PROFIT *hunters*

ARTEMIS UK Smaller Companies *Fund*

Manager's Report and Financial Statements for the year ended 31 December 2016

ARTEMIS
The PROFIT Hunter

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artemis.co.uk

General information

Company profile

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 £24.5 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 means that our fund managers' interests are directly aligned with those of our investors.

* Source: Artemis as at 31 January 2017.

Fund status

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

Investment objective

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

Investment policy

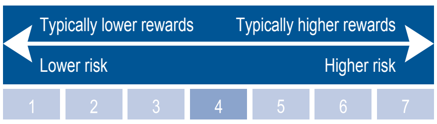
The manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on ISDX may be included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

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

Buying and selling

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

Risk and reward profile



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

The risk indicator for the fund is as above because:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- 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.

Prospectus

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

New unit class

With effect from 14 September 2016, a new I distribution class was launched. Further information on this class is contained in the prospectus which is available from the manager at the address or website shown on page 2.

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its staff for its financial year.

The first full financial year for Artemis Fund Managers Limited under the amended regulations will end on 31 December 2017, therefore as this information is not yet available the required disclosures have been omitted from the Manager's Report and Financial Statements as permitted by COLL.

General information (continued)

Details of Artemis Fund Managers Limited's UCITS remuneration policy is disclosed on Artemis' website artemis.co.uk.

Tax information reporting

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

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

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

Manager

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

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

Investment adviser

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

Trustee and Depositary

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

Registrar

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

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

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

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

Statement of the trustee's responsibilities and report of the trustee to the unitholders of the Artemis UK Smaller Companies Fund (the 'scheme') for the year ended 31 December 2016

The trustee must ensure that the scheme is managed in accordance with COLL, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

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

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

The trustee must ensure that:

- the scheme's cash flows are properly monitored (this requirement on the depositary applied from 18 March 2016) and that cash of the scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the scheme's assets is remitted to the scheme within the usual time limits;
- the scheme's income is applied in accordance with the Regulations; and
- the instructions of the manager are carried out (unless they conflict with the Regulations).

The trustee also has a duty to take reasonable care to ensure that the scheme is managed in accordance with the Regulations and the scheme documents in relation to the investment and borrowing powers applicable to the scheme.

Report of the trustee

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the schemes income in accordance with the Regulations and the scheme documents, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

National Westminster Bank Plc
Trustee & Depositary Services

Edinburgh
22 February 2017

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year. In preparing the financial statements the manager is required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');

(iii) follow applicable accounting standards;

(iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL.

The manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis UK Smaller Companies Fund for the year ended 31 December 2016 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
R J Turpin — Director
Artemis Fund Managers Limited

London
22 February 2017

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.

General information (continued)

Independent auditor's report to the unitholders of the Artemis UK Smaller Companies Fund

We have audited the financial statements of Artemis UK Smaller Companies Fund (the 'fund') for the year ended 31 December 2016 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes 1 to 19 and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard ('FRS') 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the unitholders of the fund, as a body, pursuant to paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the manager and auditor

As explained more fully in the manager's responsibilities statement set out on page 3, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the manager's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund as at 31 December 2016 and of the net revenue and the net gains on the scheme property of the fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ernst & Young LLP
Statutory Auditor

Edinburgh
22 February 2017

- The fund returned 12.9%* versus 11.1%* from its benchmark.
- Returns from UK companies are helped by sterling's weakness.
- Despite Brexit (our) smaller companies remain optimistic.

Performance – A strong (if topsy-turvy) year ...

2016 was another satisfactory – if at times rather topsy-turvy – year. The fund returned 12.9%, ahead of its benchmark. Our cautious investment philosophy usually means the fund outperforms when markets are weak but underperforms when they are very strong. The opposite was true this year. While the fund's sector exposure held its relative returns back in the first half of the year, good stock selection in the second half – when markets were far stronger – more than made up for that.

The fund has minimal exposure to the mining sector. Due to their dependence on volatile commodity prices, mining companies often lack the recurring and predictable cashflows that we seek. That positioning was unhelpful over the year as a whole, particularly in its first six months, when the wider market weakened as investors grew fearful ahead of – and in immediate reaction to – the Brexit vote.

