b>				
Group 1	1.2469c	-	1.2469c	0.0584c
Group 2	0.5696c	0.6773c	1.2469c	0.0584c
<b>R accumulation USD</b>				
Group 1	1.2681c	-	1.2681c	0.0757c
Group 2	0.1564c	1.1117c	1.2681c	0.0757c

Corporate shareholders should note that:

1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

## Artemis Global Equity Income Fund – Comparative tables

### Fund sizes & net asset values

Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>29 February 2016</b>	97,820,722		
I distribution EUR		84.22c	3,268,945
I accumulation EUR		85.68c	63,290,299
I distribution GBP		90.90p	1,129,808
I accumulation GBP		92.52p	31,129,173
I distribution USD		82.41c	998,025
I accumulation USD		83.86c	36,790,612
R distribution EUR		87.38c	279,000
R accumulation USD		86.80c	262,438
<b>31 August 2016</b>	127,925,307		
I distribution EUR		86.27c	484,559
I accumulation EUR		89.56c	73,428,334
I distribution GBP		100.50p	15,036,658
I accumulation GBP		104.39p	28,585,799
I distribution USD		86.41c	972,427
I accumulation USD		89.74c	34,178,322
R accumulation EUR		91.00c	3,261,746
R accumulation USD		92.52c	492,522

### Ongoing charges

Class	31 August 2016
I distribution EUR	0.97%
I accumulation EUR	0.97%
I distribution GBP	0.97%
I accumulation GBP	0.97%
I distribution USD	0.97%
I accumulation USD	0.97%
R accumulation EUR	1.72%
R accumulation USD	1.72%

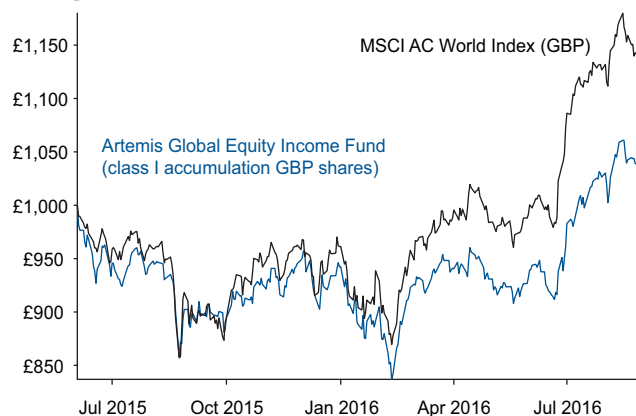
Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of the fund for the preceding 12 months.

### Fund performance

	Since launch*	1 year	6 months
Artemis Global Equity Income Fund	4.5	15.8	12.8
MSCI AC World Index (GBP)	14.6	25.9	20.8
Sector average	13.0	22.8	17.1
Position in sector	31/33	30/33	32/34
Quartile	4	4	4

\* Data from 3 June 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Equity Income, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



# Artemis Pan-European Absolute Return Fund

## Investment objective and policy

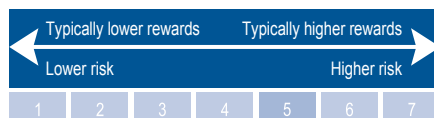
The objective of the Artemis Pan-European Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in Europe and in companies which are headquartered or have a significant part of their activities in Europe which are quoted on a regulated market outside Europe.

There is no guarantee that the sub-fund will achieve a positive return over the longer term or any other time period and your capital is at risk.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time. When market conditions are less favourable, a higher proportion of the sub-fund may be invested in cash and near cash.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risks of 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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

## Artemis Pan-European Absolute Return Fund – Investment review

- The fund returned 2.2%\* versus the benchmark's 0.2%\*.
- The majority of returns came from our long positions.
- Rotation is providing interesting opportunities.

### Performance - Winners on the long side ...

The past six months have been tricky for European stock markets, with plenty for investors to worry about. Nevertheless the net asset value of your fund rose by 2.2%, building on the strong performance of the preceding 12 months.

Despite the volatile markets, our long holdings made the biggest contribution. In fact only one of the top 20 contributors was a short. This is unusual: of late, both long and short books have made good contributions. That is not to say shorts are getting harder to find. Indeed, we have had a number of successes in different sectors of the market. However, the return on a successful short has been smaller in the last six months. Falls in share prices have been muted by an underlying optimism that things might get better for struggling companies. We don't think they will, but it is certainly true that poor companies can survive in a low interest rate environment for longer than they otherwise might.

### Review - Commodity prices continue to pick up ...

The market is still dominated by the actions of central banks. Despite beginning the period at very low levels, government bond yields generally fell still further. In Germany, investors must now pay the government for the privilege of holding their bonds. Yields are negative on every maturity up to 10 years - although yields have been creeping back up since the end of the reporting

period. In this, Germany is beginning to resemble Switzerland, where yields are negative out to 30 years. As an equity investor it seems odd to enter into a transaction when you know you will get less back than you put in. We think the situation is becoming increasingly bizarre. Still, it is an established fact and we must bear it in mind when deciding how to structure our equity portfolio.

European politics continue to be a concern. When we wrote our annual report in February, Spain was yet to form a government despite having had elections in December. This has still not been resolved. Ireland has now joined the group of nations where an election has proved inconclusive. In the short term this need not matter. In fact caretaker governments have some merit, not least their inability to enact new and unfriendly policy measures. However, it cannot last: longer term planning is needed to ensure Ireland sticks to its reforms as it continues to recover from the financial crisis of 2008/9.

Elsewhere, the UK electorate rather surprisingly voted to leave the EU. Much has been written on this topic and we would merely add that it is too soon to say what the ramifications are. In the short term it has given us some excellent entry prices on a number of investments, on which more below.

Commodity prices recovered further in the period. Chinese economic growth has not collapsed and this boosted the price of copper and iron ore as well as the share prices of companies that supply them. Our holding in Rio Tinto benefited from this and we think may recover further. It has been one of the biggest contributors to recent returns, along with LafargeHolcim and CRH. The latter two are more to do with construction activity. For LafargeHolcim the common feature with Rio Tinto is a return of demand and some pricing power in emerging markets. It also has plenty of cost synergies to capture from the recent merger of the two holding companies. CRH was an indirect beneficiary of

this merger as it was able to pick up some assets that LafargeHolcim sold for anti-trust reasons. CRH's share price responded well, helped by a robust US construction market.

Having spent most of 2015 trying to find new lows, the price of Brent crude has recovered strongly, reaching \$47/barrel at the end of August - a far cry from its highs of over \$100/barrel but still progress. This rally has occurred despite record production by Saudi Arabia, the return of Iran to the international energy markets and a complete absence of agreement by OPEC to cap production. It can only mean one thing: the laws of supply and demand are at work to balance the oil market just as they have been in previous cycles.

The energy sector was the largest positive contributor to performance over the six months. All of this was from long positions - we had no short positions and have no immediate plans to change this. At the large-cap end we hold Royal Dutch Shell and Statoil. Both have made good progress in adjusting their level of capital expenditure for lower oil prices. They now offer an attractive mix of stability, dividend yield and potential growth. However, the real operating leverage will come from our holdings in oil services. We hold Saipem, Subsea 7, Vallourec and Amec Foster Wheeler, making up around half of our energy exposure. Our strategy here has been to buy stocks once their balance sheets have stabilised. In a down cycle the companies in this sector have a tendency to use up cash very quickly and then have rights issues as a result. Saipem and Vallourec did this and we bought them afterwards. Since then both stocks have performed considerably better. Subsea 7, by contrast, has plenty of surplus cash but is surprising investors with exemplary project execution, taking advantage of lower input costs in the downturn. The share price has risen almost 50% since we bought it and we think there is more to come. Finally, under its new

\* Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is LIBOR GBP 3 months.

management, Amec Foster Wheeler is embarking on a wide-ranging efficiency plan which we feel is worth backing for the operational leverage it will offer as demand recovers.

The banking sector has struggled since the global financial crisis and we have done well from short positions in the sector. But there are always exceptions. We think Cembra Money Bank, a Swiss consumer lender, may well be the strongest bank in Europe. The rates on its loans are well above its historically low funding costs. It is also well-capitalised, allowing share buybacks. If you take into account its dividend yield of almost 5%, it isn't hard to see why we have owned this stock since flotation. Elsewhere in financials, we favour real estate via a position in Merlin Properties. We also hold asset managers Henderson Group and Amundi. All of these positions gained in the period.

Our holdings in the industrials sector were also positive. The sector is very disparate and so there was no unifying theme to performance. It was more a question of individual companies doing well in their own business cycles. Vinci combined strong results from its concessions operation with signs of recovery in contracting. DCC continues to build on past acquisitions as a platform for growth. Kingspan Group is going from strength to strength, providing the rare combination of above-average growth and margin expansion in a tepid European construction market. This is thanks to their superior products, hard-earned from years of dedicated investment in research and development. We expect to be writing about this stock again and again in future years if this trend persists.

Our biggest losers came from holdings in the consumer staples, healthcare and IT sectors. These were almost exclusively short positions, many of which we have closed or reduced in size. Despite reporting mediocre or even poor results in a number of cases, their status as 'bond proxies' encouraged other investors to pay ever-higher valuations. We do not agree with this approach but

need to be pragmatic and protect fund returns, so we reduced exposure. Elsewhere, we sold our holding in PaddyPower Betfair following the surprise announcement of online taxation in one Australian state. We are concerned this will catch on in other states: governments love new sources of revenue.

Card Factory also performed poorly as like-for-like sales growth slowed. In this case we are retaining the position as the cashflow in the business is being reinvested in new outlets, creating an alternative source of growth. Finally our Spanish theme park operator Parques Reunidos seems to have bored shareholders into selling out. It is a very seasonal business, with all the earnings coming in summer. Rather oddly investors in the IPO back in April seem unable to wait for this. We disagree and instead expect strong results as holidaymakers flock to Spain instead of to areas affected by security concerns such as Turkey and North Africa.

As ever, some of our transactions over the period were to address mistakes. We like to identify them as soon as we can and take action. Short positions in luxury goods and technology have been the main culprits recently. On the positive side, the market reaction to the vote for Brexit allowed us to book profits on housing sector and travel shorts. The same phenomenon also allowed us to add to holdings in ITV, Howdens Joinery Group, Next and Greggs at attractive prices. These bargains didn't last long and looking at the share prices today it is as if the vote never happened. Still we are mindful that the shock may be yet to come and are not increasing UK domestic exposure too much from here.

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## Outlook - Oversold cyclical stocks looking attractive...

We are not thematic investors but we have noticed some recent trends. One is that the gap between defensive growth stocks and cyclical stocks is as

large as it has been since 1999, either on performance, valuation or fund flows. To be clear - the cyclical stocks are the ones that look cheap. The past eight years have been characterised by the persistent outperformance of any stock with stable cashflows or a dividend, coupled with an almost allergic reaction to anything more economically sensitive. There is no knowing when this will change but we do not adhere to the 'greater fool' theory - buying something in the expectation that another investor will pay a higher multiple later. We are much more interested in stocks with the potential to improve their earnings and expand their multiples, giving us two ways to win. It doesn't hurt either that in many cases an income-hungry investor can get as good a dividend yield from cyclical stocks as from defensives. This opens up an entire section of the market to prospective buyers who would previously (and quite logically) have shown little interest. More and more of our holdings display these characteristics, whether they are long positions in energy, materials, industrials or consumer discretionary. We have limited exposure to healthcare and staples and are net short in telecoms and utilities. We are wary of calling a turn in market behaviour, but the sector rotation witnessed so far in 2016 gives us some comfort we may be positioned correctly.

**Paul Casson**  
Fund manager

## Artemis Pan-European Absolute Return Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Next Plc	1,430	SuperGroup Plc	1,566
Bayerische Motoren Werke AG	1,346	International Consolidated Airlines Group SA	834
Continental AG	1,334	BAE Systems Plc	744
Royal Dutch Shell Plc B shares	1,310	Ashtead Group Plc	708
Henderson Group Plc	1,295	Henderson Group Plc	705

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 63.83% (64.35%)</b>			
<b>Denmark 2.63% (0.00%)</b>			
AP Moeller-Maersk A/S B shares	1,332	1,511	2.63
OW Bunker A/S +	29,538	–	–
		<b>1,511</b>	<b>2.63</b>
<b>France 10.87% (10.18%)</b>			
Amundi SA	46,503	1,729	3.01
Sodexo SA	18,942	1,686	2.94
Vallourec SA	310,997	1,076	1.88
Vinci SA	29,883	1,743	3.04
		<b>6,234</b>	<b>10.87</b>
<b>Germany 4.89% (0.00%)</b>			
Bayerische Motoren Werke AG	21,366	1,432	2.50
Continental AG	8,531	1,372	2.39
		<b>2,804</b>	<b>4.89</b>
<b>Greece 0.48% (0.81%)</b>			
Eurobank Ergasias SA	626,791	277	0.48
		<b>277</b>	<b>0.48</b>
<b>Ireland 3.16% (4.39%)</b>			
Cairn Homes Plc	668,042	599	1.05
DCC Plc	17,516	1,213	2.11
		<b>1,812</b>	<b>3.16</b>
<b>Italy 1.71% (0.00%)</b>			
Saipem SpA	2,798,089	979	1.71
		<b>979</b>	<b>1.71</b>
<b>Jersey 2.36% (2.13%)</b>			
Henderson Group Plc	565,269	1,354	2.36
		<b>1,354</b>	<b>2.36</b>
<b>Luxembourg 1.69% (0.00%)</b>			
Subsea 7 SA	117,796	972	1.69
		<b>972</b>	<b>1.69</b>
<b>Spain 6.28% (7.23%)</b>			
Mediaset Espana Comunicacion SA	129,397	1,196	2.08
Merlin Properties Socimi SA, REIT	161,136	1,420	2.48
Parques Reunidos Servicios Centrales SAU	93,203	988	1.72
		<b>3,604</b>	<b>6.28</b>

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
<b>Sweden 1.90% (3.02%)</b>				
Assa Abloy AB B shares	70,442		1,091	1.90
			<b>1,091</b>	<b>1.90</b>
<b>Switzerland 6.81% (7.55%)</b>				
Cembra Money Bank AG	30,588		1,690	2.94
LafargeHolcim	35,324		1,433	2.50
Swatch Group AG (The)	4,001		785	1.37
			<b>3,908</b>	<b>6.81</b>
<b>United Kingdom 21.05% (29.04%)</b>				
Card Factory Plc	341,773		974	1.70
DS Smith Plc	148,214		610	1.07
Greggs Plc	114,322		1,190	2.08
Howden Joinery Group Plc	261,064		1,194	2.08
Imperial Brands Plc	41,990		1,677	2.92
ITV Plc	774,359		1,568	2.73
Next Plc	26,887		1,487	2.59
Rio Tinto Plc	57,822		1,321	2.30
Royal Dutch Shell Plc B shares	104,833		2,054	3.58
			<b>12,075</b>	<b>21.05</b>
<b>Equities total</b>			<b>36,621</b>	<b>63.83</b>
<b>Contracts for difference (0.26)% (0.37%)</b>				
<b>Denmark (0.01)% ((0.08)%)</b>				
GN Store Nord A/S	(44,076)	(717)	1	–
Vestas Wind Systems A/S	(10,600)	(672)	(7)	(0.01)
		<b>(1,389)</b>	<b>(6)</b>	<b>(0.01)</b>
<b>France (0.05)% (0.16%)</b>				
BNP Paribas SA	(14,705)	(579)	(24)	(0.04)
Legrand SA	(24,615)	(1,127)	(5)	(0.01)
		<b>(1,706)</b>	<b>(29)</b>	<b>(0.05)</b>
<b>Germany 0.02% (0.22%)</b>				
Adidas AG	(5,126)	(655)	9	0.02
Beiersdorf AG	(17,892)	(1,265)	6	0.01
Deutsche Telekom AG	(70,419)	(899)	–	–
Fresenius SE & Co KGaA	24,058	1,338	–	–
STADA Arzneimittel AG	(12,250)	(504)	(4)	(0.01)
		<b>(1,985)</b>	<b>11</b>	<b>0.02</b>
<b>Ireland (0.08)% (0.51%)</b>				
CRH Plc	49,941	1,282	(12)	(0.02)
Kingspan Group Plc	60,688	1,303	(10)	(0.02)
Ryanair Holdings Plc	164,068	1,663	(22)	(0.04)
		<b>4,248</b>	<b>(44)</b>	<b>(0.08)</b>
<b>Italy (0.05)% ((0.05)%)</b>				
Intesa Sanpaolo SpA	(326,330)	(580)	(28)	(0.05)
		<b>(580)</b>	<b>(28)</b>	<b>(0.05)</b>
<b>Luxembourg 0.01% ((0.01)%)</b>				
B&M European Value Retail SA	(316,702)	(876)	1	–
SES SA	55,748	976	7	0.01
		<b>100</b>	<b>8</b>	<b>0.01</b>