In contrast, the second half of the year saw confidence recovering. And as UK companies' overseas earnings became more valuable to sterling-based investors, it also brought a spate of upgrades to profit forecasts. A number of the fund's holdings performed well during this period. These outperformers were pleasingly diverse and their strong returns can't be attributed to any single 'theme'. Their gains were variously prompted by: a successful drilling result (from Hurricane Energy); a long-awaited return to growth (at Games Workshop Group); results demonstrating rapid growth in sales (Craneware); continued profit upgrades (Somero Enterprises), a large VAT refund (Sportech) and a takeover bid (Creston). This meant that despite the ongoing drag from its lack of mining stocks, the fund outperformed a rising market in the second half of the year.

Review – Amid uncertainty, we stick to stocks ...

Results from our companies this year were generally good and improved as the year progressed, with the final quarter bringing some particularly strong updates. Oil explorer Hurricane Energy was the biggest contributor in the second half, benefiting from positive drilling results at two adjacent oil fields in the North Sea: Lancaster and Lincoln. It has also recently secured the licence to drill in a new area ('Halifax') adjoining the Lancaster field. If successful, this could substantially increase the size and value of the discovery, which could prove to be one of the largest in the North Sea for many years. Although we are excited by the size of the opportunity that lies before Hurricane Energy, we have been trimming our holding as its share price has risen to ensure the weighting in the fund remains commensurate with the risk. The company still needs to raise $400 million to build the initial rig system and has not yet tested production over a prolonged period.

Craneware, which provides software to US hospitals, reported very strong growth in sales which will result in revenue growth accelerating rapidly over the next few years. Investors in the UK also benefited from the increased value of its dollar earnings as sterling weakened. That currency effect also helped Somero Enterprises, the global leader in concrete-levelling machinery. Somero Enterprises' exceptional run of exceeding the market's expectations has continued and, should a Trump-inspired construction boom in the US materialise, Somero Enterprises would certainly be a beneficiary. Yet despite the strong performance of Somero's shares to date, we do not believe this is reflected in its valuation: it trades on a price-to-earnings multiple of just 11 times next year's earnings and generates a free cashflow yield of over 7%.

Games Workshop Group, which makes and sells fantasy model games and figurines, announced profits that were higher than expected. Its new initiatives, such as introducing new products more frequently but on a smaller scale, are finding favour with its customers. It also appears to be gaining traction in the US.

Although Sportech failed to sell its pools division, there was good news as it won its £97 million dispute with HMRC over VAT incorrectly applied to the old 'Spot the Ball' competition. The value of this victory could more than double should the Barclay brothers win their precedent-setting case against HMRC, in which they are arguing that interest on refunds should be calculated on a compound rather than simple basis. The government recently changed the tax treatment of compound interest claims to tax them at 45% rather than 20%.

Creston, a marketing services company, received a 125p per share cash bid from DBay Advisers, its largest holder. A take-out multiple of under 10 times next year's earnings looks modest in comparison to the valuations of similar companies. And while the offer came at a 25% premium, that should be seen in the context of what was previously a depressed share price. But as no rival bid was forthcoming – and because a prolonged period of uncertainty would have damaged this people-based business – we reluctantly accepted the offer.

Hargreaves Services reported that its profits and cashflows would both be ahead of expectations. It is in the midst of transforming itself from its legacy business as a coal miner into an industrial services and property

* Source: Lipper Limited, class I accumulation units, bid to bid basis, in sterling with dividends reinvested. Benchmark is the Numis Smaller Companies (excluding Investment Trusts) Index.

Investment review (continued)

company. We feel this transformation has yet to be fully appreciated by the market. In our view, investors have been too focused on the company's profits and are overlooking the substantial value of the assets on its balance sheet (in fact, this is a recurring theme across the market). We added to our holding.

Our Indonesian palm oil investment, REA Holdings, reacted well to the news of a cash offer for fellow UK-listed palm oil producer, M.P. Evans. Although the bid has subsequently fallen away, it was a reminder of the potential for consolidation in the sector. The UK-listed palm oil companies trade at a discount to their larger Malaysian and Indonesian peers who are finding it increasingly difficult to grow through planting new crops.

The year's worst performers tended to be holdings discussed in our interim report, such as Centaur Media, Lookers and STV Group. The biggest detractor in the second half of the year was Ebiquity. Its shares fell after its new chief executive announced a substantial increase in spending on sales and marketing and plans to invest in developing new products. The market was concerned that the boost to sales that this is projected to deliver (growth of 10% a year from 2016 to 2021) was insufficient to justify the investment given the uncertainty as to whether the planned growth would materialise. We have stuck with the holding as we feel the company is being deliberately cautious in its projections and may be overstating the short-term impact on margins. The planned investments will internationalise a product that helps Ebiquity's clients to maximise the return they achieve on their marketing budgets. This division has been growing very fast (at over 40% per year over the last three years) in the UK, the US and Spain. We can see no reason why the group's existing customers in the other countries in which it does business should not also buy this product.