Artemis Pan-European Absolute Return Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Netherlands (0.09)% (0.08%)				
Airbus Group SE	(31,092)	(1,391)	(38)	(0.06)
Heineken NV	(17,647)	(1,206)	(16)	(0.03)
		<b>(2,597)</b>	<b>(54)</b>	<b>(0.09)</b>
Norway 0.02% ((0.10)%)				
Norwegian Air Shuttle ASA	(25,547)	(715)	13	0.02
Statoil ASA	109,653	1,329	–	–
		<b>614</b>	<b>13</b>	<b>0.02</b>
Portugal 0.00% (0.19%)				
EDP - Energias de Portugal SA	(376,577)	(960)	–	–
		<b>(960)</b>	<b>–</b>	<b>–</b>
Spain 0.00% (0.00%)				
Amadeus IT Group SA	(16,334)	(580)	–	–
		<b>(580)</b>	<b>–</b>	<b>–</b>
Switzerland (0.01)% ((0.12)%)				
Adecco Group AG	38,864	1,716	13	0.02
UBS Group AG	(52,228)	(576)	(20)	(0.03)
		<b>1,140</b>	<b>(7)</b>	<b>(0.01)</b>
United Kingdom (0.02)% ((0.43)%)				
Amec Foster Wheeler Plc	189,698	1,032	(25)	(0.04)
AO World Plc	(266,996)	(452)	15	0.03
GlaxoSmithKline Plc	(79,957)	(1,305)	11	0.02
Mitie Group Plc	(316,064)	(858)	(4)	(0.01)
Pearson Plc	(127,925)	(1,115)	(9)	(0.02)
SSE Plc	(67,684)	(1,017)	(1)	–
Vodafone Group Plc	709,600	1,637	1	–
		<b>(2,078)</b>	<b>(12)</b>	<b>(0.02)</b>
Contracts for difference total		<b>(5,773)</b>	<b>(148)</b>	<b>(0.26)</b>
Forward currency contracts 0.08% (0.12%)				
I accumulation EUR (Hedged) (0.10)% ((0.02)%)				
Buy Danish Krone 1,996 dated 30/09/2016			–	–
Sell Euro 268 dated 30/09/2016			–	–
Buy Euro 437,799 dated 30/09/2016			372	0.65
Sell Danish Krone 3,260,369 dated 30/09/2016			(372)	(0.65)
Buy Euro 11,867,132 dated 30/09/2016			10,069	17.55
Sell Sterling 10,136,168 dated 30/09/2016			(10,136)	(17.66)
Buy Euro 382,363 dated 30/09/2016			324	0.56
Sell Swedish Krona 3,628,406 dated 30/09/2016			(324)	(0.56)
Buy Euro 850,598 dated 30/09/2016			722	1.26
Sell Swiss Franc 928,873 dated 30/09/2016			(719)	(1.25)
Buy Swedish Krona 2,222 dated 30/09/2016			–	–
Sell Euro 234 dated 30/09/2016			–	–
Buy Swiss Franc 569 dated 30/09/2016			–	–
Sell Euro 521 dated 30/09/2016			–	–
			<b>(64)</b>	<b>(0.10)</b>
I accumulation GBP (Hedged) 0.18% (0.13%)				
Buy Sterling 933,460 dated 30/09/2016			934	1.63

Investment	Valuation £'000	% of net assets
Sell Danish Krone 8,138,711 dated 30/09/2016	(928)	(1.62)
Buy Sterling 11,269,614 dated 30/09/2016	11,268	19.64
Sell Euro 13,194,168 dated 30/09/2016	(11,194)	(19.51)
Buy Sterling 815,242 dated 30/09/2016	816	1.42
Sell Swedish Krona 9,057,682 dated 30/09/2016	(809)	(1.41)
Buy Sterling 1,813,699 dated 30/09/2016	1,814	3.16
Sell Swiss Franc 2,318,010 dated 30/09/2016	(1,794)	(3.13)
	<b>107</b>	<b>0.18</b>
I accumulation USD (Hedged) 0.00% (0.01%)		
Buy US Dollar 22,069 dated 30/09/2016	17	0.03
Sell Danish Krone 146,069 dated 30/09/2016	(17)	(0.03)
Buy US Dollar 266,295 dated 30/09/2016	202	0.35
Sell Euro 236,721 dated 30/09/2016	(201)	(0.35)
Buy US Dollar 598,220 dated 30/09/2016	455	0.79
Sell Sterling 454,117 dated 30/09/2016	(454)	(0.79)
Buy US Dollar 19,275 dated 30/09/2016	15	0.03
Sell Swedish Krona 162,565 dated 30/09/2016	(15)	(0.03)
Buy US Dollar 42,880 dated 30/09/2016	33	0.06
Sell Swiss Franc 41,603 dated 30/09/2016	(32)	(0.06)
	<b>3</b>	<b>-</b>
Forward currency contracts total	46	0.08
Investment assets (including investment liabilities)	36,519	63.65
Net other assets	20,856	36.35
<b>Net assets</b>	<b>57,375</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 29 February 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.

+ Unquoted investment.

## Fund exposure \*

31 August 2016	Long positions (% of net assets)	Short positions (% of net assets)	Gross exposure (% of net assets)	Net exposure (% of net assets)
Equities **	85.22	(31.44)	116.66	53.78
Forward currency contracts	47.13	(47.05)	94.18	0.08
Net other assets	36.35	-	36.35	36.35
29 February 2016	Long positions (% of net assets)	Short positions (% of net assets)	Gross exposure (% of net assets)	Net exposure (% of net assets)
Equities **	88.83	(34.97)	123.80	53.86
Forward currency contracts	62.57	(62.45)	125.02	0.12
Net other assets	35.16	-	35.16	35.16

\* For derivatives the percentage of net assets has been calculated based on the global exposure of each contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding. The gross exposure is the long positions plus the absolute value of the short positions. The net exposure is the long positions less the short positions.

\*\* Includes equities and contracts for difference.

## Artemis Pan-European Absolute Return Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		2,184		3,485
Revenue	794		473	
Expenses	(422)		(890)	
Interest payable and similar charges	(554)		(259)	
Net expense before taxation	(182)		(676)	
Taxation	(7)		(1)	
Net expense after taxation		(189)		(677)
<b>Total return before distributions</b>		<b>1,995</b>		<b>2,808</b>
Distributions		90		(7)
<b>Change in shareholders' funds from investment activities</b>		<b>2,085</b>		<b>2,801</b>

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		34,592		32,002
Amounts receivable on issue of shares	40,018		3,345	
Amounts payable on cancellation of shares	(19,430)		(4,669)	
		20,588		(1,324)
Dilution adjustment		110		10
Change in shareholders' funds from investment activities		2,085		2,801
<b>Closing net assets attributable to shareholders</b>		<b>57,375</b>		<b>33,489</b>

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	36,811	22,917
<b>Current assets</b>		
Debtors	746	2,407
Cash and bank balances	20,813	24,427
<b>Total current assets</b>	<b>21,559</b>	<b>26,834</b>
<b>Total assets</b>	<b>58,370</b>	<b>49,751</b>
<b>Liabilities</b>		
Investment liabilities	292	489
<b>Creditors</b>		
Other creditors	703	14,670
<b>Total creditors</b>	<b>703</b>	<b>14,670</b>
<b>Total liabilities</b>	<b>995</b>	<b>15,159</b>
<b>Net assets attributable to shareholders</b>	<b>57,375</b>	<b>34,592</b>

## 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK 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 29 February 2016 as set out therein.

## 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		% Movement
	12 October 2016	31 August 2016	
I accumulation EUR (Hedged)	113.51c	112.33c	1.1%
I accumulation GBP (Hedged)	114.25p	113.01p	1.1%
I accumulation USD (Hedged)	115.48c	114.08c	1.2%

## Artemis Pan-European Absolute Return Fund – Comparative tables

### Fund sizes & net asset values

Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	32,002,090		
I accumulation EUR (Hedged)		101.59c	10,000
I accumulation GBP (Hedged)		100.83p	31,726,229
I accumulation USD (Hedged)		101.59c	10,000
<b>29 February 2016</b>	34,592,349		
I accumulation EUR (Hedged)		109.95c	1,479,061
I accumulation GBP (Hedged)		110.52p	30,003,104
I accumulation USD (Hedged)		111.20c	194,912
<b>31 August 2016</b>	57,374,728		
I accumulation EUR (Hedged)		112.33c	16,905,998
I accumulation GBP (Hedged)		113.01p	35,874,716
I accumulation USD (Hedged)		114.08c	839,664

### Ongoing charges

Class	31 August 2016
I accumulation EUR (Hedged)	1.00%
I accumulation GBP (Hedged)	1.00%
I accumulation USD (Hedged)	1.00%

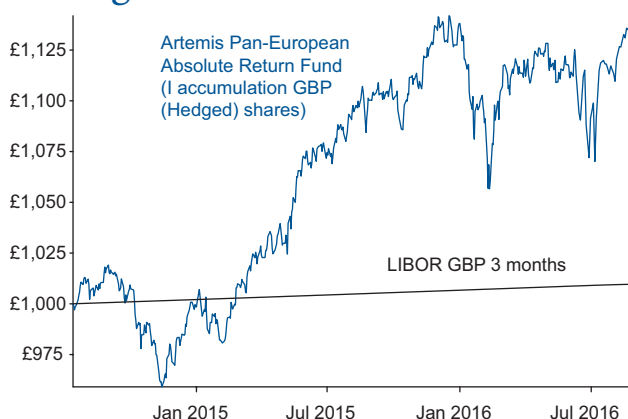
Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

### Fund performance

	Since launch*	1 year	6 months
Artemis Pan-European Absolute Return Fund	13.2	2.9	2.2
LIBOR GBP 3 months	1.0	0.5	0.2
Sector average	5.3	0.9	1.4
Position in sector	10/50	25/62	26/63
Quartile	1	2	2

\* Data from 14 July 2014. Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



## Artemis US Absolute Return Fund

### Investment objective and policy

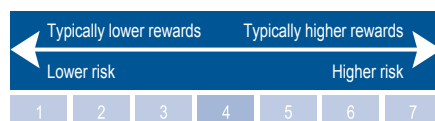
The objective of the Artemis US Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

There is no guarantee that the sub-fund will achieve a positive return over the longer term or any other time period and your capital is at risk.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company or by industry. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time. When market conditions are less favourable, a higher proportion of the sub-fund may be invested in cash and near cash.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

## Artemis US Absolute Return Fund – Investment review

- The fund fell by 0.4%\* vs. a return of 0.2%\* from the cash benchmark.
- Our positioning in the retail sector continues to work.
- Current environment is favourable for short selling.

### Performance - A more difficult period ...

After a strong performance over the preceding year, the fund fell by 0.4% over the six-month review period while its cash benchmark delivered a marginally positive return.

The Federal Reserve began the period intent on tightening monetary policy, but a deterioration in the global economy and adverse geopolitical events prompted a renewed commitment to 'accommodative' policy. This shift dramatically boosted liquidity in emerging markets and helped commodity prices (and the shares of the companies that produce them) to rebound.

At the sector level, our lack of exposure to banks proved detrimental, particularly towards the end of the period, when anticipation of an increase in rates saw them performing relatively strongly. While it is true that the banks' net interest margins would be boosted by higher rates, one must also consider the impact of a rate rise on bad debts. As the servicing of debt becomes increasingly burdensome, we will see defaults increase from what are, for now, very low levels.

We therefore keep our negative stance on the sector, preferring insurance companies to banks.

Within technology, long positions in two manufacturers of hard disk drives - Seagate Technology and Western Digital - proved unrewarding as sales lagged due to disappointing sales of PCs. Pricing, however, remained strong and we consolidated both positions into a holding in Western Digital. We expect fundamentals in the hard disk drive industry to improve due to its oligopolistic structure.

Our positioning in airline stocks also detracted. Our holdings in low-cost carriers Spirit Airlines and JetBlue Airways suffered as traditional airlines pushed prices down over the period. We sold out of JetBlue Airways. Nevertheless we expect rational competition to return to the industry so remain positive on the lower-cost carriers, where profits are higher.

Our negative positioning in the retail sector is continuing to work well, with strong positive contributions from stock selection and sector allocation over the last six months. We see creative destruction here: online retailers are clear winners in a low growth industry. We are pessimistic on the outlook for traditional retailers where we have some short positions. Positive contributors were to be found both on the long and the short side.

We remain positive on the fundamentals for videogame producers, whose growth is likely to far outstrip the rest of the media industry. They also benefit from margin improvement due to the move to digital distribution and their ability to increase revenue through online sales. Over the period, Activision Blizzard was a key positive contributor to performance.

Zoetis, the animal health company, remains a key holding. It contributed positively over the period despite at times being impacted by concerns affecting the wider healthcare sector. We share those concerns, as price inflation in healthcare has far outstripped the wider economy and is likely to be a key issue for the next administration. Nevertheless, these should not impact animal health companies where spending is on the increase. We like Zoetis' fundamentals so took the opportunity to add to our position when its stock price suffered amid indiscriminate selling of the wider healthcare sector by passive, exchange-traded funds.

### Review - Fundamentals are not improving ...

The US market rebounded over the six-month period. While the Brexit vote created some volatility in June, the market benefited from the central banks' response to it, which policymakers intended to restore calm. The injection of liquidity by central banks benefited asset prices rather than fundamentals; corporate profit margins and sales growth remained under pressure and analysts tended to lower their earnings forecasts for most of the period.

Bonds and bond proxies (equities whose dividends make them a substitute for bonds) performed well even as more economically sensitive sectors of the equity market outperformed. That unusual combination was described by some traders as an 'everything rally'. As it continued, our scepticism towards bond proxies only grew. We are particularly wary of food and food packaging companies which are being awarded very high valuations despite very poor fundamentals: we have several short positions in this part of the market. We think the bubble in low-growth, bond-like equities has largely run its course.

On the long side, we have increased our exposure to defence companies. Defence budgets are increasing and the nature of the spending is skewing more towards hardware and away from simply putting more boots on the ground. This should benefit Lockheed Martin and Raytheon, both of which we own.

We bought Apple in the spring thinking that, we think we have entered into a different phase of the smartphone market. Essentially, we expect handset sales to grow by 5% or so per annum. We added Cirrus Logic, a supplier of audio chips to smartphone makers. Speakers and headsets in smartphones (currently analogue) are about to go digital, with the change

\* Source: Lipper Limited, class I accumulation (GBP Hedged) shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is LIBOR GBP 3 months.

being led by Apple. As a consequence of this shift, the presence of Cirrus Logics' technology inside each Apple handset will grow. As the competition follows Apple's lead, that process will be repeated across the smartphone market.

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## Outlook - Tougher times ahead ...

Although we saw a brief improvement in economic data in conjunction with better liquidity, data weakened again during the summer. With full employment approaching, wage inflation is starting to build up. Things are still positive in the housing market. On the other hand, purchasing managers' indices - a forward looking indicator of sentiment - have started to weaken, pointing towards slower growth.

Liquidity injections from central banks will continue for what remains of 2016 and into 2017. We have, however, likely reached peak liquidity for now. In addition, repression of long-term borrowing costs as the mainstay of central bank easing is unlikely to continue. That could put equity returns under pressure. We have also reached the bottom of the inflation cycle. China, which was once the source of disinflation and deflation in the global economy, recently recorded much higher producer price inflation and global food prices have rebounded after a long period of decline. The Federal Reserve therefore seems likely to resume its drive for higher interest rates. We might also witness an increase in volatility brought up by the uncertainty surrounding the outcome of the upcoming presidential election.

**Stephen Moore**  
Fund manager

## Artemis US Absolute Return Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury Bill 0.00% 17/11/2016	60,695	US Treasury Bill 0.00% 18/08/2016	58,740
US Treasury Bill 0.00% 18/08/2016	53,567	US Treasury Bill 0.00% 19/05/2016	33,493
US Treasury Bill 0.00% 19/05/2016	14,497	Qorvo, Inc.	1,726
Liberty Ventures	8,197	Crown Holdings, Inc.	1,516
Activision Blizzard, Inc.	3,542	SPDR Gold Shares Fund	1,308

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
Collective Investment Scheme 0.00% (0.50%)			
Investment Funds 0.00% (0.50%)			
Equities 29.16% (23.80%)			
Consumer Discretionary 8.19% (3.41%)			
Amazon.com, Inc.	3,136	1,832	0.95
Aramark	34,350	991	0.51
Dish Network Corp. A shares	6,390	242	0.13
L Brands, Inc.	23,590	1,373	0.71
Liberty Global Plc	34,809	802	0.42
Liberty Ventures	287,470	8,424	4.38
Michael Kors Holdings Ltd.	13,472	505	0.26
Newell Brands, Inc.	20,203	823	0.43
Nike, Inc. B shares	17,243	761	0.40
		<b>15,753</b>	<b>8.19</b>
Consumer Staples 0.00% (0.90%)			
Energy 0.32% (0.40%)			
EQT Corp.	8,449	465	0.24
Rowan Cos. Plc A shares	16,461	159	0.08
		<b>624</b>	<b>0.32</b>
Financials 3.06% (3.53%)			
Berkshire Hathaway B shares	31,112	3,557	1.85
Chubb Ltd.	5,071	491	0.25
Goldman Sachs Group, Inc. (The)	2,355	304	0.16
S&P Global, Inc.	10,233	957	0.50
Synchrony Financial	27,561	572	0.30
		<b>5,881</b>	<b>3.06</b>
Health Care 2.15% (2.86%)			
Cardinal Health, Inc.	13,330	809	0.42
Centene Corp.	10,790	565	0.30
Universal Health Services, Inc. B shares	10,018	923	0.48
Zoetis, Inc.	47,513	1,835	0.95
		<b>4,132</b>	<b>2.15</b>
Industrials 3.11% (3.93%)			
Air Lease Corp.	36,446	806	0.42
Knight Transportation, Inc.	15,017	326	0.17
Moog, Inc. A shares	11,285	515	0.27
Spirit Airlines, Inc.	43,808	1,332	0.69
Swift Transportation Co.	65,600	945	0.49
Terex Corp.	89,688	1,664	0.86
Verisk Analytics, Inc.	6,393	404	0.21
		<b>5,992</b>	<b>3.11</b>