GB Group, the anti-identity-theft company, reported organic growth in revenues of 9% in the first half and an 11% increase in profits. But it also warned that the UK government's 'Verify' initiative for online identification was progressing slower than expected. This prompted some analysts to make modest cuts to their forecasts for its future growth and the shares fell by more than 20%. We had been concerned that the shares were being fully valued and had trimmed our holding before the news. In hindsight, we should have sold more – but this remains a high quality company with great prospects. It's just a question of what valuation the company deserves for those prospects. We think this is an important question across the market at the moment. Investors seem ever more fearful of being caught owning a company which has a profit warning with a result that 'quality growth' stocks (where the chance of a profit warning is perceived to be low) have been driven to ratings seldom seen before. We are conscious that even the slightest disappointment could cause these highly rated companies to come under pressure.

In keeping with this, we continued to reduce our exposure to some of our high growth and highly rated companies as their valuations pushed ever upwards. In the cases of Abcam and Fevertree Drinks we have sold out completely; in the cases of 4imprint Group, Advanced Medical Solutions Group, Clipper Logistics and Sanne Group we have reduced our holdings.

We also sold Euromoney Institutional Investor this year. A new management team at the Daily Mail decided to sell part of its long-held stake in the business both through a standard sale into the market and through the less standard procedure of arranging for Euromoney Institutional Investor to use its cash to buy the shares back directly. Because the deal was 'earnings enhancing' it pleased the market. But for us that left the problem of a substantial overhang (Daily Mail still holds 49% of Euromoney's shares) and a weaker balance sheet (it used cash to buy back Daily Mail's shares). We decided to sell our entire holding.

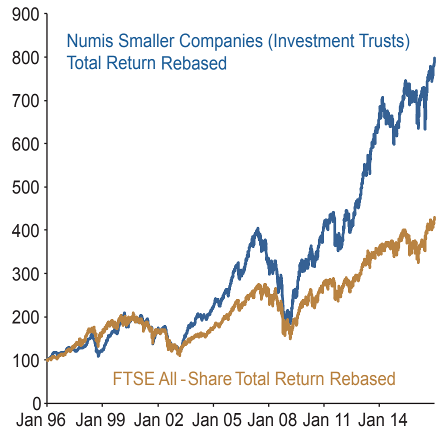
Our largest purchase was an old favourite: the price comparison company Moneysupermarket.com Group. A 20% fall in its share price in the first half of the year pulled its valuation back down to our target range. Investors had become worried that there might be a repeat of the company's poor performance after the banking crisis – but we think those worries are overdone: at that time, the company was far more reliant on credit card deals than it is today. We feel that a 6% free cashflow yield, in the context of a balance sheet with net cash and its market-leading position, makes it look good value on a three-to-five-year view.

We also took part in the placing of a stake in Volution Group, an extractor fan company, by its previous owners (a venture capital firm). Given its strong market position, we feel it is in a good position to push through price rises and so recoup higher import costs. We can also see the potential for future acquisitions to create upside in its shares – but this is not in the market's forecasts. We also took a new stake in waste recycling group, Biffa, after its IPO price was cut. The shares offer a prospective free cashflow yield of 8%. We like the defensive nature of the company's earnings and its strong position in the market (it is number one in industrial and commercial waste and second in municipal waste). We think Biffa could use its strong cashflows to buy up its smaller competitors and plug them into its existing national waste-collection network.

Outlook – The enduring case for small caps ...

That 2016 was such a bad year for pollsters and market forecasters served as a useful reminder as to where we should focus our efforts. We will continue to minimise the amount of time we spend trying to predict in which direction the economic winds will blow. Instead, we will focus on looking for those stocks that meet our investment criteria. We take comfort from the fact that small caps have consistently outperformed large caps (this is a global, not just a UK, phenomenon) and that, as a result of compounding, the outperformance this generates over the long-term is enormous. This outperformance has been matched by faster earnings growth and, as a result, smaller companies are currently trading at a discount to large caps.

Smaller Companies: The long-term case



Source: Thomson Reuters Datastream

So the background for smaller companies remains positive. To that, we try to add a further boost through stockpicking. We have always valued stocks with strong positions in their markets. Over half of the fund's 20 largest holdings are leaders in their (often somewhat niche) fields. This will serve them well when it comes to the challenge of pushing through price rises to offset the higher cost of inputs due to sterling's weakness and allow them to sustain, or grow, profit margins.

We continue to like companies with strong balance sheets. Over half of the fund is invested in stocks that are expected to have net cash by the end of the year. We see this as providing both an undervalued option on growth (the market is often reluctant to value unannounced investment or acquisition activity) and insurance against an economic deterioration (in an uncertain world, this is increasingly valuable).

2016 was not an especially busy year for M&A in the smaller companies market but the takeovers of Creston and Source BioScience remind us that the traits we value (strong market positions, predictable and growing cashflows, robust balance sheets and reasonable valuations) may also be attractive to potential acquirers. Historically, small caps have been 40% more likely to be taken over than their larger peers.

The encouraging updates that we have received from so many of our holdings in recent months reassure us that, for now, they are generally trading well. Although the full ramifications of Brexit remain hard to predict, most of our investee company management teams are optimistic about future prospects. We look ahead to 2017 with similar optimism.

Mark Niznik & William Tamworth
Fund managers

Investment information

Five largest purchases and sales for the year ended 31 December 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Moneysupermarket.com Group	7,580	Xchanging	10,763
Consort Medical	4,664	Creston	7,155
Volution Group	4,514	Advanced Medical Solutions Group	6,284
Tyman	4,263	GB Group	5,206
Hansteen Holdings, REIT	4,205	Abcam	4,916

Portfolio statement as at 31 December 2016

Investment	Holding	Valuation £'000	% of net assets
Equities 95.67% (102.07%)			
Basic Materials 2.42% (1.41%)			
Harworth Group	1,319,394	1,174	0.32
Kenmare Resources Warrant 16/11/2019 ^	1,600	-	-
Thistle Mining ^	2,376,532	-	-
Victrex	405,732	7,823	2.10
		8,997	**2.42**
Consumer Goods 8.80% (10.29%)			
Bagir Group #	6,673,571	250	0.07
Cranswick	153,622	3,590	0.96
Focusrite #	1,239,800	2,628	0.70
Games Workshop Group	1,332,622	9,348	2.51
Hilton Food Group	909,769	5,759	1.54
REA Holdings	2,031,986	7,107	1.91
REA Holdings Preference 9.00%	271,743	249	0.07
Redrow	897,464	3,860	1.04
		32,791	**8.80**
Consumer Services 23.58% (27.90%)			
4imprint Group	476,925	8,351	2.24
Bonmarche Holdings	1,430,384	1,216	0.33
Centaur Media	15,813,391	6,484	1.74
CVS Group #	552,989	6,028	1.62
DFS Furniture	1,494,985	3,382	0.91
Ebiquity #	7,142,257	6,785	1.82
Global Market Group ^	1,138,309	-	-
Johnston Press	1,101,978	143	0.04
Lookers	4,851,304	5,615	1.51
Moneysupermarket.com Group	2,622,345	7,744	2.08
Moss Bros Group	3,950,631	3,872	1.04
Rank Group	1,365,764	2,662	0.71
Revolution Bars Group	1,844,755	3,971	1.07
SafeStyle UK #	2,080,899	6,045	1.62
ScS Group	2,528,063	4,298	1.15
Sportech	10,573,127	9,251	2.48
STV Group	663,360	2,355	0.63
Tarsus Group	3,452,569	9,641	2.59
		87,843	**23.58**
Financials 10.71% (9.54%)			
Brooks Macdonald Group #	470,034	8,992	2.42
H&T Group #	2,303,910	5,788	1.55
Hansteen Holdings, REIT	6,395,166	7,201	1.93