Investment	Holding or nominal value	Global exposure ^ £'000	Valuation £'000	% of net assets
<b>Information Technology 10.09% (7.26%)</b>				
Activision Blizzard, Inc.	138,132		4,371	2.27
Alphabet, Inc. C shares	1,747		1,023	0.53
Cirrus Logic, Inc.	24,964		967	0.50
CoreLogic, Inc.	21,675		676	0.35
Electronic Arts, Inc.	38,057		2,367	1.23
F5 Networks, Inc.	14,797		1,400	0.73
Facebook, Inc. A shares	13,913		1,333	0.69
Imperva, Inc.	22,121		768	0.40
MasterCard, Inc. A shares	38,650		2,856	1.48
Skyworks Solutions, Inc.	18,970		1,071	0.56
Synaptics, Inc.	16,536		757	0.39
Take-Two Interactive Software, Inc.	55,157		1,839	0.96
			<b>19,428</b>	<b>10.09</b>
<b>Materials 1.33% (0.85%)</b>				
Franco-Nevada Corp.	10,764		569	0.29
Owens-Illinois, Inc.	15,335		213	0.11
Sealed Air Corp.	23,040		826	0.43
Summit Materials, Inc. A shares	61,887		954	0.50
			<b>2,562</b>	<b>1.33</b>
<b>Real Estate 0.91% (0.66%)</b>				
AvalonBay Communities, Inc., REIT	7,377		979	0.51
SL Green Realty Corp., REIT	8,776		770	0.40
			<b>1,749</b>	<b>0.91</b>
<b>Equities total</b>			<b>56,121</b>	<b>29.16</b>
<b>Government Bonds 31.70% (31.16%)</b>				
<b>United States of America 31.70% (31.16%)</b>				
US Treasury Bill 3.00% 15/11/2045	\$1,039,000		920	0.48
US Treasury Bill 0.00% 17/11/2016	\$79,000,000		60,092	31.22
			<b>61,012</b>	<b>31.70</b>
<b>Government Bonds total</b>			<b>61,012</b>	<b>31.70</b>
<b>Contracts for Difference (0.07)% ((0.46)%)</b>				
<b>Consumer Discretionary 0.02% ((0.09)%)</b>				
Advance Auto Parts, Inc.	(5,187)	(619)	4	—
Carnival Corp.	(14,291)	(516)	(5)	—
CBS Corp., (Non-Voting) B shares	(19,716)	(769)	3	—
Charter Communications, Inc. A shares	(7,313)	(1,425)	(21)	(0.01)
Comcast Corp. A shares	84,840	4,232	(8)	—
Darden Restaurants, Inc.	(22,431)	(1,040)	6	—
Discovery Communications, Inc. A shares	(24,782)	(483)	1	—
Expedia, Inc.	(35,163)	(2,920)	19	0.01
GameStop Corp. A shares	(8,978)	(195)	3	—
Hanesbrands, Inc.	(17,429)	(355)	6	—
Harvey Norman Holdings Ltd.	(135,381)	(417)	(5)	—
Home Depot, Inc. (The)	22,069	2,252	(20)	(0.01)
Hyatt Hotels Corp. A shares	(17,201)	(709)	(1)	—
LG Electronics, Inc.	(13,721)	(485)	(7)	—
LKQ Corp.	(18,306)	(505)	(4)	—
Lululemon athletica, Inc.	(9,850)	(576)	11	0.01
Mattel, Inc.	(24,091)	(616)	2	—
News Corp. A shares	(78,145)	(833)	2	—
Priceline Group, Inc. (The)	(367)	(396)	2	—
Red Rock Resorts, Inc. A shares	55,120	936	6	—
Sears Holdings Corp.	(31,114)	(335)	5	—

## Artemis US Absolute Return Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Signet Jewelers Ltd.	(5,763)	(351)	1	–
Six Flags Entertainment Corp.	20,842	787	(10)	(0.01)
Starbucks Corp.	52,606	2,258	(16)	(0.01)
Target Corp.	(43,080)	(2,308)	21	0.01
Tesla Motors, Inc.	(5,936)	(955)	17	0.01
Texas Roadhouse, Inc.	(12,651)	(427)	3	–
Tiffany & Co.	(9,089)	(498)	7	–
Tractor Supply Co.	(18,213)	(1,168)	14	0.01
Twenty-First Century Fox, Inc. A shares	(28,386)	(531)	4	–
Under Armour, Inc. C shares	(28,856)	(821)	11	0.01
Walt Disney Co. (The)	(6,501)	(469)	–	–
Williams-Sonoma, Inc.	(8,271)	(336)	–	–
Yum! Brands, Inc.	(8,328)	(575)	–	–
		<b>(11,168)</b>	<b>51</b>	<b>0.02</b>
<b>Consumer Staples 0.06% ((0.03)%)</b>				
Altria Group, Inc.	57,963	2,906	(10)	(0.01)
Campbell Soup Co.	(32,220)	(1,489)	10	0.01
Edgewell Personal Care Co.	7,393	447	(1)	–
Energizer Holdings, Inc.	43,348	1,632	(1)	–
Estee Lauder Cos, Inc. (The) A shares	17,956	1,228	(14)	(0.01)
General Mills, Inc.	(8,737)	(469)	–	–
Hain Celestial Group, Inc. (The)	(10,755)	(304)	1	–
Hershey Co. (The)	(9,180)	(696)	84	0.04
Hormel Foods Corp.	(41,191)	(1,188)	16	0.01
Kellogg Co.	(17,101)	(1,065)	17	0.01
Kraft Heinz Co. (The)	(7,317)	(490)	3	–
Kroger Co. (The)	(27,685)	(678)	(6)	–
Maple Leaf Foods, Inc.	213,448	3,540	(27)	(0.01)
Mead Johnson Nutrition Co.	(5,421)	(346)	–	–
Monster Beverage Corp.	(5,996)	(702)	10	0.01
Procter & Gamble Co. (The)	(34,044)	(2,269)	19	0.01
Wal-Mart Stores, Inc.	(30,692)	(1,666)	2	–
Wesfarmers Ltd.	(14,797)	(359)	3	–
Whole Foods Market, Inc.	(19,613)	(461)	(2)	–
		<b>(2,429)</b>	<b>104</b>	<b>0.06</b>
<b>Energy 0.00% (0.00%)</b>				
BP Plc ADR	38,134	990	(4)	–
Occidental Petroleum Corp.	23,003	1,363	(2)	–
Schlumberger Ltd.	15,709	964	(6)	–
		<b>3,317</b>	<b>(12)</b>	<b>–</b>
<b>Financials (0.04)% ((0.19)%)</b>				
Ameriprise Financial, Inc.	(15,762)	(1,208)	(20)	(0.01)
Banco Santander SA, ADR	(62,463)	(208)	(2)	–
Bank of America Corp.	(81,056)	(999)	(22)	(0.01)
Bank of the Ozarks, Inc.	(23,300)	(695)	(7)	–
BankUnited, Inc.	(48,204)	(1,181)	(18)	(0.01)
Capital One Financial Corp.	(18,318)	(981)	(10)	(0.01)
CBRE Group, Inc. A shares	(21,571)	(493)	(4)	–
Credit Agricole SA	(58,425)	(423)	(19)	(0.01)
Deutsche Bank AG	(34,634)	(379)	(12)	(0.01)
Eaton Vance Corp.	(22,720)	(693)	(8)	–
Fidelity & Guaranty Life	(32,085)	(578)	(4)	–
Intesa Sanpaolo SpA	(206,941)	(368)	(18)	(0.01)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
JPMorgan Chase & Co.	(50,915)	(2,617)	(22)	(0.01)
Lazard Ltd. A shares	31,882	902	12	0.01
Sberbank of Russia PJSC, ADR	(34,975)	(242)	1	—
Texas Capital Bancshares, Inc.	(17,491)	(705)	(6)	—
US Bancorp	26,480	888	5	—
Wells Fargo & Co.	61,521	2,371	50	0.02
Westpac Banking Corp., ADR	(66,267)	(1,128)	17	0.01
		<b>(8,737)</b>	<b>(87)</b>	<b>(0.04)</b>
<b>Health Care 0.00% (0.00%)</b>				
AMN Healthcare Services, Inc.	(11,266)	(314)	(6)	—
Anthem, Inc.	5,400	516	5	—
CR Bard, Inc.	3,212	540	2	—
Gilead Sciences, Inc.	7,726	458	(2)	—
Mednax, Inc.	(11,873)	(595)	(7)	—
Zimmer Biomet Holdings, Inc.	(6,014)	(595)	3	—
		<b>10</b>	<b>(5)</b>	<b>—</b>
<b>Industrials (0.00)% ((0.11)%)</b>				
3M Co.	(2,788)	(382)	1	—
Boeing Co. (The)	(5,594)	(557)	9	—
Caterpillar, Inc.	(12,244)	(769)	18	0.01
Deere & Co.	(17,918)	(1,169)	16	0.01
Donaldson Co, Inc.	(27,114)	(780)	—	—
Dover Corp.	(10,389)	(580)	4	—
GATX Corp.	(16,815)	(567)	(4)	—
General Dynamics Corp.	8,573	996	(2)	—
General Electric Co.	(136,578)	(3,260)	—	—
Lockheed Martin Corp.	3,438	627	(13)	(0.01)
MSC Industrial Direct Co., Inc. A shares	(2,993)	(169)	—	—
Norfolk Southern Corp.	20,031	1,439	5	—
Raytheon Co.	22,017	2,351	(18)	(0.01)
Rockwell Collins, Inc.	(11,404)	(731)	4	—
Siemens AG	(2,230)	(204)	—	—
SolarCity Corp.	(18,772)	(296)	10	0.01
Textron, Inc.	(18,920)	(594)	—	—
Triumph Group, Inc.	(10,841)	(266)	3	—
Wabtec Corp.	(19,130)	(1,125)	(18)	(0.01)
WW Grainger, Inc.	(6,847)	(1,222)	1	—
XPO Logistics, Inc.	(13,725)	(378)	(1)	—
		<b>(7,636)</b>	<b>15</b>	<b>—</b>
<b>Information Technology (0.10)% ((0.01)%)</b>				
Alliance Data Systems Corp.	1,604	245	2	—
Analog Devices, Inc.	(19,543)	(936)	—	—
Apple, Inc.	44,926	3,624	(28)	(0.01)
ASML Holding NV	(7,171)	(587)	(3)	—
Asustek Computer, Inc.	(119,000)	(770)	4	—
Baidu, Inc., ADR	(2,251)	(301)	(3)	—
Broadcom Ltd.	(4,597)	(619)	1	—
Catcher Technology Co. Ltd.	110,000	602	(1)	—
Corning, Inc.	62,748	1,087	3	—
Jack Henry & Associates, Inc.	(9,873)	(659)	(1)	—
KLA-Tencor Corp.	(29,591)	(1,539)	9	—
Lam Research Corp.	50,007	3,539	(52)	(0.03)
Leidos Holdings, Inc.	24,867	756	(1)	—

## Artemis US Absolute Return Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Maxim Integrated Products, Inc.	15,869	494	1	–
Microchip Technology, Inc.	(24,184)	(1,131)	3	–
Microsoft Corp.	42,693	1,881	(7)	–
Novatek Microelectronics Corp.	195,000	508	(6)	–
Nvidia Corp.	(4,355)	(204)	1	–
Red Hat, Inc.	(15,344)	(852)	9	–
salesforce.com, Inc.	(26,472)	(1,608)	(6)	–
Samsung Electronics Co. Ltd., GDR	(1,457)	(808)	(67)	(0.04)
SAP SE ADR	(15,483)	(1,046)	(18)	(0.01)
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	(28,421)	(619)	2	–
Texas Instruments, Inc.	(25,020)	(1,320)	13	0.01
Visa, Inc. A shares	31,219	1,929	7	–
Western Digital Corp.	54,527	1,955	1	–
Win Semiconductors Corp.	(306,000)	(468)	(14)	(0.01)
Workday, Inc. A shares	(18,254)	(1,181)	(23)	(0.01)
Xilinx, Inc.	32,130	1,325	1	–
Zendesk, Inc.	(6,357)	(149)	2	–
		<b>3,148</b>	<b>(171)</b>	<b>(0.10)</b>
Investment Companies 0.00% ((0.09)%)				
iShares JPMorgan USD Emerging Markets Bond ETF Fund	(5,680)	(509)	–	–
Scottish Mortgage Investment Trust Plc	(546,957)	(1,692)	(7)	–
		<b>(2,201)</b>	<b>(7)</b>	<b>–</b>
Materials (0.01)% ((0.03)%)				
Air Products & Chemicals, Inc.	(13,985)	(1,668)	(8)	–
Dow Chemical Co. (The)	(33,089)	(1,359)	4	–
Evonik Industries AG	28,983	752	3	–
LyondellBasell Industries NV - A shares	(25,474)	(1,550)	(5)	–
Monsanto Co.	16,437	1,345	–	–
Trinseo SA	13,415	592	(12)	(0.01)
		<b>(1,888)</b>	<b>(18)</b>	<b>(0.01)</b>
Real Estate 0.00% (0.07%)				
DiamondRock Hospitality Co.	121,293	980	(5)	–
Jones Lang LaSalle, Inc.	(5,736)	(515)	(7)	–
RLJ Lodging Trust	47,755	846	–	–
		<b>1,311</b>	<b>(12)</b>	<b>–</b>
Telecommunication Services 0.00% (0.00%)				
AT&T, Inc.	(28,568)	(889)	2	–
Verizon Communications, Inc.	(31,028)	(1,234)	5	–
		<b>(2,123)</b>	<b>7</b>	<b>–</b>
Utilities 0.00% (0.02%)				
WEC Energy Group, Inc.	13,253	601	(8)	–
		<b>601</b>	<b>(8)</b>	<b>–</b>
Contracts for Difference total		(27,795)	(143)	(0.07)
Options 0.05% (0.00%)				
S&P 500 Index Put 2185, 16/09/2016	14	23	23	0.01
S&P 500 Index Put 2140, 21/10/2016	35	57	70	0.04
Options total		80	93	0.05
Forward currency contracts (0.52)% ((0.83)%)				
I accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 10,273 dated 30/09/2016			8	–
Sell US Dollar 10,279 dated 30/09/2016			(8)	–
			<b>–</b>	<b>–</b>

Investment	Valuation £'000	% of net assets
<b>I accumulation EUR (NAV hedged) (0.42)% (0.43%)</b>		
Buy Euro 113,284,594 dated 30/09/2016	96,122	49.94
Sell US Dollar 127,436,866 dated 30/09/2016	(96,926)	(50.36)
Buy US Dollar 8,943 dated 30/09/2016	7	—
Sell Euro 7,914 dated 30/09/2016	(7)	—
	<b>(804)</b>	<b>(0.42)</b>
<b>I accumulation GBP (NAV hedged) (0.09)% (0.40%)</b>		
Buy Sterling 86,573,270 dated 30/09/2016	86,573	44.98
Sell US Dollar 114,044,301 dated 30/09/2016	(86,739)	(45.07)
	<b>(166)</b>	<b>(0.09)</b>
<b>R accumulation CHF (NAV hedged) 0.00% (0.00%)</b>		
Buy Swiss Franc 9,944 dated 30/09/2016	8	—
Sell US Dollar 10,250 dated 30/09/2016	(8)	—
	<b>—</b>	<b>—</b>
<b>R accumulation EUR (NAV hedged) (0.01)% (0.00%)</b>		
Buy Euro 2,770,928 dated 30/09/2016	2,351	1.22
Sell US Dollar 3,117,094 dated 30/09/2016	(2,371)	(1.23)
Buy US Dollar 4,073 dated 30/09/2016	3	—
Sell Euro 3,604 dated 30/09/2016	(3)	—
	<b>(20)</b>	<b>(0.01)</b>
Forward currency contracts total	(990)	(0.52)
Investment assets (including investment liabilities)	116,093	60.32
Net other assets	76,362	39.68
<b>Net assets</b>	<b>192,455</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 29 February 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.

## Fund exposure \*

	Long positions (% of net assets)	Short positions (% of net assets)	Gross exposure (% of net assets)	Net exposure (% of net assets)
<b>31 August 2016</b>				
Equities **	59.17	(44.41)	103.58	14.76
Government bonds	31.70	-	31.70	31.70
Forward currency contracts	96.14	(96.66)	192.80	(0.52)
Net other assets	39.68	-	39.68	39.68
<b>29 February 2016</b>				
Equities **	56.69	(52.54)	109.23	4.15
Government bonds	31.16	-	31.16	31.16
Forward currency contracts	93.72	(94.55)	188.27	(0.83)
Net other assets	45.83	-	45.83	45.83

\* For derivatives the percentage of net assets has been calculated based on the global exposure of each contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding. The gross exposure is the long position plus the absolute value of the short positions. The net exposure is the long positions less the short positions.

\*\*Includes equities, collective investment schemes, options and contracts for difference.