Investment	Holding	Valuation £'000	% of net assets
Helical	911,718	2,660	0.72
Park Group #	8,554,369	6,245	1.68
Polar Capital Holdings #	1,434,840	4,186	1.12
Rathbone Brothers	75,484	1,491	0.40
ROK Global ^	66,097	-	-
U & I Group	1,958,144	3,329	0.89
		39,892	**10.71**
Healthcare 6.86% (11.19%)			
Advanced Medical Solutions Group #	1,579,759	3,511	0.94
Alliance Pharma #	21,054,702	9,843	2.64
Consort Medical	465,730	4,937	1.33
Dechra Pharmaceuticals	264,204	3,540	0.95
Vectura Group	2,703,393	3,706	1.00
		25,537	**6.86**
Industrials 26.49% (26.93%)			
Biffa	1,760,000	3,142	0.84
Charles Taylor	1,990,000	4,681	1.26
Clipper Logistics	876,692	3,334	0.89
Connect Group	3,485,591	5,298	1.42
Diploma	318,848	3,303	0.89
Hargreaves Services #	2,479,222	6,762	1.82
Hill & Smith Holdings	199,949	2,395	0.64
Keller Group	721,340	6,074	1.63
Mears Group	2,372,785	10,446	2.80
Norcros	2,856,329	5,106	1.37
Northbridge Industrial Services	1,507,778	1,659	0.45
Pressure Technologies #	175,000	280	0.07
Sanne Group	685,759	4,018	1.08
Senior	3,053,588	5,875	1.58
Severfield	9,602,916	7,106	1.91
Somero Enterprises #	4,709,949	10,268	2.76
Tyman	1,692,930	4,622	1.24
Volution Group	3,971,621	6,464	1.74
XP Power	450,721	7,829	2.10
		98,662	**26.49**
Oil & Gas 3.11% (0.80%)			
Energy Equity Resources ^	14,000	-	-
Hurricane Energy #	9,385,201	4,669	1.25
Ithaca Energy #	6,589,993	6,590	1.77
MyCelx Technologies A shares #	1,225,223	337	0.09
Timan Oil & Gas ^	1,431,667	-	-
		11,596	**3.11**
Technology 11.26% (10.27%)			
Computacenter	1,418,953	11,323	3.04
Craneware #	586,137	7,708	2.07
FDM Group Holdings	663,816	3,651	0.98
GB Group #	1,447,810	3,971	1.06
Proactis Holdings #	1,815,164	2,795	0.75
RM	5,276,574	7,031	1.89
ROK Entertainment Group ^	410,914	-	-
SDL	1,270,807	5,477	1.47
		41,956	**11.26**

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Telecommunications 2.44% (3.74%)			
Telecom Plus	770,176	9,080	2.44
		9,080	**2.44**
Investment assets		356,354	95.67
Net other assets		16,113	4.33
Net assets attributable to unitholders		372,467	100.00

The comparative percentage figures in brackets are as at 31 December 2015.
^ Unlisted, suspended or delisted security.
# Security listed on the Alternative Investment Market ('AIM').

Statement of total return for the year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2015 £'000
Income					
Net capital gains	3		35,052		56,321
Revenue	5	10,166		9,062	
Expenses	6	(4,348)		(4,985)	
Interest payable and similar charges	7	(20)		-	
Net revenue before taxation		5,798		4,077	
Taxation	8	(48)		(59)	
Net revenue after taxation			5,750		4,018
Total return before distributions			**40,802**		**60,339**
Distributions	9		(5,772)		(4,464)
Change in net assets attributable to unitholders from investment activities			35,030		55,875

Statement of change in net assets attributable to unitholders for the year ended 31 December 2016

	31 December 2016 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2015 £'000
Opening net assets attributable to unitholders		362,833		352,564
Amounts receivable on issue of units	7,668		3,613	
Amounts payable on cancellation of units	(38,588)		(53,355)	
		(30,920)		(49,742)
Change in net assets attributable to unitholders from investment activities		35,030		55,875
Retained distribution on accumulation units		5,524		4,136
Closing net assets attributable to unitholders		372,467		362,833

Balance sheet as at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Assets			
Fixed assets			
Investments	10	356,354	370,356
Current assets			
Debtors	11	7,851	803
Cash and bank balances	12	8,987	-
Total current assets		**16,838**	**803**
Total assets		**373,192**	**371,159**
Liabilities			
Creditors			
Bank overdraft		-	7,786
Other creditors	13	725	540
Total creditors		**725**	**8,326**
Total liabilities		**725**	**8,326**
Net assets attributable to unitholders		372,467	362,833

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with SORP.

In March 2016 an amendment was made to the SORP for the fair value hierarchy requirements of FRS 102, which became effective for accounting periods beginning on or after 1 January 2017. As a result, our prior year fair value disclosures have been restated to show our assets under three levels instead of the four which was required under the original SORP. The change has been adopted early, as permitted, for the financial statements for the year ended 31 December 2016.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price. Unquoted investments are valued at fair value which is determined by the investment manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board.

(c) Foreign exchange rates. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/ stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Bank interest is recognised on an accruals basis. Underwriting commission is recognised when the issue underwritten takes place.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount. Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and trustee have agreed, for the Distribution class only, that 100% of the annual management charge is to be transferred to capital for the purpose of calculating its distribution, as permitted by COLL. The distribution currently payable reflects this treatment. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gains

	31 December 2016 £'000	31 December 2015 £'000
Non-derivative securities	35,056	56,326
Currency losses	-	(1)
Capital transaction charges	(4)	(4)
Net capital gains	35,052	56,321

4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the fund on each transaction and are summarised below.

	Year ended 31 December 2016					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	91,648	69	376	92,093	0.08	0.41
Sales						
Equities	141,240	90	-	141,150	0.06	-
Total		159	376			
Percentage of fund average net assets		0.04%	0.11%			

	Year ended December 2015					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	83,360	84	235	83,679	0.10	0.28
Sales						
Equities	109,738	148	-	109,590	0.13	-
Total		232	235			
Percentage of fund average net assets		0.06%	0.07%			

During the year the fund incurred £4,000 (2015: £4,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 2.05% (2015: 2.20%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

5. Revenue

	31 December 2016 £'000	31 December 2015 £'000
UK dividends	8,682	7,638
Overseas dividends	1,387	1,320
Revenue from UK REITs	65	72
Bank interest	32	32
Total revenue	10,166	9,062

Notes to the financial statements (continued)

6. Expenses

	31 December 2016 £'000	31 December 2015 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	4,043	4,656
Other expenses:		
Registration fees	116	139
Administration fees	83	90
Operational fees	45	37
Trustee fees	42	43
Safe custody fees	9	9
Auditor's remuneration: audit fees *	8	8
Printing and postage fees	1	2
Price publication fees	1	1
Total expenses	4,348	4,985

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £7,000 (2015: £7,000).

7. Interest payable and similar charges

	31 December 2016 £'000	31 December 2015 £'000
Interest payable	20	-
Total interest payable and similar charges	20	-

8. Taxation

	31 December 2016 £'000	31 December 2015 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	48	59
Total taxation (note 8b)	48	59
b) Factors affecting the tax charge for the year		
Net revenue before taxation	5,798	4,077
Corporation tax at 20% (2015: 20%)	1,160	815
Effects of:		
Unutilised management expenses	854	976
Irrecoverable overseas tax	48	59
Non-taxable overseas dividends	(277)	(264)
Non-taxable UK dividends	(1,737)	(1,527)
Tax charge for the year (note 8a)	48	59

c) Provision for deferred tax
No provision for deferred tax has been made in the current or prior accounting year.

d) Factors that may affect future tax charges
The fund has not recognised a deferred tax asset of £17,577,000 (2015: £16,723,000) arising as a result of having unutilised management expenses of £87,883,000 (2015: £83,613,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	31 December 2016 £'000	31 December 2015 £'000
Final dividend distribution	5,524	4,136
Add: amounts deducted on cancellation of units	307	354
Deduct: amounts added on issue of units	(59)	(26)
Distributions	5,772	4,464
Movement between net revenue and distributions		
Net revenue after taxation	5,750	4,018
Add: revenue received on conversion of units	22	446
	5,772	4,464

The distributions takes account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution table on page 19.

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy in accordance with FRS 102 which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;
Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;
Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	31 December 2016 Assets £'000	31 December 2015 Assets £'000
Level 1	356,354	370,356
Total	356,354	370,356

11. Debtors

	31 December 2016 £'000	31 December 2015 £'000
Sales awaiting settlement	7,155	-
Accrued revenue	695	721
Amounts receivable for issue of units	1	80
Prepaid expenses	-	2
Total debtors	7,851	803

Notes to the financial statements (continued)

12. Cash and bank balances

	31 December 2016 £'000	31 December 2015 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	8,987	-
Total cash and bank balances	8,987	-

13. Other creditors

	31 December 2016 £'000	31 December 2015 £'000
Accrued annual management charge	331	356
Amounts payable for cancellation of units	315	84
Accrued other expenses	79	100
Total other creditors	725	540

14. Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

15. Reconciliation of unit movements

Class	Units in issue at 31 December 2015	Units issued	Units cancelled	Units converted	Units in issue at 31 December 2016
I distribution *	-	900	-	-	900
I accumulation	12,277,533	2,161,961	(3,447,171)	1,849,752	12,842,075
R accumulation	18,019,746	398,333	(1,730,160)	(1,928,134)	14,759,785

* Launched on 14 September 2016.

16. Risk disclosures

The fund's financial instruments comprise equities, cash balances and liquid resources which include debtors and creditors. The fund holds such financial assets in accordance with its investment objective and policy which is provided on page 1. The fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the fund's investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in equities and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. As the majority of the fund's financial assets are non-interest bearing, the fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates.