## Artemis US Absolute Return Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		7,712		519
Revenue	764		87	
Expenses	(568)		(211)	
Interest payable and similar charges	(1,012)		(22)	
Net expense before taxation	(816)		(146)	
Taxation	(22)		(1)	
Net expense after taxation		(838)		(147)
<b>Total return before distributions</b>		<b>6,874</b>		<b>372</b>
Distributions		9		-
Change in shareholders' funds from investment activities		6,883		372

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		65,018		8,682
Amounts receivable on issue of shares	140,401		2,278	
Amounts payable on cancellation of shares	(19,909)		(87)	
		120,492		2,191
Dilution adjustment		62		1
Change in shareholders' funds from investment activities		6,883		372
Closing net assets attributable to shareholders		192,455		11,246

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	117,778	36,760
<b>Current assets</b>		
Debtors	3,528	2,332
Cash and bank balances	76,709	27,959
<b>Total current assets</b>	<b>80,237</b>	<b>30,291</b>
<b>Total assets</b>	<b>198,015</b>	<b>67,051</b>
<b>Liabilities</b>		
Investment liabilities	1,685	1,537
<b>Creditors</b>		
Other creditors	3,875	496
<b>Total creditors</b>	<b>3,875</b>	<b>496</b>
<b>Total liabilities</b>	<b>5,560</b>	<b>2,033</b>
Net assets attributable to shareholders	192,455	65,018

## Artemis US Absolute Return Fund – 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 UK 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation CHF (NAV hedged)	100.87c	99.92c	1.0%
I accumulation EUR (NAV hedged)	107.34c	106.01c	1.3%
I accumulation GBP (NAV hedged)	108.59p	107.35p	1.2%
I accumulation USD	108.63p	107.17c	1.4%
R accumulation CHF (NAV hedged)	100.56c	99.61c	1.0%
R accumulation EUR (NAV hedged)	100.68c	99.67c	1.0%
R accumulation USD	101.21c	100.01c	1.2%

## Artemis US Absolute Return Fund – Comparative tables

### Fund sizes & net asset values

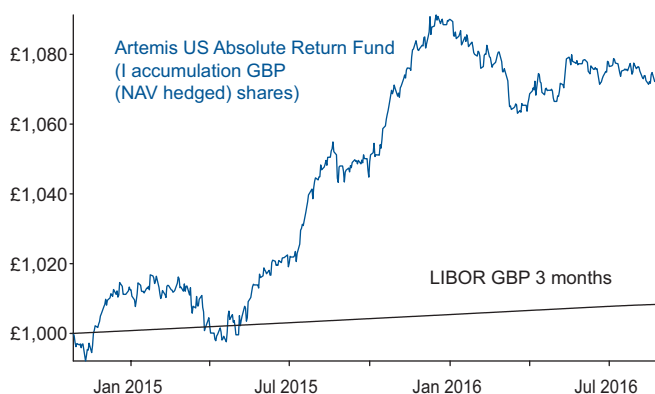
Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	8,681,998		
I accumulation EUR (NAV hedged)		101.16c	110,715
I accumulation GBP (NAV hedged)		101.33p	7,635,684
I accumulation USD		101.33c	1,315,445
<b>29 February 2016</b>	65,017,564		
I accumulation EUR (NAV hedged)		106.98c	24,692,097
I accumulation GBP (NAV hedged)		107.76p	37,354,892
I accumulation USD		107.69c	5,160,780
<b>31 August 2016</b>	192,455,126		
I accumulation CHF (NAV hedged)		99.92c	10,000
I accumulation EUR (NAV hedged)		106.01c	107,035,021
I accumulation GBP (NAV hedged)		107.35p	81,007,712
I accumulation USD		107.17c	8,359,431
R accumulation CHF (NAV hedged)		99.61c	10,000
R accumulation EUR (NAV hedged)		99.67c	2,780,872
R accumulation USD		100.01c	108,618

### Fund performance

	Since launch *	1 year	6 months
Artemis US Absolute Return Fund	7.4	2.5	(0.4)
LIBOR GBP 3 months	0.8	0.5	0.2
Sector average	4.8	0.9	1.4
Position in sector	22/53	27/62	45/63
Quartile	2	2	3

\* Data from 27 October 2014. Source: Lipper Limited, I accumulation GBP (NAV hedged) shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



### Ongoing charges

Class	31 August 2016
I accumulation CHF (NAV hedged)	0.90%
I accumulation EUR (NAV hedged)	0.90%
I accumulation GBP (NAV hedged)	0.90%
I accumulation USD	0.90%
R accumulation CHF (NAV hedged)	1.65%
R accumulation EUR (NAV hedged)	1.65%
R accumulation USD	1.65%

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

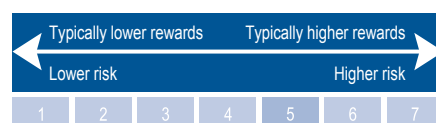
## Investment objective and policy

The objective of the Artemis US Equity Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. The sub-fund will primarily invest in medium and large companies. The ACD will not be restricted in respect of choice of investments either by company size or industry.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.

## Artemis US Equity Fund – Investment review

- The fund returns 16.0%\* versus the benchmark's 20.9%\*.
- Performance held back by technology and airline holdings.
- We continue to focus on US-centric companies.

### Performance – Trailing the market ...

The fund returned 16.0% in sterling terms versus a 20.9% gain in the S&P 500 Index. That underperformance stemmed from unhelpful sector allocation and, to a lesser extent, stock selection, particularly in technology. Elsewhere, the fund's holding in low-cost carrier Spirit Airlines made a negative contribution.

### Review – Apple and airlines ...

The portfolio has a bias towards stable companies with some combination of the following attractive financial characteristics: low levels of debt, high margins, some earnings growth and dividend yield. It is also exposed to 'growth' companies which either have a product cycle in their favour (videogame manufacturers, for example) or are 'disruptive' – gaining market share by overturning traditional business models (such as Facebook and Amazon.com). To the extent that the fund owns 'value' (companies whose shares are cheaper than the wider market) and 'cyclical' stocks (companies whose earnings are influenced by the economic cycle) it is within the technology and materials sectors. In technology, we tend to own companies that supply the components found in smartphones. In materials, the fund owns manufacturers and suppliers of concrete and aggregates, which we believe will benefit from increasing spending on infrastructure.

In the early part of the period we increased our holding in Apple in

anticipation of strong sales of the iPhone 7. Part of our optimism about the new phone was based on the fact that sales of the iPhone 6S had been particularly disappointing. In general, the iPhone is extremely successful. It continues to gain market share from competitors and existing iPhone users upgrade regularly. But those upgrades depend on the attractiveness of the latest model. It appears that many customers thought the iPhone 6S was not a sufficiently big upgrade from the previous model and so chose to wait for the iPhone 7.

When we increased our position in Apple, we assumed that the bad news about the poor sales for the iPhone 6S was already reflected in the price of the stock. We were proved wrong: the company lowered expectations again and the stock underperformed. That being said, we still think better-than-expected iPhone 7 sales are likely and we expect the fund to benefit from that view over the next six months.

The fund's holding in Spirit Airlines made a negative contribution to performance. Spirit is an ultra low-cost US carrier. The US airline industry is effectively controlled by four companies. Spirit's success depends on these companies exercising discipline in capacity and pricing. We believed that the industry had learned from its past mistakes, which resulted in bankruptcies, but recently there have been some signs of excess growth in capacity. This has impacted Spirit's profitability. We continue to monitor the airline industry closely as we believe there is a discrepancy between the valuations being applied to stocks and their underlying fundamentals.

### Outlook – Taking comfort in 'checks and balances' ...

Over the last six months, little has changed regarding the outlook for the US – or, indeed, global –

economy. We are still in a low-growth environment in which growth seems more likely to fall short of expectations than it does to exceed them. The biggest risk must be that debt levels worldwide have increased markedly since the end of the financial crisis.

At the moment, the US economy is growing, employment is increasing and wages are rising. While that is all positive news, the next six months will bring the US election, whose outcome remains highly uncertain. That said, the 'checks and balances' inherent in the US political system give us some comfort that the more extreme suggestions being bandied about (particularly by one of the candidates) will not come to pass.

**Cormac Weldon**  
Fund manager

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is the S&P 500 Index (GBP).

## Artemis US Equity Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Facebook, Inc. A shares	538	Occidental Petroleum Corp.	419
Chevron Corp.	408	Charter Communications, Inc	417
Apple, Inc.	402	Goldman Sachs Group, Inc. (The)	410
UnitedHealth Group, Inc.	396	Coca-Cola Co. (The)	396
Home Depot, Inc. (The)	394	General Dynamics Corp.	367

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 98.21% (95.71%)</b>			
<b>Consumer Discretionary 16.80% (11.76%)</b>			
Amazon.com, Inc.	930	543	2.61
Aramark	7,292	210	1.01
Comcast Corp. A shares	5,216	260	1.25
Dish Network Corp. A shares	2,824	107	0.52
Home Depot, Inc. (The)	5,914	604	2.91
L Brands, Inc.	3,790	221	1.06
Liberty Broadband Corp. C shares	6,541	340	1.64
McDonald's Corp.	2,372	208	1.00
Newell Brands, Inc.	3,600	147	0.71
Nike, Inc. B shares	5,181	229	1.10
Red Rock Resorts, Inc. A shares	7,435	126	0.61
Starbucks Corp.	6,782	291	1.40
Time Warner, Inc.	3,385	203	0.98
		<b>3,489</b>	<b>16.80</b>
<b>Consumer Staples 9.04% (17.23%)</b>			
Altria Group, Inc.	7,881	395	1.91
Colgate-Palmolive Co.	6,455	366	1.76
Edgewell Personal Care Co.	2,856	173	0.83
Energizer Holdings, Inc.	2,519	95	0.46
Estee Lauder Cos., Inc. (The) A shares	2,774	190	0.91
Maple Leaf Foods, Inc.	10,163	168	0.81
PepsiCo, Inc.	4,587	374	1.80
Reynolds American, Inc.	3,069	116	0.56
		<b>1,877</b>	<b>9.04</b>
<b>Energy 5.90% (4.26%)</b>			
Baker Hughes, Inc.	5,269	201	0.96
Chevron Corp.	5,070	392	1.89
EQT Corp.	1,695	93	0.45
Kinder Morgan, Inc.	12,652	211	1.02
Pioneer Natural Resources Co.	2,355	328	1.58
		<b>1,225</b>	<b>5.90</b>
<b>Financials 9.33% (8.46%)</b>			
Charles Schwab Corp. (The)	14,543	350	1.69
Chubb Ltd.	4,192	406	1.95

## Artemis US Equity Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
MetLife, Inc.	2,854	94	0.45
S&P Global, Inc.	2,493	233	1.12
US Bancorp	6,316	212	1.02
Wells Fargo & Co.	16,683	643	3.10
		<b>1,938</b>	<b>9.33</b>
<b>Health Care 13.03% (14.01%)</b>			
Amgen, Inc.	2,052	267	1.28
Anthem, Inc.	1,388	133	0.64
Becton Dickinson and Co.	2,195	297	1.43
Cardinal Health, Inc.	2,431	147	0.71
CR Bard, Inc.	897	151	0.73
Gilead Sciences, Inc.	5,204	309	1.49
Pfizer, Inc.	11,983	318	1.53
UnitedHealth Group, Inc.	3,782	394	1.90
Universal Health Services, Inc. B shares	1,860	171	0.82
Zoetis, Inc.	13,440	519	2.50
		<b>2,706</b>	<b>13.03</b>
<b>Industrials 9.46% (12.36%)</b>			
Dun & Bradstreet Corp. (The)	1,132	119	0.57
Equifax, Inc.	2,165	218	1.05
Lockheed Martin Corp.	1,932	352	1.70
Masco Corp.	6,032	163	0.78
Norfolk Southern Corp.	6,157	442	2.13
Raytheon Co.	2,709	289	1.39
Snap-on, Inc.	1,556	183	0.88
Spirit Airlines, Inc.	3,251	99	0.48
Swift Transportation Co.	6,962	100	0.48
		<b>1,965</b>	<b>9.46</b>
<b>Information Technology 23.90% (18.59%)</b>			
Activision Blizzard, Inc.	10,726	339	1.63
Alphabet, Inc. C shares	633	371	1.79
Apple, Inc.	8,169	659	3.17
Cisco Systems, Inc.	11,340	272	1.31
Corning, Inc.	11,967	207	1.00
Electronic Arts, Inc.	3,916	244	1.17
Facebook, Inc. A shares	4,495	430	2.08
Fidelity National Information Services, Inc.	3,469	210	1.01
Lam Research Corp.	3,133	222	1.07
Leidos Holdings, Inc.	6,847	208	1.00
MasterCard, Inc. A shares	3,385	250	1.20
Microsoft Corp.	16,385	722	3.48
Skyworks Solutions, Inc.	4,520	255	1.23
Take-Two Interactive Software, Inc.	7,071	236	1.14
Visa, Inc. A shares	3,368	208	1.00
Western Digital Corp.	3,571	128	0.62
		<b>4,961</b>	<b>23.90</b>

Investment	Holding	Valuation £'000	% of net assets
<b>Materials 3.60% (2.02%)</b>			
Franco-Nevada Corp.	3,609	191	0.92
Monsanto Co.	2,493	204	0.98
Summit Materials, Inc. A shares	12,291	189	0.91
Trinseo SA	1,515	67	0.32
Vulcan Materials Co.	1,088	96	0.47
		<b>747</b>	<b>3.60</b>
<b>Real Estate 4.36% (1.67%)</b>			
American Campus Communities, Inc., REIT	3,764	144	0.69
Host Hotels & Resorts, Inc., REIT	12,462	172	0.83
Prologis, Inc., REIT	7,923	320	1.54
SL Green Realty Corp., REIT	3,071	269	1.30
		<b>905</b>	<b>4.36</b>
<b>Utilities 2.79% (5.35%)</b>			
NextEra Energy, Inc.	4,282	395	1.90
WEC Energy Group, Inc.	4,072	185	0.89
		<b>580</b>	<b>2.79</b>
<b>Equities total</b>		<b>20,393</b>	<b>98.21</b>
Investment assets		20,393	98.21
Net other assets		372	1.79
<b>Net assets</b>		<b>20,765</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 29 February 2016.

## Artemis US Equity Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		2,770		(348)
Revenue	217		141	
Expenses	(129)		(176)	
Net revenue/(expense) before taxation	88		(35)	
Taxation	(24)		(13)	
Net revenue/(expense) after taxation		64		(48)
<b>Total return before distributions</b>		<b>2,834</b>		<b>(396)</b>
Distributions		2		4
Change in shareholders' funds from investment activities		2,836		(392)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		16,279		10,354
Amounts receivable on issue of shares	2,389		3,699	
Amounts payable on cancellation of shares	(739)		(954)	
		1,650		2,745
Dilution adjustment		-		1
Change in shareholders' funds from investment activities		2,836		(392)
Closing net assets attributable to shareholders		20,765		12,708

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	20,393	15,581
<b>Current assets</b>		
Debtors	106	112
Cash and bank balances	550	641
<b>Total current assets</b>	<b>656</b>	<b>753</b>
<b>Total assets</b>	<b>21,049</b>	<b>16,334</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Other creditors	284	55
<b>Total creditors</b>	<b>284</b>	<b>55</b>
<b>Total liabilities</b>	<b>284</b>	<b>55</b>
Net assets attributable to shareholders	20,765	16,279

## Artemis US Equity Fund – 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 UK 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation EUR	127.93c	127.57c	0.3%
I accumulation GBP	145.36p	136.72p	6.3%
I accumulation USD	111.20c	112.12c	(0.8)%

## Artemis US Equity Fund – Comparative tables

### Fund sizes & net asset values

Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	10,354,099		
I accumulation EUR		121.74c	10,000
I accumulation GBP		111.88p	9,240,420
I accumulation USD		107.79c	10,000
<b>29 February 2016</b>	16,279,306		
I accumulation EUR		118.74c	10,000
I accumulation GBP		117.89p	13,755,782
I accumulation USD		101.96c	71,510
<b>31 August 2016</b>	20,764,520		
I accumulation EUR		127.57c	10,000
I accumulation GBP		136.72p	15,135,304
I accumulation USD		112.12c	71,510

### Ongoing charges

Class	31 August 2016
I accumulation EUR	1.00%
I accumulation GBP	1.00%
I accumulation USD	1.00%

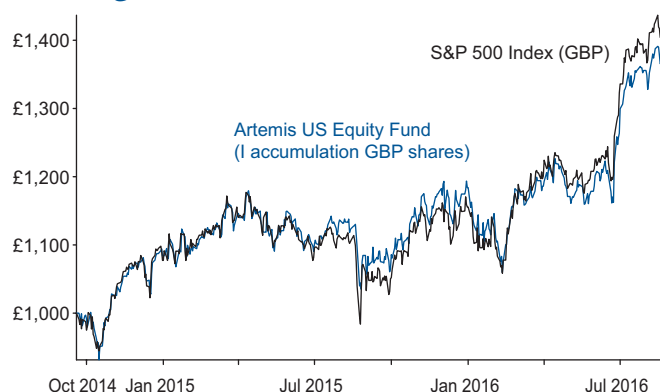
Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

### Fund performance

	Since launch*	1 year	6 months
Artemis US Equity Fund	36.7	26.1	16.0
S&P 500 Index (GBP)	40.2	32.2	20.9
Sector average	34.0	26.5	19.0
Position in sector	28/80	53/85	77/85
Quartile	2	3	4

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with net income reinvested, percentage growth. Sector is IA North America, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



# Artemis US Extended Alpha Fund

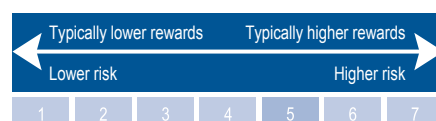
## Investment objective and policy

The objective of the Artemis US Extended Alpha Fund (the 'sub-fund') is to achieve long-term capital growth. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company size or by industry. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.

## Artemis US Extended Alpha Fund – Investment review

- The fund returned 17.0%\* vs. 20.9%\* from the benchmark.
- We continue to favour technology and remain cautious on telecoms.
- The 'everything rally' may not last.

### Performance – Strong positive returns but behind the index ...

Despite producing strong, positive returns, the fund lagged the index over the six month reporting period. Sector allocation was the biggest negative while stock selection was neutral. Over the longer term, however, the fund's performance – in both absolute and relative terms – remains excellent.

The Federal Reserve began the period intent on tightening monetary policy, but a deterioration in the global economy and adverse geopolitical events prompted a renewed commitment to 'accommodative' policy. This shift dramatically boosted liquidity in emerging markets and helped commodity prices (and the shares of the companies that produce them) to rebound.

The composition and size of the fund's holdings in the energy and materials sectors detracted from performance. After months of underperformance, the rebound in the oil price boosted the energy sector, to which the fund has less exposure than the benchmark. And although we had increased the fund's exposure to the energy sector by buying domestic exploration and production (E&P) stocks and offshore drillers, these stocks failed to keep pace with the bounce in the wider sector.

Within technology, long positions in two manufacturers of hard disk drives – Seagate Technology and Western Digital – proved unrewarding as sales lagged due to disappointing sales of PCs. Pricing, however, remained strong and we consolidated both positions into a holding in Western

Digital. We expect fundamentals in the hard disk drive industry to improve due to its oligopolistic structure.