(ii) Currency risk

As at 31 December 2016 there were no assets or liabilities denominated in currencies other than sterling (2015: £nil).

Gross exposure	Investments £'000	Net other assets/ (liabilities) £'000	Total £'000
31 December 2016			
Sterling	356,354	16,113	372,467
31 December 2015			
Sterling	370,356	(7,523)	362,833

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £17,817,000 (2015: £18,518,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under the commitment method.

The fund can use cash borrowing and financial derivatives (subject to restrictions as set out in its Prospectus and COLL) as sources of leverage.

The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. A result of 100% indicates that no leverage has been used.

As at 31 December 2016 the amount of leverage used by the fund was 100% (2015: 102%).

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with J.P. Morgan Chase N.A. ('JP Morgan'), the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JP Morgan may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan.

There were no significant concentrations of credit risk to counterparties other than to the custodian, or brokers where trades are pending settlement, at 31 December 2016 or 31 December 2015.

(c) Liquidity risk

Some of the fund's financial instruments can include securities that are not listed on a recognised stock exchange and which may not always be readily realisable. However, from time to time, liquidity in any market or in a specific security can be affected by economic events. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

Notes to the financial statements (continued)

17. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 11 and notes 6, 9, 11 and 13 on pages 14 to 16 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2016 in respect of these transactions was £645,000 (2015: £360,000).

18. Unit classes

The annual management charge is:

I distribution: 0.75%
I accumulation: 0.75%
R accumulation: 1.50%

The net asset value per unit and the number of units in each class are given in the comparative table on page 20. The distributions per unit class are given in the distribution tables on page 19. All classes have the same rights.

19. Post balance sheet event

Since 31 December 2016, the net asset values per unit have changed as follows:

	Net asset value per unit (p)		
	20 February 2017	31 December 2016	Movement
I distribution	1,434.10	1,355.17	5.8%
I accumulation	1,464.82	1,384.11	5.8%
R accumulation	1,394.61	1,319.17	5.7%

Distribution tables

Final dividend distribution for the year ended 31 December 2016 (payable on 28 February 2017) in pence per unit.

Group 1 - Units purchased prior to 1 January 2016.
Group 2 - Units purchased from 1 January 2016 to 31 December 2016.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2017	Distribution per unit (p) 26 February 2016
I accumulation				
Group 1	25.4247	-	25.4247	19.0415
Group 2	15.7999	9.6248	25.4247	19.0415
R accumulation				
Group 1	15.3023	-	15.3023	9.9780
Group 2	9.7856	5.5167	15.3023	9.9780

Corporate unitholders should note that:

1. 100.00% of the revenue distribution together with the tax credit 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.

Final dividend distribution for the period ended 31 December 2016 (payable 28 February 2017) in pence per unit.

Group 1 - Units purchased prior to 14 September 2016.
Group 2 - Units purchased from 14 September 2016 to 31 December 2016.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2017
I distribution			
Group 2	10.1853	18.0525	28.2378

There are no Group 1 unitholders.

1. 100.00% of the revenue distribution together with the tax credit 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 units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Comparative tables

	I distribution **	I accumulation		
	2016	2016	2015	2014
Change in net assets per unit (p)				
Opening net asset value per unit	**1,290.09**	**1,226.58**	**1,030.36**	**1069.71**
Return before operating charges *	96.94	167.91	205.92	(30.41)
Operating charges	(3.62)	(10.38)	(9.70)	(8.94)
Return after operating charges	93.32	157.53	196.22	(39.35)
Distributions	(28.24)	(25.42)	(19.04)	(13.21)
Retained distributions on accumulation units	-	25.42	19.04	13.21
Closing net asset value per unit	**1,355.17**	**1,384.11**	**1,226.58**	**1,030.36**
* after direct transaction costs of	(1.71)	(1.61)	(1.27)	(0.74)
Performance				
Return after charges	7.23%	12.84%	19.04%	(3.68)%
Other information				
Closing net asset value (£'000)	12	177,748	150,593	74,749
Closing number of units	900	12,842,075	12,277,533	7,254,602
Operating charges	0.24%	0.84%	0.84%	0.84%
Direct transaction costs	0.13%	0.13%	0.11%	0.07%
Prices				
Highest offer unit price (p)	1,431.42	1,432.15	1,273.98	1,152.02
Lowest bid unit price (p)	1,113.76	1,112.16	1,027.43	976.02