Our positioning in airline stocks also detracted. Our holdings in low-cost carriers Spirit Airlines and JetBlue Airways suffered as traditional airlines pushed prices down over the period. Nevertheless we expect rational competition to return to the industry so remain positive on the lower-cost carriers, where profits are higher.

Our negative positioning in the retail sector is continuing to work well, with strong positive contribution from stock selection and sector allocation over the last six months. We see creative destruction here: online retailers are clear winners in a low growth industry. We are pessimistic on the outlook for traditional retailers where we have some short positions. Positive contributors were to be found both on the long and the short side.

We remain positive on the fundamentals for videogame producers, whose growth is likely to far outstrip the rest of the media industry. They also benefit from margin improvement due to the move to digital distribution and the ability to increase revenue through online sales. Over the period, Activision Blizzard was a key positive contributor to performance.

Zoetis, the animal health company, remains a key holding. It contributed positively over the period despite at times being impacted by concerns affecting the wider healthcare sector. We share those concerns, as price inflation in healthcare has far outstripped the wider economy and is likely to be a key issue for the next administration. Nevertheless, these should not impact animal health companies where spending is on the increase. We like Zoetis' fundamentals so took the opportunity to add to our position when its stock price suffered amid indiscriminate selling of the wider healthcare sector by passive, exchange-traded funds.

### Review – The 'everything rally' ...

The US market rebounded over the six-month period. While the Brexit vote created some volatility in June, the market benefited from the central bank response to it, which policymakers intended to restore calm. The injection of liquidity by central banks benefited asset prices rather than fundamentals; corporate profit margins and sales growth remained under pressure and analysts tended to lower their earnings forecasts for most of the period.

Bonds and bond proxies (equities whose dividends make them a substitute for bonds) performed well even as more economically sensitive sectors of the equity market outperformed. That unusual combination was described by some traders as an 'everything rally'. As it continued, our scepticism towards bond proxies only grew. We are particularly wary of food and food packaging companies which are being awarded very high valuations despite very poor fundamentals: we have several short positions in this part of the market. We think the bubble in low-growth, bond-like equities has largely run its course.

While it is true that the banks' net interest margins would be boosted by higher rates, one must also consider the impact of higher rates on bad debts. As the servicing of debt becomes increasingly burdensome, we will see defaults increase from what are, for now, very low levels. We therefore preserve our negative stance on the sector, preferring insurance companies to banks.

On the long side, we have increased our exposure to defence companies. Defence budgets are increasing and the nature of the spending is skewing more towards hardware and away from simply putting more boots on the ground. This should benefit Lockheed Martin and Raytheon, both of which we own.

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is the S&P 500 Index (GBP).

Having increased our position in Apple in the spring, we think we have entered a different phase of the smartphone market. Essentially, we expect handset sales to grow by 5% or so per annum. We added Cirrus Logic, a supplier of audio chips to smartphone makers. Speakers and headsets in smartphones (currently analogue) are now about to go digital, with the change being led by Apple. As a consequence of this shift, the presence of Cirrus' technology inside each Apple handset will grow. As the competition follows Apple's lead, that process will be repeated across the smartphone market.

surrounding the outcome of the upcoming presidential election.

**Stephen Moore**  
Fund manager

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## Outlook – Slower growth ahead ...

Although we saw a brief improvement in US economic data in conjunction with better liquidity, data weakened again during the summer. With full employment approaching, wage inflation is starting to build up. Things are still positive in the US housing market. On the other hand, purchasing managers' indices – a forward looking indicator of sentiment – have started to weaken, pointing towards slower growth.

Liquidity injections from central banks will continue for what remains of 2016 and into 2017. We have, however, likely reached peak liquidity for now. In addition, repression of long-term borrowing costs as the mainstay of central bank easing is unlikely to continue. That could put equity returns under pressure. We have also reached the bottom of the inflation cycle. China, which was once the source of disinflation and deflation in the global economy, recently recorded much higher producer price inflation and global food prices have rebounded after a long period of decline. The Federal Reserve therefore seems likely to resume its drive for higher interest rates. We might also witness an increase in volatility brought up by the uncertainty

## Artemis US Extended Alpha Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury Bill 0.00% 17/11/2016	134,451	US Treasury Bill 0.00% 18/08/2016	132,626
US Treasury Bill 0.00% 18/08/2016	119,341	US Treasury Bill 0.00% 19/05/2016	96,405
Liberty Ventures	27,995	Zoetis, Inc.	9,463
US Treasury Bill 0.00% 19/05/2016	18,068	Qorvo, Inc.	8,530
Activision Blizzard, Inc.	8,831	Crown Holdings, Inc.	7,657

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 58.37% (52.01%)</b>			
<b>Consumer Discretionary 14.36% (5.95%)</b>			
Amazon.com, Inc.	19,197	11,215	2.66
Aramark	118,955	3,431	0.81
Dish Network Corp. A shares	33,669	1,277	0.30
L Brands, Inc.	81,162	4,724	1.12
Liberty Global Plc	106,694	2,458	0.58
Liberty Ventures	1,018,061	29,832	7.08
Michael Kors Holdings Ltd.	46,871	1,757	0.42
Newell Brands, Inc.	68,068	2,774	0.66
Nike, Inc. B shares	69,136	3,052	0.73
		<b>60,520</b>	<b>14.36</b>
<b>Consumer Staples 0.00% (1.99%)</b>			
<b>Energy 0.75% (1.14%)</b>			
EQT Corp.	39,813	2,190	0.52
Rowan Cos. Plc A shares	100,060	968	0.23
		<b>3,158</b>	<b>0.75</b>
<b>Financials 8.10% (8.97%)</b>			
Berkshire Hathaway B shares	151,824	17,357	4.12
Chubb Ltd.	31,467	3,047	0.72
First Horizon National Corp.	217,608	2,541	0.60
Goldman Sachs Group, Inc. (The)	22,616	2,917	0.69
Reinsurance Group of America, Inc.	31,724	2,582	0.61
S&P Global, Inc.	34,716	3,248	0.77
Synchrony Financial	120,365	2,500	0.59
		<b>34,192</b>	<b>8.10</b>
<b>Health Care 5.93% (7.94%)</b>			
Amgen, Inc.	38,970	5,064	1.20
Biogen, Inc.	20,004	4,688	1.11
Cardinal Health, Inc.	55,911	3,392	0.81
Centene Corp.	36,319	1,903	0.45
Universal Health Services, Inc. B shares	34,650	3,192	0.76
Zoetis, Inc.	174,737	6,750	1.60
		<b>24,989</b>	<b>5.93</b>
<b>Industrials 6.31% (6.80%)</b>			
Air Lease Corp.	170,939	3,778	0.90

Investment	Holding or nominal value	Global exposure ^ £'000	Valuation £'000	% of net assets
Equifax, Inc.	16,858		1,695	0.40
Fortune Brands Home & Security, Inc.	47,646		2,308	0.55
Knight Transportation, Inc.	66,377		1,440	0.34
Moog, Inc. A shares	45,732		2,087	0.50
Spirit Airlines, Inc.	143,731		4,371	1.04
Swift Transportation Co.	238,001		3,429	0.81
Terex Corp.	295,025		5,475	1.30
Verisk Analytics, Inc.	31,396		1,983	0.47
			<b>26,566</b>	<b>6.31</b>
<b>Information Technology 18.34% (15.58%)</b>				
Activision Blizzard, Inc.	403,778		12,775	3.03
Alphabet, Inc. C shares	19,983		11,697	2.78
Cirrus Logic, Inc.	82,999		3,214	0.76
CoreLogic, Inc.	76,442		2,384	0.57
Electronic Arts, Inc.	117,345		7,297	1.73
F5 Networks, Inc.	52,061		4,927	1.17
Facebook, Inc. A shares	91,268		8,741	2.08
Imperva, Inc.	72,456		2,514	0.60
MasterCard, Inc. A shares	150,636		11,133	2.64
Skyworks Solutions, Inc.	58,869		3,325	0.79
Synaptics, Inc.	55,571		2,545	0.60
Take-Two Interactive Software, Inc.	201,479		6,718	1.59
			<b>77,270</b>	<b>18.34</b>
<b>Materials 3.02% (2.30%)</b>				
Axalta Coating Systems Ltd.	96,751		2,108	0.50
Franco-Nevada Corp.	43,612		2,307	0.55
Owens-Illinois, Inc.	153,295		2,125	0.51
Sealed Air Corp.	90,185		3,233	0.77
Summit Materials, Inc. A shares	189,273		2,917	0.69
			<b>12,690</b>	<b>3.02</b>
<b>Real Estate 1.56% (1.34%)</b>				
AvalonBay Communities, Inc., REIT	27,306		3,625	0.86
SL Green Realty Corp., REIT	33,663		2,952	0.70
			<b>6,577</b>	<b>1.56</b>
<b>Equities total</b>			<b>245,962</b>	<b>58.37</b>
<b>Government bonds 32.67% (31.38%)</b>				
<b>United States of America 32.67% (31.38%)</b>				
US Treasury Bill 3.00% 15/11/2045	\$5,163,000		4,571	1.08
US Treasury Bill 0.00% 17/11/2016	\$175,000,000		133,115	31.59
			<b>137,686</b>	<b>32.67</b>
<b>Government bonds total</b>			<b>137,686</b>	<b>32.67</b>
<b>Contracts for difference (0.20)% (0.45%)</b>				
<b>Consumer Discretionary (0.02)% (0.26%)</b>				
Advance Auto Parts, Inc.	(8,484)	(1,012)	6	—
Carnival Corp.	(23,831)	(860)	(8)	—
CBS Corp., (Non-Voting) B shares	(33,109)	(1,292)	5	—
Charter Communications, Inc. A shares	(26,873)	(5,237)	(76)	(0.02)
Comcast Corp. A shares	298,024	14,867	(27)	(0.01)
Darden Restaurants, Inc.	(32,032)	(1,484)	9	—

## Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Discovery Communications, Inc. A shares	(41,736)	(813)	2	–
Expedia, Inc.	(125,347)	(10,408)	68	0.02
GameStop Corp. A shares	(13,173)	(286)	5	–
Hanesbrands, Inc.	(28,158)	(574)	9	–
Harvey Norman Holdings Ltd.	(224,741)	(693)	(8)	–
Home Depot, Inc. (The)	90,082	9,193	(80)	(0.02)
Hyatt Hotels Corp. A shares	(22,129)	(912)	(2)	–
LG Electronics, Inc.	(28,491)	(1,007)	(14)	–
LKQ Corp.	(22,369)	(617)	(4)	–
lululemon athletica, Inc.	(16,424)	(961)	18	–
Mattel, Inc.	(38,946)	(995)	4	–
News Corp. A shares	(109,243)	(1,165)	2	–
Priceline Group, Inc. (The)	(594)	(640)	4	–
Red Rock Resorts, Inc. A shares	172,606	2,930	20	–
Sears Holdings Corp.	(52,842)	(569)	9	–
Service Corp. International	80,296	1,619	(8)	–
Signet Jewelers Ltd.	(9,203)	(560)	2	–
Six Flags Entertainment Corp.	70,163	2,648	(32)	(0.01)
Starbucks Corp.	165,221	7,091	(52)	(0.01)
Target Corp.	(48,534)	(2,601)	24	0.01
Tesla Motors, Inc.	(8,381)	(1,348)	25	0.01
Texas Roadhouse, Inc.	(19,338)	(652)	4	–
Tiffany & Co.	(13,322)	(730)	10	–
Tractor Supply Co.	(29,718)	(1,906)	22	0.01
Twenty-First Century Fox, Inc. A shares	(45,458)	(850)	6	–
Under Armour, Inc. C shares	(47,829)	(1,361)	19	–
Walt Disney Co. (The)	(5,838)	(422)	–	–
Williams-Sonoma, Inc.	(12,016)	(488)	–	–
Yum! Brands, Inc.	(12,459)	(861)	–	–
		<b>(2,956)</b>	<b>(38)</b>	<b>(0.02)</b>
Consumer Staples 0.00% (0.17%)				
Altria Group, Inc.	217,602	10,911	(36)	(0.01)
Campbell Soup Co.	(47,012)	(2,173)	14	–
Edgewell Personal Care Co.	29,959	1,812	(3)	–
Energizer Holdings, Inc.	123,828	4,661	(3)	–
Estee Lauder Cos, Inc. (The) A shares	65,257	4,464	(49)	(0.01)
General Mills, Inc.	(11,727)	(630)	–	–
Hain Celestial Group, Inc. (The)	(17,244)	(487)	1	–
Hershey Co. (The)	(9,279)	(704)	85	0.02
Hormel Foods Corp.	(62,165)	(1,793)	24	0.01
Kellogg Co.	(23,773)	(1,480)	24	0.01
Kraft Heinz Co. (The)	(13,113)	(878)	6	–
Kroger Co. (The)	(34,793)	(852)	(8)	–
Maple Leaf Foods, Inc.	640,658	10,625	(82)	(0.02)
Mead Johnson Nutrition Co.	(9,322)	(594)	–	–
Monster Beverage Corp.	(8,706)	(1,019)	14	–
PepsiCo, Inc.	25,249	2,061	(15)	–

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Procter & Gamble Co. (The)	(46,729)	(3,114)	26	0.01
Reynolds American, Inc.	111,955	4,219	(43)	(0.01)
Wal-Mart Stores, Inc.	(23,391)	(1,270)	1	–
Wesfarmers Ltd.	(25,957)	(630)	6	–
Whole Foods Market, Inc.	(33,402)	(784)	(4)	–
		<b>22,345</b>	<b>(42)</b>	<b>–</b>
<b>Energy (0.01)% (0.01%)</b>				
BP Plc ADR	172,531	4,478	(18)	–
Occidental Petroleum Corp.	100,235	5,939	(8)	–
Schlumberger Ltd.	56,173	3,446	(23)	(0.01)
		<b>13,863</b>	<b>(49)</b>	<b>(0.01)</b>
<b>Financials 0.03% ((0.14)%)</b>				
Ameriprise Financial, Inc.	(23,518)	(1,802)	(30)	(0.01)
Banco Santander SAADR	(69,943)	(233)	(3)	–
Bank of America Corp.	(59,023)	(727)	(16)	–
Bank of the Ozarks, Inc.	(37,107)	(1,107)	(11)	–
BankUnited, Inc.	(67,761)	(1,660)	(25)	(0.01)
Blackstone Group LP (The)	133,803	2,808	(3)	–
Capital One Financial Corp.	(24,572)	(1,316)	(13)	–
CBRE Group, Inc. A shares	(32,812)	(749)	(6)	–
Credit Agricole SA	(97,312)	(704)	(32)	(0.01)
Deutsche Bank AG	(58,073)	(636)	(21)	–
Eaton Vance Corp.	(36,182)	(1,104)	(13)	–
Fidelity & Guaranty Life	(61,078)	(1,099)	(7)	–
Intesa Sanpaolo SpA	(334,520)	(595)	(29)	(0.01)
JPMorgan Chase & Co.	(52,594)	(2,703)	(23)	(0.01)
Lazard Ltd. A shares	99,778	2,824	36	0.01
Sberbank of Russia PJSC ADR	(91,462)	(634)	3	–
Texas Capital Bancshares, Inc.	(28,035)	(1,130)	(10)	–
US Bancorp	159,387	5,347	29	0.01
Wells Fargo & Co.	270,299	10,416	220	0.05
Westpac Banking Corp. ADR	(112,203)	(1,910)	28	0.01
		<b>3,286</b>	<b>74</b>	<b>0.03</b>
<b>Health Care (0.01)% (0.01%)</b>				
AMN Healthcare Services, Inc.	(18,962)	(528)	(11)	–
Anthem, Inc.	22,215	2,121	21	–
Becton Dickinson and Co.	14,111	1,909	5	–
CR Bard, Inc.	14,415	2,425	7	–
Gilead Sciences, Inc.	51,876	3,076	(11)	–
Mednax, Inc.	(22,140)	(1,110)	(12)	–
Pfizer, Inc.	227,284	6,032	(42)	(0.01)
Zimmer Biomet Holdings, Inc.	(8,998)	(890)	5	–
		<b>13,035</b>	<b>(38)</b>	<b>(0.01)</b>
<b>Industrials (0.01)% ((0.01)%)</b>				
3M Co.	(3,146)	(431)	1	–
Boeing Co. (The)	(6,288)	(626)	10	–
Caterpillar, Inc.	(13,583)	(853)	20	–

Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Deere & Co.	(24,645)	(1,608)	23	0.01
Donaldson Co, Inc.	(41,169)	(1,184)	–	–
Dover Corp.	(17,541)	(980)	6	–
GATX Corp.	(25,155)	(849)	(6)	–
General Dynamics Corp.	33,746	3,919	(6)	–
General Electric Co.	(161,826)	(3,863)	–	–
Lockheed Martin Corp.	14,294	2,605	(53)	(0.01)
Masco Corp.	78,655	2,120	(3)	–
MSC Industrial Direct Co., Inc. A shares	(4,544)	(256)	–	–
Norfolk Southern Corp.	89,618	6,436	24	0.01
Northrop Grumman Corp.	10,168	1,645	(4)	–
Raytheon Co.	67,995	7,262	(56)	(0.01)
Rockwell Collins, Inc.	(22,308)	(1,429)	8	–
Siemens AG	(3,610)	(330)	(1)	–
Snap-on, Inc.	21,742	2,558	(9)	–
SolarCity Corp.	(25,355)	(400)	14	–
Textron, Inc.	(35,469)	(1,113)	(1)	–
Triumph Group, Inc.	(16,243)	(398)	5	–
Wabtec Corp.	(32,309)	(1,901)	(30)	(0.01)
WW Grainger, Inc.	(11,480)	(2,049)	2	–
XPO Logistics, Inc.	(15,866)	(437)	(1)	–
		<b>7,838</b>	<b>(57)</b>	<b>(0.01)</b>
<b>Information Technology (0.16)% (0.08%)</b>				
Alliance Data Systems Corp.	7,848	1,199	12	–
Analog Devices, Inc.	(30,618)	(1,466)	–	–
Apple, Inc.	302,070	24,368	(191)	(0.05)
ASML Holding NV	(10,795)	(884)	(4)	–
Asustek Computer, Inc.	(200,000)	(1,294)	7	–
Baidu, Inc. ADR	(2,718)	(363)	(4)	–
Broadcom Ltd.	(6,865)	(925)	2	–
Catcher Technology Co. Ltd.	363,000	1,986	(4)	–
Corning, Inc.	214,030	3,708	11	–
Jack Henry & Associates, Inc.	(12,789)	(853)	(1)	–
KLA-Tencor Corp.	(62,252)	(3,238)	18	–
Lam Research Corp.	165,542	11,715	(171)	(0.04)
Leidos Holdings, Inc.	86,043	2,616	(4)	–
Maxim Integrated Products, Inc.	55,666	1,732	3	–
Microchip Technology, Inc.	(34,292)	(1,604)	4	–
Microsoft Corp.	401,924	17,706	(67)	(0.02)
Novatek Microelectronics Corp.	675,500	1,759	(20)	–
Nvidia Corp.	(4,820)	(226)	1	–
Red Hat, Inc.	(18,746)	(1,041)	10	–
Salesforce.com, Inc.	(31,171)	(1,894)	2	–
Salesforce.com, Inc.	(6,820)	(414)	(18)	–
Samsung Electronics Co. Ltd., GDR	(2,436)	(1,352)	(109)	(0.03)
SAP SE ADR	(24,475)	(1,653)	(29)	(0.01)
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	(41,895)	(913)	3	–

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
Texas Instruments, Inc.	(39,996)	(2,110)	20	–
Visa, Inc. A shares	106,577	6,584	24	0.01
Western Digital Corp.	173,506	6,220	12	–
Win Semiconductors Corp.	(547,000)	(836)	(25)	(0.01)
Workday, Inc. A shares	(30,005)	(1,941)	(37)	(0.01)
Xilinx, Inc.	115,025	4,744	3	–
Zendesk, Inc.	(9,487)	(223)	3	–
		<b>61,107</b>	<b>(549)</b>	<b>(0.16)</b>
Investment Companies 0.00% ((0.04)%)				
iShares JP Morgan USD Emerging Markets Bond ETF Fund	(9,584)	(858)	–	–
Scottish Mortgage Investment Trust Plc	(1,003,483)	(3,105)	(13)	–
		<b>(3,963)</b>	<b>(13)</b>	<b>–</b>
Materials (0.01)% (0.02%)				
Air Products & Chemicals, Inc.	(17,264)	(2,058)	(10)	–
Dow Chemical Co. (The)	(39,735)	(1,633)	5	–
Evonik Industries AG	118,084	3,062	12	–
LyondellBasell Industries NV A shares	(36,359)	(2,212)	(8)	–
Monsanto Co.	60,698	4,968	–	–
Trinseo SA	49,002	2,162	(52)	(0.01)
		<b>4,289</b>	<b>(53)</b>	<b>(0.01)</b>
Real Estate 0.00% (0.06%)				
DiamondRock Hospitality Co.	379,227	3,065	(14)	–
Jones Lang LaSalle, Inc.	(10,271)	(921)	(12)	–
RLJ Lodging Trust	154,211	2,731	(1)	–
		<b>4,875</b>	<b>(27)</b>	<b>–</b>
Telecommunication Services 0.00% (0.00%)				
AT&T, Inc.	(19,673)	(612)	2	–
Verizon Communications, Inc.	(25,068)	(997)	4	–
		<b>(1,609)</b>	<b>6</b>	<b>–</b>
Utilities (0.01)% (0.03%)				
WEC Energy Group, Inc.	72,359	3,279	(45)	(0.01)
		<b>3,279</b>	<b>(45)</b>	<b>(0.01)</b>
Contracts for difference total				
Forward currency contracts 0.00% (0.00%)		125,389	(831)	(0.20)
I accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 326,295 dated 30/09/2016			253	0.06
Sell US Dollar 336,311 dated 30/09/2016			(256)	(0.06)
			<b>(3)</b>	<b>–</b>
I accumulation GBP (NAV hedged) 0.00% (0.00%)				
Buy Sterling 43,844 dated 30/09/2016			44	0.01
Sell US Dollar 57,747 dated 30/09/2016			(44)	(0.01)
			<b>–</b>	<b>–</b>
R accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 10,502 dated 30/09/2016			8	0.06
Sell US Dollar 10,283 dated 30/09/2016			(8)	(0.06)
			<b>–</b>	<b>–</b>

## Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding	Global exposure ^ £'000	Valuation £'000	% of net assets
R accumulation EUR (NAV hedged) 0.00% (0.00%)				
Buy Euro 4,990 dated 30/09/2016			4	–
Sell US Dollar 5,613 dated 30/09/2016			(4)	–
			–	–
Forward currency contracts total			(3)	–
Futures 0.01% (0.23%)				
S&P 500 Emini Index 16/09/2016	327	27,062	41	0.01
Futures total		27,062	41	0.01
Investment assets (including investment liabilities)			382,855	90.85
Net other assets			38,543	9.15
Net assets			421,398	100.00

The comparative percentage figures in brackets are as at 29 February 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.

### Fund exposure \*

	Long positions (% of net assets)	Short positions (% of net assets)	Gross exposure (% of net assets)	Net exposure (% of net assets)
<b>31 August 2016</b>				
Equities **	126.04	(31.49)	157.53	94.55
Government bonds	32.67	-	32.67	32.67
Forward currency contracts	0.07	(0.07)	0.14	-
Net other assets	9.15	-	9.15	9.15
<b>29 February 2016</b>				
Equities **	124.48	(35.49)	159.97	88.99
Government bonds	31.38	-	31.38	31.38
Net other assets	15.93	-	15.93	15.93

\* For derivatives the percentage of net assets has been calculated based on the global exposure of each contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding. The gross exposure is the long position plus the absolute value of the short positions. The net exposure is the long positions less the short positions.

\*\*Includes equities, contracts for difference and futures.

## Artemis US Extended Alpha Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		60,837		576
Revenue	4,350		817	
Expenses	(1,478)		(2,766)	
Interest payable and similar charges	(2,623)		(286)	
Net revenue/(expense) before taxation	249		(2,235)	
Taxation	(129)		(30)	
Net revenue/(expense) after taxation		120		(2,265)
<b>Total return before distributions</b>		<b>60,957</b>		<b>(1,689)</b>
Distributions		112		1
Change in shareholders' funds from investment activities		61,069		(1,688)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		267,877		71,699
Amounts receivable on issue of shares	157,453		79,967	
Amounts payable on cancellation of shares	(65,021)		(23,771)	
		92,432		56,196
Dilution adjustment		20		76
Change in shareholders' funds from investment activities		61,069		(1,688)
Closing net assets attributable to shareholders		421,398		126,283

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	384,786	228,363
<b>Current assets</b>		
Debtors	8,795	5,292
Cash and bank balances	41,112	42,828
<b>Total current assets</b>	<b>49,917</b>	<b>48,120</b>
<b>Total assets</b>	<b>434,793</b>	<b>276,483</b>
<b>Liabilities</b>		
Investment liabilities	1,931	3,150
<b>Creditors</b>		
Other creditors	11,364	5,456
<b>Total creditors</b>	<b>11,364</b>	<b>5,456</b>
<b>Total liabilities</b>	<b>13,295</b>	<b>8,606</b>
Net assets attributable to shareholders	421,398	267,877

## Artemis US Extended Alpha Fund – 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 UK 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation CHF (NAV hedged)	105.69c	105.79c	(0.1)%
I accumulation EUR	141.04c	138.75c	1.7%
I accumulation GBP	160.61p	148.93p	7.8%
I accumulation GBP (NAV hedged)	106.06p	105.94p	0.1%
I accumulation USD	122.77c	122.11c	0.5%
R accumulation CHF	109.54c	108.74c	0.7%
R accumulation CHF (NAV hedged)	105.31c	105.43c	(0.1)%
R accumulation EUR	109.90c	108.53c	1.3%
R accumulation EUR (NAV hedged)	100.08c	100.13c	0.0%
R accumulation USD	106.22c	105.96c	0.2%

## Artemis US Extended Alpha Fund – Comparative tables

### Fund sizes & net asset values

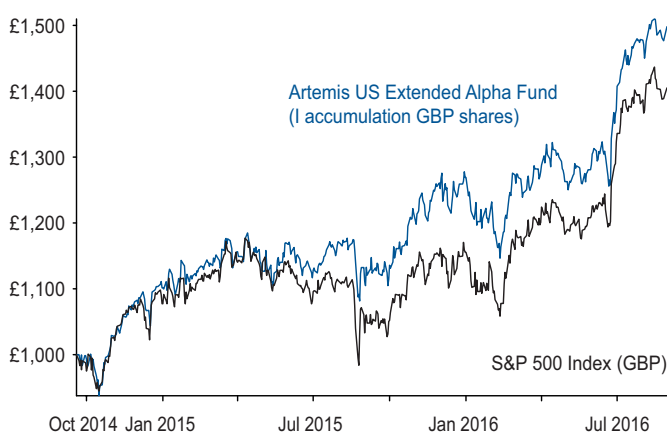
Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	71,699,228		
I accumulation EUR		123.46c	10,000
I accumulation GBP		113.88p	56,464,263
I accumulation USD		109.34c	10,430,000
<b>29 February 2016</b>	267,876,831		
I accumulation EUR		127.99c	21,168,130
I accumulation GBP		127.25p	117,596,771
I accumulation USD		110.05c	122,053,885
<b>31 August 2016</b>	421,397,678		
I accumulation CHF (NAV hedged)		105.79c	309,726
I accumulation EUR		138.75c	24,065,056
I accumulation GBP		148.93p	145,715,801
I accumulation GBP (NAV hedged)		105.94p	41,542
I accumulation USD		122.11c	189,091,203
R accumulation CHF		108.74c	10,000
R accumulation CHF (NAV hedged)		105.43c	10,000
R accumulation EUR		108.53c	12,323
R accumulation EUR (NAV hedged)		100.13c	5,000
R accumulation USD		105.96c	11,267

### Fund performance

	Since launch*	1 year	6 months
Artemis US Extended Alpha Fund	48.9	31.5	17.0
S&P 500 Index (GBP)	40.2	32.2	20.9
Sector average	33.9	26.5	19.0
Position in sector	3/80	12/85	70/85
Quartile	1	1	4

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North America, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



### Ongoing charges

Class	31 August 2016
I accumulation CHF (NAV hedged)	0.87%
I accumulation EUR	0.87%
I accumulation GBP	0.87%
I accumulation GBP (NAV hedged)	0.87%
I accumulation USD	0.87%
R accumulation CHF	1.62%
R accumulation CHF (NAV hedged)	1.62%
R accumulation EUR	1.62%
R accumulation EUR (NAV hedged)	1.62%
R accumulation USD	1.62%

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

## Artemis US Select Fund

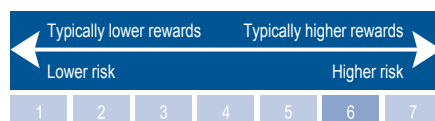
### Investment objective and policy

The objective of the Artemis US Select Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. To achieve the objective, the sub-fund will include investments in smaller companies and may seek to include special situations. The ACD will not be restricted in respect of choice of investments either by company size or industry. It is expected that the portfolio of the sub-fund will be invested in the shares of between 35 and 65 companies.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- The sub-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 sub-fund.
- 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.

## Artemis US Select Fund – Investment review

- The fund returned 13.7%\* versus the benchmark's return of 20.9%\*.
- The underperformance stemmed from both stock selection and sector allocation.
- We continue to find attractive opportunities across a range of companies.

### Performance – Trailing a strong market ...

The fund returned 13.7% in sterling terms versus a 20.9% gain in the S&P 500 Index. Stock selection and sector allocation contributed equally to the underperformance. In the IT sector, performance was held back by holdings in Apple and Seagate Technology. That being said, since the end of the period, our underlying investment cases for both stocks have been proven correct and this has resulted in positive performance. Elsewhere, the fund's holding in Spirit Airlines detracted from returns. In terms of sector allocation, the fund's underweight position in banks and diversified financials was unhelpful as the market became more optimistic about increases in interest rates later in the period.

### Review – Disappointing performance from technology holdings ...

The portfolio has a bias towards stable companies with some combination of the following attractive financial characteristics: low levels of debt, high margins, some earnings growth and dividend yield. It is also exposed to 'growth' companies which either have a product cycle in their favour (video games manufacturers, for example) or are 'disruptive' companies gaining market share by overturning traditional business models (e.g. Facebook and Amazon.com). To the extent that it owns 'value' (whose shares are cheaper than the wider market) and 'cyclical' stocks (companies whose earnings are influenced by the economic cycle) it

is within the technology and materials sectors. In technology, we tend to own companies that supply the components found in smartphones. In materials, the fund owns manufacturers and suppliers of concrete and aggregates, which we believe will benefit from increasing spending on infrastructure.

Having had no exposure to Apple, at the end of last calendar year we bought a position in anticipation of strong sales of the iPhone 7. Part of our optimism about the new phone was based on the fact that sales of the iPhone 6S had been particularly disappointing. In general, the iPhone is extremely successful. It continues to gain market share from competitors and existing iPhone users upgrade regularly. But those upgrades depend on the attractiveness of the latest model. It appears that many customers thought the iPhone 6S was not a sufficiently big upgrade from the previous model and so chose to wait for the iPhone 7.

When we took our position in Apple we assumed that the bad news about the poor sales for the iPhone 6S was already reflected in the price of the stock. We were proved wrong: the company lowered expectations again and the stock underperformed. That being said, we still think better-than-expected iPhone 7 sales are likely and we expect the fund to benefit from that view over the next six months.

Seagate Technology was another disappointing holding. It manufactures hard disk drives, traditionally sold into the PC market. This has been in decline for a number of years, resulting in excess capacity, lowering prices and reducing profits. The rational response of an industry in a declining market with excess capacity is to rationalise capacity in the hope that pricing will recover. Our analysis suggested that this had already started to happen in China. However, when Seagate Technology reported first quarter earnings it became clear that its announcements about capacity rationalisation were not matched by actual closures of plants. As a result its management further lowered their guidance on profitability. However, we

believe our investment case is still valid. We are further encouraged by the fact that hard disk drives are a very cost-effective form of storage. The growth in 'cloud' computing has meant its providers need storage capacity and are increasingly using hard disk drives to get it. A new market is therefore being created at a point when excess capacity is being addressed. Despite this, we sold Seagate Technology late in the period as it had breached our downside price target. However, we switched into its competitor Western Digital, which we expect will benefit from the same trends.

In terms of sector allocation the fund's underweight in financials was costly. The sector started to recover during the period as the market became more optimistic about the possibility of higher interest rates. We believe any increase in rates will be relatively modest and will not support higher valuations of banking stocks.

### Outlook – An election looms ...

Over the last six months, little has changed regarding the outlook for the US – or, indeed, global – economy. We are still in a low-growth environment in which growth seems more likely to fall short of expectations than it does to exceed them. The biggest risk must be that debt levels worldwide have increased markedly since the end of the financial crisis.

At the moment, the US economy is growing, employment is increasing and wages are rising. While that is all positive news, the next six months will bring the US election, whose outcome remains highly uncertain. That said, the 'checks and balances' inherent in the US political system give us some comfort that the more extreme suggestions being bandied about (particularly by one of the candidates) will not come to pass.

**Cormac Weldon**  
Fund manager

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 31 August 2016. Benchmark is the S&P 500 Index (GBP).