	R accumulation		
	2016	2015	2014
Change in net assets per unit (p)			
Opening net asset value per unit	**1,177.82**	**996.90**	**1,042.81**
Return before operating charges *	160.18	198.43	(29.34)
Operating charges	(18.83)	(17.51)	(16.57)
Return after operating charges	141.35	180.92	(45.91)
Distributions	(15.30)	(9.98)	(4.96)
Retained distributions on accumulation units	15.30	9.98	4.96
Closing net asset value per unit	**1,319.17**	**1,177.82**	**996.90**
* after direct transaction costs of	(1.54)	(1.21)	(0.78)
Performance			
Return after charges	12.00%	18.15%	(4.40)%
Other information			
Closing net asset value (£'000)	194,706	212,240	277,815
Closing number of units	14,759,785	18,019,746	27,867,898
Operating charges	1.59%	1.59%	1.59%
Direct transaction costs	0.13%	0.11%	0.07%
Prices			
Highest offer unit price (p)	1,419.01	1,271.79	1,166.14
Lowest bid unit price (p)	1,063.83	993.92	945.81

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to issues of units and subtracted from the cancellation of units.
** Launched 14 September 2016.
The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Ongoing charges

Class	31 December 2016
I distribution	0.84%
I accumulation	0.84%
R accumulation	1.59%

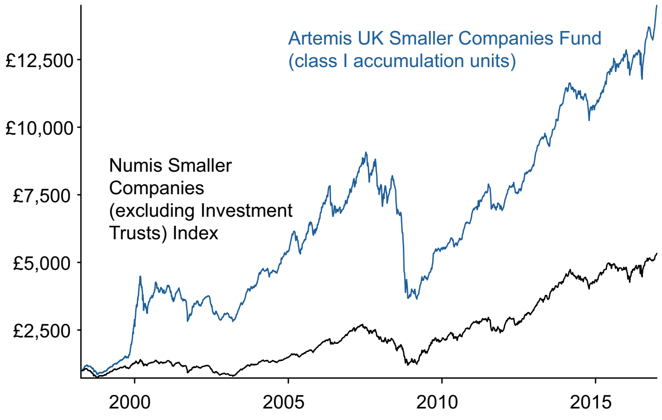
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund	1,352.0	107.1	28.8	12.9	21.8
Numis Smaller Companies (ex-Inv Trust) Index	435.0	114.6	20.6	11.1	17.7
Sector average	446.0	107.9	22.0	8.5	19.4
Position in sector	2/17	29/40	21/46	11/46	15/47
Quartile	1	3	2	1	2

* Data from 3 April 1998. Source: Lipper Limited, data from 3 April 1998 to 1 September 2010 reflects class R accumulation units and from 1 September 2010 reflects class I accumulation units, bid to bid in sterling to 31 December 2016. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA UK Smaller Companies, universe of funds is those reporting net of UK taxes.

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

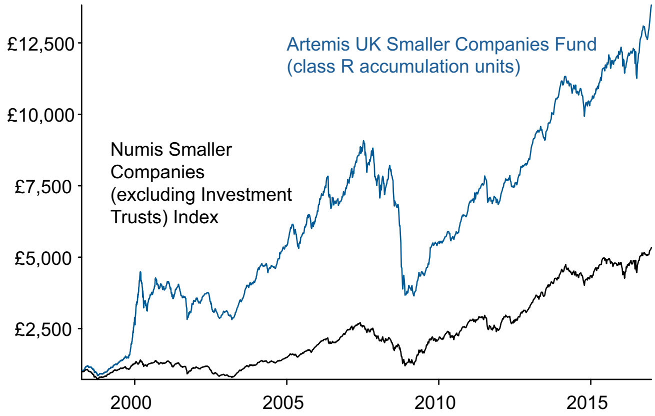


Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund	1,283.9	99.5	26.0	12.1	21.3
Numis Smaller Companies (ex-Inv Trust) Index	435.0	114.6	20.6	11.1	17.7

* Data from 3 April 1998. Source: Lipper Limited, class R accumulation units, bid to bid in sterling to 31 December 2016. All performance figures show total returns with dividends reinvested, percentage growth.

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



Changes to performance reporting

Following recent guidance from the Investment Association, changes have been made to fund performance disclosure. The majority of investors now buy ‘clean class’ fund units (typically those with the lowest charges), which for Artemis is the class I units. Sector performance information is therefore now shown for class I units, rather than for class R units.

Performance reporting periods for Artemis’ fund class I unit classes are now shown from the launch of the fund, rather than from the launch of the unit class. Where class I units were launched at a later date than the fund, the earlier period reflects the performance of the class R units, and from the launch of the class I units, reflects the class I performance.

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