## Artemis US Select Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Apple, Inc.	38,332	Apple, Inc.	33,354
Wells Fargo & Co.	19,019	Goldman Sachs Group, Inc. (The)	25,486
Microsoft Corp.	18,146	Leidos Holdings, Inc.	25,193
Western Digital Corp.	16,940	Spirit Airlines, Inc.	21,321
Synchrony Financial	16,658	Microsoft Corp.	20,565

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 99.03% (97.63%)</b>			
<b>Consumer Discretionary 18.35% (14.24%)</b>			
Amazon.com, Inc.	24,571	14,355	2.83
Aramark	253,523	7,311	1.44
Comcast Corp. A shares	248,775	12,410	2.45
Home Depot, Inc. (The)	170,174	17,366	3.42
L Brands, Inc.	55,285	3,218	0.63
Liberty Broadband Corp. C shares	305,271	15,872	3.13
Newell Brands, Inc.	128,203	5,225	1.03
Red Rock Resorts, Inc. A shares	391,343	6,642	1.31
Starbucks Corp.	249,288	10,699	2.11
		<b>93,098</b>	<b>18.35</b>
<b>Consumer Staples 7.95% (15.02%)</b>			
Altria Group, Inc.	283,917	14,236	2.81
Estee Lauder Cos., Inc. (The) A shares	70,182	4,801	0.95
Maple Leaf Foods, Inc.	594,535	9,860	1.94
PepsiCo, Inc.	139,637	11,397	2.25
		<b>40,294</b>	<b>7.95</b>
<b>Energy 3.92% (3.65%)</b>			
Baker Hughes, Inc.	232,424	8,843	1.74
Diamondback Energy, Inc.	48,404	3,554	0.70
QEP Resources, Inc.	506,832	7,495	1.48
		<b>19,892</b>	<b>3.92</b>
<b>Financials 5.83% (5.02%)</b>			
Chubb Ltd.	105,556	10,221	2.01
S&P Global, Inc.	119,924	11,220	2.21
US Bancorp	244,249	8,195	1.61
		<b>29,636</b>	<b>5.83</b>
<b>Health Care 14.18% (11.96%)</b>			
Amgen, Inc.	58,842	7,646	1.51
Cardinal Health, Inc.	118,067	7,163	1.41
Centene Corp.	102,468	5,369	1.06
CR Bard, Inc.	23,993	4,037	0.80
Pfizer, Inc.	452,798	12,017	2.37
UnitedHealth Group, Inc.	150,470	15,674	3.09

Investment	Holding	Valuation £'000	% of net assets
Universal Health Services, Inc. B shares	48,390	4,458	0.88
Zoetis, Inc.	401,882	15,524	3.06
		<b>71,888</b>	<b>14.18</b>
<b>Industrials 8.84% (14.30%)</b>			
Lockheed Martin Corp.	26,833	4,890	0.96
Masco Corp.	252,939	6,817	1.34
Norfolk Southern Corp.	227,977	16,373	3.23
Raytheon Co.	72,568	7,750	1.53
Spirit Airlines, Inc.	80,717	2,455	0.48
Swift Transportation Co.	458,353	6,604	1.30
		<b>44,889</b>	<b>8.84</b>
<b>Information Technology 28.20% (21.64%)</b>			
Activision Blizzard, Inc.	292,066	9,241	1.82
Apple, Inc.	225,578	18,198	3.59
Cirrus Logic, Inc.	194,063	7,515	1.48
Corning, Inc.	492,354	8,529	1.68
Electronic Arts, Inc.	116,174	7,224	1.42
Facebook, Inc. A shares	111,277	10,657	2.10
Fidelity National Information Services, Inc.	172,797	10,457	2.06
Imperva, Inc.	162,672	5,645	1.11
Lam Research Corp.	100,098	7,084	1.40
Leidos Holdings, Inc.	117,497	3,573	0.70
Microsoft Corp.	352,538	15,531	3.06
Skyworks Solutions, Inc.	204,556	11,552	2.28
Synaptics, Inc.	71,908	3,293	0.65
Take-Two Interactive Software, Inc.	315,197	10,510	2.07
Visa, Inc. A shares	82,630	5,104	1.01
Western Digital Corp.	251,197	9,005	1.77
		<b>143,118</b>	<b>28.20</b>
<b>Materials 4.40% (3.07%)</b>			
Monsanto Co.	63,295	5,181	1.02
Newmont Mining Corp.	81,816	2,404	0.47
Summit Materials, Inc. A shares	615,133	9,481	1.87
Trinseo SA	43,334	1,912	0.38
Vulcan Materials Co.	37,984	3,361	0.66
		<b>22,339</b>	<b>4.40</b>
<b>Real Estate 5.62% (1.95%)</b>			
American Campus Communities, Inc., REIT	122,828	4,680	0.92
Host Hotels & Resorts, Inc., REIT	189,841	2,612	0.51
Prologis, Inc., REIT	212,525	8,594	1.69
SL Green Realty Corp., REIT	144,631	12,684	2.50
		<b>28,570</b>	<b>5.62</b>
<b>Utilities 1.74% (6.78%)</b>			
NextEra Energy, Inc.	95,690	8,829	1.74
		<b>8,829</b>	<b>1.74</b>
<b>Equities total</b>		<b>502,553</b>	<b>99.03</b>

## Artemis US Select Fund – Investment information (continued)

Investment	Valuation £'000	% of net assets
Forward currency contracts 0.00% (0.00%)		
I accumulation CHF (NAV hedged) 0.00% (0.00%)		
Buy Swiss Franc 10,249 dated 30/09/2016	8	–
Sell US Dollar 10,563 dated 30/09/2016	(8)	–
	–	–
I accumulation EUR (NAV hedged) 0.00% (0.00%)		
Buy Euro 11,416 dated 30/09/2016	10	–
Sell US Dollar 12,843 dated 30/09/2016	(10)	–
	–	–
I accumulation GBP (NAV hedged) 0.00% (0.00%)		
Buy Sterling 13,454 dated 30/09/2016	13	–
Sell US Dollar 17,724 dated 30/09/2016	(13)	–
	–	–
R accumulation CHF (NAV hedged) 0.00% (0.00%)		
Buy Swiss Franc 10,220 dated 30/09/2016	8	–
Sell US Dollar 10,534 dated 30/09/2016	(8)	–
	–	–
R accumulation EUR (NAV hedged) 0.00% (0.00%)		
Buy Euro 8,612 dated 30/09/2016	7	–
Sell US Dollar 9,688 dated 30/09/2016	(7)	–
	–	–
Forward currency contracts total	–	–
Investment assets	502,553	99.03
Net other assets	4,927	0.97
Net assets	507,480	100.00

The comparative percentage figures in brackets are as at 29 February 2016.

## Artemis US Select Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		60,387		(4,672)
Revenue	3,666		1,277	
Expenses	(1,944)		(836)	
Interest payable and similar charges	(5)		-	
Net revenue before taxation	1,717		441	
Taxation	(516)		(174)	
Net revenue after taxation		1,201		267
<b>Total return before distributions</b>		<b>61,588</b>		<b>(4,405)</b>
Distributions		33		96
Change in shareholders' funds from investment activities		61,621		(4,309)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		403,889		162,817
Amounts receivable on issue of shares	85,879		121,790	
Amounts payable on cancellation of shares	(43,910)		(16,005)	
		41,969		105,785
Dilution adjustment		1		40
Change in shareholders' funds from investment activities		61,621		(4,309)
Closing net assets attributable to shareholders		507,480		264,333

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	502,553	394,315
<b>Current assets</b>		
Debtors	11,740	6,085
Cash and bank balances	1,504	11,077
<b>Total current assets</b>	<b>13,244</b>	<b>17,162</b>
<b>Total assets</b>	<b>515,797</b>	<b>411,477</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	-	47
Other creditors	8,317	7,541
<b>Total creditors</b>	<b>8,317</b>	<b>7,588</b>
<b>Total liabilities</b>	<b>8,317</b>	<b>7,588</b>
Net assets attributable to shareholders	507,480	403,889

## Artemis US Select Fund – 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 UK 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation CHF (hedged)	101.92c	102.50c	(0.6)%
I accumulation EUR	127.95c	126.80c	0.9%
I accumulation EUR (hedged)	102.05c	102.53c	(0.5)%
I distribution GBP	129.29p	120.86p	7.0%
I accumulation GBP	145.04p	135.59p	7.0%
I accumulation GBP (hedged)	102.34p	102.85p	(0.5)%
I accumulation USD	111.24p	111.48c	(0.2)%
R accumulation CHF (hedged)	101.55c	102.20c	(0.6)%
R accumulation EUR	106.10c	105.23c	0.8%
R accumulation EUR (hedged)	101.68c	102.24c	(0.5)%
R accumulation USD	102.44c	102.76c	(0.3)%

## Artemis US Select Fund – Comparative tables

### Fund sizes & net asset values

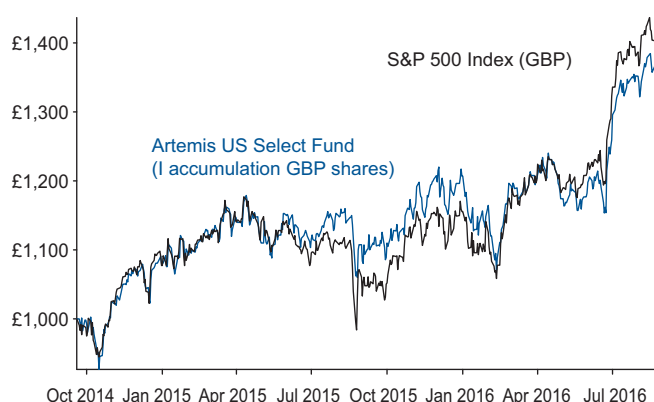
Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	162,817,011		
I accumulation EUR		122.38c	31,481,879
I accumulation GBP		112.21p	114,488,100
I accumulation USD		108.36c	9,020,000
<b>29 February 2016</b>	403,888,714		
I accumulation EUR		120.35c	12,468,585
I distribution GBP		106.29p	24,364,005
I accumulation GBP		119.22p	261,276,283
I accumulation USD		103.37c	73,320,373
<b>31 August 2016</b>	507,479,772		
I accumulation CHF (NAV hedged)		102.50c	10,000
I accumulation EUR		126.80c	11,381,537
I accumulation EUR (NAV hedged)		102.53c	11,133
I distribution GBP		120.86p	52,240,188
I accumulation GBP		135.59p	286,341,245
I accumulation GBP (NAV hedged)		102.85p	13,080
I accumulation USD		111.48c	51,622,577
R accumulation CHF (NAV hedged)		102.20c	10,000
R accumulation EUR		105.23c	8,732
R accumulation EUR (NAV hedged)		102.24c	8,422
R accumulation USD		102.76c	9,093

### Fund performance

	Since launch*	1 year	6 months
Artemis US Select Fund	35.6	22.4	13.7
S&P 500 Index (GBP)	40.2	32.2	20.9
Sector average	34.0	26.5	19.0
Position in sector	35/80	67/85	84/85
Quartile	2	4	4

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North America, universe of funds is those reporting net of UK taxes. Performance details for each share class is shown on page 84.

### Value of £1,000 invested at launch to 31 August 2016



### Ongoing charges

Class	31 August 2016
I accumulation CHF (NAV hedged)	0.85%
I accumulation EUR	0.85%
I accumulation EUR (NAV hedged)	0.85%
I distribution GBP	0.85%
I accumulation GBP	0.85%
I accumulation GBP (NAV hedged)	0.85%
I accumulation USD	0.85%
R accumulation CHF (NAV hedged)	1.60%
R accumulation EUR	1.60%
I accumulation EUR (NAV hedged)	1.60%
R accumulation USD	1.60%

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

## Artemis US Smaller Companies Fund

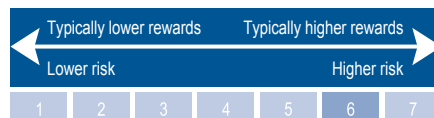
### Investment objective and policy

The objective of the Artemis US Smaller Companies Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in smaller companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments by industrial sector. As the sub-fund invests in smaller companies, the ACD will mainly invest in shares of companies that have a market value of less than US\$10 billion.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- 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.

## Artemis US Smaller Companies Fund – Investment review

- The fund returned 21.4%\* versus 28.6%\* from the index.
- We find opportunity in technology and materials.
- While real, political risks should not be overstated.

### Performance – Spirit undimmed ...

The fund returned 21.4% over the six-month review period. Although this was a strong return in absolute terms, it lagged the benchmark the Russell 2000 Index, which returned 28.6%.

The single largest detractor from performance over the period was our holding in Spirit Airlines. An ultra low-cost carrier, its operating costs are the lowest of any airline in the US. That said, its profitability depends on its higher-cost competitors acting rationally. Some 90% of the airline industry in the US is controlled by four large carriers, all of whom have significantly higher costs than Spirit. In a rational competitive environment we would expect that Spirit would continue to grow at their expense. And, in broad terms, that continues to happen. From time to time, however, the industry – or rather individual players within it – can be tempted to add too much capacity, putting downward pressure on pricing in some markets. We saw some evidence of this over the last six months and this has slowed Spirit's growth. However, we expect a degree of rationality to return to the industry and so expect it to be a strong performer for the fund again in the future.

### Review – Impeccable (Cirrus) logic ...

The portfolio has a bias towards stable companies with some combination of the following attractive financial characteristics: low levels of debt, high margins, some earnings growth and dividend yield. It is also exposed to 'growth' companies with a product cycle in their favour, such as Take-Two

Interactive Software, the videogame producer. To the extent that it owns 'value' (whose shares are cheaper than the wider market) and 'cyclical' stocks (companies whose earnings are influenced by the economic cycle) it is within the technology and materials sectors. In technology, we tend to own companies that supply the components found in smartphones. In materials, the fund owns manufacturers and suppliers of concrete and aggregates, which we believe will benefit from increasing spending on infrastructure.

In technology, the fund's investment in Seagate Technology detracted from returns over the period. We invested in it due to our optimism about the hard disk drive industry. In part, our positive thesis depended on the expectation that there would be some rationalisation of production capacity across the industry. Unfortunately this rationalisation did not happen as quickly as we had anticipated, hurting Seagate's profitability. Its share price fell significantly. As is our practice whenever the underlying fundamentals of a company are revealed to be worse than we had envisaged when we first invested in it, we sold the holding.

On a more positive note, we were able to benefit from our analysis of the forces at work in the large-cap technology sector and our understanding of how they would help its suppliers. We knew that Apple was planning to introduce wireless, digital headsets with the advent of the iPhone 7. Our analysis indicated that one of the companies best-placed to benefit from this transition would be Cirrus Logic, which provides the underlying technology vital to this transition. Increased use of its technologies will mean the company will derive significantly more revenue from each iPhone 7 sale than it did from sales of earlier models of the phone. It proved to be one of the fund's strongest performers over the period.

### Outlook – Taking comfort in 'checks and balances' ...

Over the last six months, little has changed regarding the outlook for the US – or, indeed, global – economy. We are still in a low-growth environment in which growth seems more likely to fall short of expectations than it does to exceed them. The biggest risk must be that debt levels worldwide have increased markedly since the end of the financial crisis.

At the moment, the US economy is growing, employment is increasing and wages are rising. While that is all positive news, the next six months will bring the US election, whose outcome remains highly uncertain. That said, the 'checks and balances' inherent in the US political system give us some comfort that the more extreme suggestions being bandied about (particularly by one of the candidates) will not come to pass.

**Cormac Weldon**  
Fund manager

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the Russell 2000 Index (GBP).

## Artemis US Smaller Companies Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Swift Transportation Co.	4,044	Spirit Airlines, Inc.	3,069
Aramark	2,676	Edgewell Personal Care Co.	2,813
Cirrus Logic, Inc.	2,458	Qorvo, Inc.	2,569
Liberty Broadband Corp. C shares	2,412	Maxim Integrated Products, Inc.	2,468
Seagate Technology Plc	2,162	Six Flags Entertainment Corp.	2,346

### Portfolio statement as at 31 August 2016

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 100.29% (98.11%)</b>			
<b>Consumer Discretionary 17.53% (12.00%)</b>			
Aramark	95,859	2,765	4.10
Liberty Broadband Corp. A shares	14,798	759	1.12
Liberty Broadband Corp. C shares	60,091	3,124	4.63
Liberty Ventures	22,520	660	0.98
Red Rock Resorts, Inc. A shares	89,337	1,516	2.25
Service Corp. International	65,144	1,313	1.94
ServiceMaster Global Holdings, Inc.	24,828	701	1.04
Ulta Salon Cosmetics & Fragrance, Inc.	5,326	993	1.47
		<b>11,831</b>	<b>17.53</b>
<b>Consumer Staples 5.07% (5.98%)</b>			
Energizer Holdings, Inc.	39,579	1,489	2.21
Maple Leaf Foods, Inc.	116,417	1,931	2.86
		<b>3,420</b>	<b>5.07</b>
<b>Energy 5.34% (2.02%)</b>			
Cimarex Energy Co.	13,839	1,414	2.09
Diamondback Energy, Inc.	20,573	1,511	2.24
Rice Energy, Inc.	33,564	681	1.01
		<b>3,606</b>	<b>5.34</b>
<b>Financials 6.63% (1.93%)</b>			
CNO Financial Group, Inc.	50,240	623	0.92
Fortress Investment Group LLC A shares	358,539	1,348	2.00
Lazard Ltd. A shares	50,954	1,442	2.14
SVB Financial Group	12,486	1,059	1.57
		<b>4,472</b>	<b>6.63</b>
<b>Health Care 8.81% (7.80%)</b>			
Abiomed, Inc.	11,195	1,017	1.51
Catalent, Inc.	41,265	787	1.17
Exact Sciences Corp.	138,552	1,996	2.96
IDEXX Laboratories, Inc.	24,895	2,143	3.17
		<b>5,943</b>	<b>8.81</b>
<b>Industrials 13.39% (17.10%)</b>			
DigitalGlobe, Inc.	98,870	2,098	3.11
Equifax, Inc.	8,274	832	1.23
Jacobs Engineering Group, Inc.	29,098	1,184	1.75

Investment	Holding	Valuation £'000	% of net assets
Masco Corp.	28,655	772	1.15
Mercury Systems, Inc.	38,663	676	1.00
Spirit Airlines, Inc.	21,290	648	0.96
Swift Transportation Co.	196,215	2,827	4.19
		<b>9,037</b>	<b>13.39</b>
<b>Information Technology 19.05% (24.39%)</b>			
Cirrus Logic, Inc.	72,985	2,827	4.19
CoreLogic, Inc.	30,945	965	1.43
Hortonworks, Inc.	145,304	870	1.29
Imperva, Inc.	39,190	1,360	2.01
Leidos Holdings, Inc.	35,628	1,083	1.61
Qorvo, Inc.	18,131	796	1.18
Synaptics, Inc.	31,824	1,457	2.16
Take-Two Interactive Software, Inc.	104,902	3,498	5.18
		<b>12,856</b>	<b>19.05</b>
<b>Materials 8.12% (6.66%)</b>			
Franco-Nevada Corp.	28,840	1,525	2.26
Randgold Resources Ltd., ADR	11,125	799	1.19
Silver Wheaton Corp. R shares	61,050	1,189	1.76
Summit Materials, Inc. A shares	82,820	1,276	1.89
Trinseo SA	15,637	690	1.02
		<b>5,479</b>	<b>8.12</b>
<b>Real Estate 12.98% (9.94%)</b>			
American Campus Communities, Inc., REIT	58,614	2,233	3.31
DiamondRock Hospitality Co., REIT	174,925	1,414	2.10
Equity LifeStyle Properties, Inc., REIT	37,619	2,224	3.29
Sun Communities, Inc., REIT	26,539	1,534	2.27
Terreno Realty Corp., REIT	66,088	1,356	2.01
		<b>8,761</b>	<b>12.98</b>
<b>Utilities 3.37% (10.29%)</b>			
NextEra Energy Partners LP	57,676	1,294	1.92
NiSource, Inc.	53,947	979	1.45
		<b>2,273</b>	<b>3.37</b>
<b>Equities total</b>		<b>67,678</b>	<b>100.29</b>
<b>Investment assets</b>		<b>67,678</b>	<b>100.29</b>
<b>Net other liabilities</b>		<b>(199)</b>	<b>(0.29)</b>
<b>Net assets</b>		<b>67,479</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 29 February 2016.

## Artemis US Smaller Companies Fund – Financial statements

### Statement of total return for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		12,656		(683)
Revenue	402		129	
Expenses	(309)		(371)	
Interest payable and similar charges	(1)		-	
Net revenue/(expense) before taxation	92		(242)	
Taxation	(52)		(14)	
Net revenue/(expense) after taxation		40		(256)
<b>Total return before distributions</b>		<b>12,696</b>		<b>(939)</b>
Distributions		(3)		-
Change in shareholders' funds from investment activities		12,693		(939)

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2016

	31 August 2016		31 August 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		60,550		22,544
Amounts receivable on issue of shares	8,524		13,730	
Amounts payable on cancellation of shares	(14,296)		(3,043)	
		(5,772)		10,687
Dilution adjustment		8		13
Change in shareholders' funds from investment activities		12,693		(939)
Closing net assets attributable to shareholders		67,479		32,305

### Balance sheet as at 31 August 2016

	31 August 2016	29 February 2016
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	67,678	59,407
<b>Current assets</b>		
Debtors	155	1,906
Cash and bank balances	445	34
<b>Total current assets</b>	<b>600</b>	<b>1,940</b>
<b>Total assets</b>	<b>68,278</b>	<b>61,347</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdraft	-	188
Other creditors	799	609
<b>Total creditors</b>	<b>799</b>	<b>797</b>
<b>Total liabilities</b>	<b>799</b>	<b>797</b>
Net assets attributable to shareholders	67,479	60,550

## Artemis US Smaller Companies Fund – 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 UK 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 29 February 2016 as set out therein.

### 2. Post balance sheet events

Since 31 August 2016, the net asset values per share have changed as follows:

	Net asset value per share		Movement
	12 October 2016	31 August 2016	
I accumulation EUR	139.18c	137.19c	1.5%
I accumulation GBP	158.91p	147.76p	7.5%
I accumulation USD	120.99c	120.61c	0.3%

## Artemis US Smaller Companies Fund – Comparative tables

### Fund sizes & net asset values

Date	Net asset value of sub-fund (£)	Net asset value per share	Shares in issue
<b>28 February 2015</b>	22,544,278		
I accumulation EUR		127.60c	10,000
I accumulation GBP		117.86p	884,701
I accumulation USD		112.99c	29,351,387
<b>29 February 2016</b>	60,549,544		
I accumulation EUR		121.96c	3,110,000
I accumulation GBP		121.70p	21,053,674
I accumulation USD		104.74c	42,256,255
<b>31 August 2016</b>	67,479,349		
I accumulation EUR		137.19c	4,230,000
I accumulation GBP		147.76p	15,669,112
I accumulation USD		120.61c	42,925,755

### Ongoing charges

Class	31 August 2016
I accumulation EUR	0.98%
I accumulation GBP	0.98%
I accumulation USD	0.98%

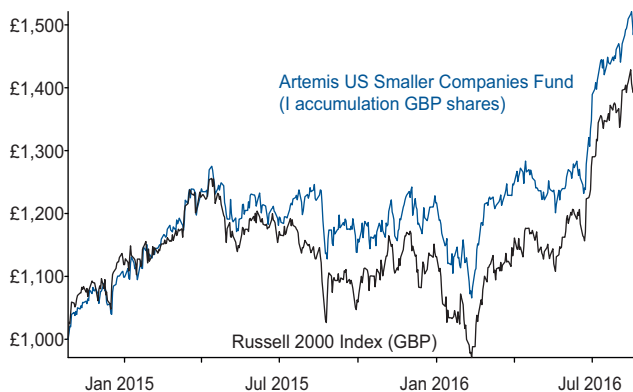
Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

### Fund performance

	Since launch*	1 year	6 months
Artemis US Smaller Companies Fund	47.8	25.9	21.4
Russell 2000 Index (GBP)	40.3	27.5	28.6
Sector average	36.5	25.0	24.1
Position in sector	1/8	5/8	7/8
Quartile	1	3	4

\* Data from 27 October 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North American Smaller Companies, universe of funds is those reporting net of UK taxes.

### Value of £1,000 invested at launch to 31 August 2016



## Share class performance

	Launch date	Since launch	1 year	6 months
<b>Artemis Global Emerging Markets Fund</b>				
I accumulation EUR	8 April 2015	(10.6)	12.4	19.8
MSCI Emerging Markets Index (EUR)		(11.9)	12.5	19.7
I accumulation GBP	8 April 2015	4.4	30.3	29.5
I distribution GBP	8 April 2015	4.4	30.3	29.4
MSCI Emerging Markets Index (GBP)		3.6	31.3	30.6
I accumulation USD	8 April 2015	(8.4)	11.1	22.7
MSCI Emerging Markets Index (USD)		(9.0)	11.8	22.7
<b>Artemis Global Equity Income Fund</b>				
I accumulation EUR	3 June 2015	(10.4)	0.1	4.5
I distribution EUR	3 June 2015	(10.4)	0.1	4.5
MSCI AC World Index (EUR)		(0.9)	7.9	10.8
I accumulation GBP	3 June 2015	4.5	15.8	12.8
I distribution GBP	3 June 2015	4.4	15.8	12.8
MSCI AC World Index (GBP)		14.6	25.9	20.8
I accumulation USD	3 June 2015	(10.2)	(1.1)	7.0
I distribution USD	3 June 2015	(10.2)	(1.1)	7.0
MSCI AC World Index (USD)		(2.1)	7.2	13.5
R accumulation EUR	30 July 2015	(8.9)	(0.7)	4.2
MSCI AC World Index (EUR)		(1.6)	7.9	10.8
R accumulation USD	30 July 2015	(7.4)	(1.9)	6.6
MSCI AC World Index (USD)		0.3	7.2	13.5
<b>Artemis Pan-European Absolute Return Fund</b>				
I accumulation EUR (Hedged)	27 October 2014	12.4	1.9	2.1
LIBOR EUR 3 Month		(0.1)	(0.2)	(0.1)
I accumulation GBP (Hedged)	14 July 2014	13.2	2.9	2.2
LIBOR GBP 3 Months		1.0	0.5	0.2
I accumulation USD (Hedged)	27 October 2014	14.2	3.2	2.6
LIBOR USD 3 Month		0.6	0.5	0.3
<b>Artemis US Absolute Return Fund</b>				
I accumulation CHF (NAV hedged)	1 April 2016	(0.1)	-	-
LIBOR CHF 3 Month		(0.2)	-	-
I accumulation EUR (NAV Hedged)	27 October 2014	6.0	1.6	(0.9)
LIBOR EUR 3 Month		(0.1)	(0.2)	(0.1)
I accumulation GBP (NAV Hedged)	27 October 2014	7.4	2.5	(0.4)
LIBOR GBP 3 Months		0.8	0.5	0.2
I accumulation USD	27 October 2014	7.2	2.3	(0.4)
LIBOR USD 3 Month		0.6	0.5	0.3
R accumulation CHF (NAV hedged)	1 April 2016	(0.4)	-	-
LIBOR CHF 3 Month		(0.2)	-	-
R accumulation EUR (NAV hedged)	1 April 2016	(0.3)	-	-
LIBOR EUR 3 Month		(0.1)	-	-
R accumulation USD (NAV hedged)	1 April 2016	0.0	-	-
LIBOR USD 3 Month		0.2	-	-
<b>Artemis US Equity</b>				
I accumulation EUR	27 October 2014	27.6	9.0	7.4
S&P 500 Index (EUR)		31.5	13.2	10.8
I accumulation GBP	19 September 2014	36.7	26.1	16.0
S&P 500 Index (GBP)		40.2	32.2	20.9
I accumulation USD	27 October 2014	12.1	7.6	10.0
S&P 500 Index (USD)		15.2	12.6	13.6

## Share class performance (continued)

	Launch date	Since launch	1 year	6 months
<b>Artemis US Extended Alpha Fund</b>				
I accumulation CHF (NAV hedged)	1 April 2016	5.8	-	-
S&P 500 Index (Hedged to CHF)		5.0	-	-
I accumulation EUR	27 October 2014	38.7	13.7	8.5
S&P 500 Index (EUR)		31.5	13.2	10.8
I accumulation GBP	19 September 2014	48.9	31.5	17.0
S&P 500 Index (GBP)		40.2	32.2	20.9
I accumulation GBP (NAV Hedged)	1 April 2016	5.9	-	-
S&P 500 Index (Hedged to GBP)		5.6	-	-
I accumulation USD	27 October 2014	22.1	12.6	10.9
S&P 500 Index (USD)		15.2	12.6	13.6
R accumulation CHF	1 April 2016	8.7	-	-
S&P 500 Index (CHF)		7.9	-	-
R accumulation CHF (NAV hedged)	1 April 2016	5.4	-	-
S&P 500 Index (Hedged to CHF)		5.0	-	-
R accumulation EUR	1 April 2016	8.5	-	-
S&P 500 Index (EUR)		7.7	-	-
R accumulation EUR (NAV hedged)	15 August 2016	0.1	-	-
S&P 500 Index (Hedged to EUR)		5.2	-	-
R accumulation USD	1 April 2016	6.0	-	-
S&P 500 Index (USD)		5.7	-	-
<b>Artemis US Select Fund</b>				
I accumulation CHF (NAV hedged)	1 April 2016	2.5	-	-
S&P 500 Index (Hedged to CHF)		5.0	-	-
I accumulation EUR	27 October 2014	26.8	5.8	5.4
S&P 500 Index (EUR)		31.5	13.2	10.8
I accumulation EUR (NAV Hedged)	1 April 2016	2.6	-	-
S&P 500 Index (Hedged to EUR)		5.2	-	-
I distribution GBP	6 May 2015	21.1	22.4	13.7
S&P 500 Index (GBP)		25.1	32.2	20.9
I accumulation GBP	19 September 2014	35.6	22.4	13.7
S&P 500 Index (GBP)		40.2	32.2	20.9
I accumulation GBP (NAV Hedged)	1 April 2016	2.9	-	-
S&P 500 Index (Hedged to GBP)		5.6	-	-
I accumulation USD	27 October 2014	11.5	4.5	7.8
S&P 500 Index (USD)		15.2	12.6	13.6
R accumulation CHF (NAV hedged)	1 April 2016	2.2	-	-
S&P 500 Index (Hedged to CHF)		5.0	-	-
R accumulation EUR	1 April 2016	5.2	-	-
S&P 500 Index (EUR)		7.7	-	-
R accumulation EUR (NAV Hedged)	1 April 2016	2.3	-	-
S&P 500 Index (Hedged to EUR)		5.2	-	-
R accumulation USD	1 April 2016	2.8	-	-
S&P 500 Index (USD)		5.7	-	-
<b>Artemis US Smaller Companies Fund</b>				
I accumulation EUR	27 October 2014	37.2	8.8	12.5
Russell 2000 Index (EUR)		30.0	9.3	17.9
I accumulation GBP	27 October 2014	47.8	25.9	21.4
Russell 2000 Index (GBP)		40.3	27.5	28.6
I accumulation USD	27 October 2014	20.6	7.5	15.1
Russell 2000 Index (USD)		13.9	8.6	20.9

Source: Lipper Limited, mid to mid in share class currency to 31 August 2016. All performance figures show total returns with dividends reinvested, percentage growth.

## Information for Swiss Investors

### Total expense ratio

The total expense ratios below have been calculated as at 31 August 2016 in accordance with the guidelines issued by the Swiss Funds Association and are provided for each share class within the sub-funds. The total expense ratio shows the current operating expenses of each share class as a percentage of the net assets of the that class.

	Operating expenses	Performance fees	31 August 2016 Total expense ratio
<b>Artemis Global Emerging Markets Fund</b>			
I accumulation EUR	1.00%	-	1.00%
I distribution GBP	1.00%	-	1.00%
I accumulation GBP	1.00%	-	1.00%
I accumulation USD	1.00%	-	1.00%
<b>Artemis Global Equity Income Fund</b>			
I distribution EUR	0.97%	-	0.97%
I accumulation EUR	0.97%	-	0.97%
I distribution GBP	0.97%	-	0.97%
I accumulation GBP	0.97%	-	0.97%
I distribution USD	0.97%	-	0.97%
I accumulation USD	0.97%	-	0.97%
R accumulation EUR	1.72%	-	1.72%
R accumulation USD	1.72%	-	1.72%
<b>Artemis Pan-European Absolute Return Fund</b>			
I accumulation EUR (Hedged)	1.00%	0.62%	1.62%
I accumulation GBP (Hedged)	1.00%	0.52%	1.52%
I accumulation USD (Hedged)	1.00%	0.45%	1.45%
<b>Artemis US Absolute Return Fund</b>			
I accumulation CHF (NAV hedged)	0.90%	-	0.90%
I accumulation EUR (NAV hedged)	0.90%	-	0.90%
I accumulation GBP (NAV hedged)	0.90%	-	0.90%
I accumulation USD	0.90%	0.04%	0.94%
R accumulation CHF (NAV hedged)	1.65%	-	1.65%
R accumulation EUR (NAV hedged)	1.65%	-	1.65%
R accumulation USD	1.65%	-	1.65%
<b>Artemis US Equity Fund</b>			
I accumulation EUR	1.00%	-	1.00%
I accumulation GBP	1.00%	-	1.00%
I accumulation USD	1.00%	-	1.00%
<b>Artemis US Extended Alpha Fund</b>			
I accumulation CHF (NAV hedged)	0.87%	-	0.87%
I accumulation EUR	0.87%	0.15%	1.02%
I accumulation GBP	0.87%	0.34%	1.21%
I accumulation GBP (NAV hedged)	0.87%	-	0.87%
I accumulation USD	0.87%	-	0.87%
R accumulation CHF	1.62%	0.01%	1.63%
R accumulation CHF (NAV hedged)	1.62%	-	1.62%
R accumulation EUR	1.62%	0.01%	1.63%
R accumulation EUR (NAV hedged)	1.62%	0.11%	1.73%
R accumulation USD	1.62%	-	1.62%

## Information for Swiss Investors (continued)

	Operating expenses	Performance fees	31 August 2016 Total expense ratio
<b>Artemis US Select Fund</b>			
I accumulation CHF (NAV hedged)	0.85%	-	0.85%
I accumulation EUR	0.85%	-	0.85%
I accumulation EUR (NAV hedged)	0.85%	-	0.85%
I accumulation GBP	0.85%	-	0.85%
I accumulation GBP (NAV hedged)	0.85%	-	0.85%
I distribution GBP	0.85%	-	0.85%
I accumulation USD	0.85%	-	0.85%
R accumulation CHF (NAV hedged)	1.60%	-	1.60%
R accumulation EUR	1.60%	-	1.60%
R accumulation EUR (NAV hedged)	1.60%	-	1.60%
R accumulation USD	1.60%	-	1.60%
<b>Artemis US Smaller Companies Fund</b>			
I accumulation EUR	0.98%	-	0.98%
I accumulation GBP	0.98%	-	0.98%
I accumulation USD	0.98%	-	0.98%

The total expense ratio shows the current operating expenses of each share class as a percentage of the net assets of the that class.

## General information

### Investment in the company

Investments in the sub-funds of Artemis Investment Funds ICVC are intended to be medium to long term investments and should not be considered as a short term investment.

Investors are reminded that past performance is not a guarantee of performance in the future and that the price of shares and the revenue from them can fall as well as rise. Please refer to the Key Investor Information Document and Prospectus (which are available from the ACD on request) for a full description of the risks involved when investing in the sub-funds.

Shares may be bought and sold by contacting the ACD by telephone, at the address on this page or via the website [artemis.co.uk](http://artemis.co.uk) in the UK. Valuation of the sub-funds takes place each business day at 12 noon UK time on a forward pricing basis.

The information contained within this document should not be construed as a recommendation to purchase or sell stocks.

### Publication of prices

The most recent prices are published on the ACD's website [artemis.co.uk](http://artemis.co.uk), which is the primary method of price publication.

For further details and where to find such prices please contact the ACD. Shares are not quoted on any recognised investment exchange.

### Tax information reporting

UK tax legislation requires authorised corporate directors to provide information to HMRC on certain investors who purchase shares in ICVC sub-funds. Accordingly, the company may have to provide information annually to HMRC on the tax residencies of those shareholders 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 shareholders that invest in the fund must complete a certification form as part of the application form. Existing shareholders 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](http://gov.uk/government/publications/exchange-of-information-account-holders).

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

## General information (continued)

### Austrian paying & information agent

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1010 Vienna  
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## Share class launches

The launch dates of the share classes in the period are as follows:

Artemis US Absolute Return Fund	
I accumulation CHF (NAV hedged)	1 April 2016
R accumulation CHF (NAV hedged)	1 April 2016
R accumulation EUR (NAV hedged)	1 April 2016
R accumulation USD	1 April 2016
Artemis US Extended Alpha Fund	
I accumulation CHF (NAV hedged)	1 April 2016
I accumulation GBP (NAV hedged)	1 April 2016
R accumulation CHF (NAV hedged)	1 April 2016
R accumulation CHF	1 April 2016
R accumulation EUR	1 April 2016
R accumulation EUR (NAV hedged)	15 August 2016
R accumulation USD	1 April 2016
Artemis US Select Fund	
I accumulation CHF (NAV hedged)	1 April 2016
I accumulation EUR (NAV hedged)	1 April 2016
I accumulation GBP (NAV hedged)	1 April 2016
R accumulation CHF (NAV hedged)	1 April 2016
R accumulation EUR	1 April 2016
R accumulation EUR (NAV hedged)	1 April 2016
R accumulation USD	1 April 2016

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