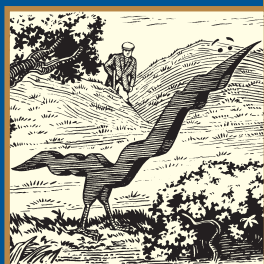


ARTEMIS UK Special Situations *Fund*

Half-Yearly Report (unaudited)
for the six months ended
30 June 2016

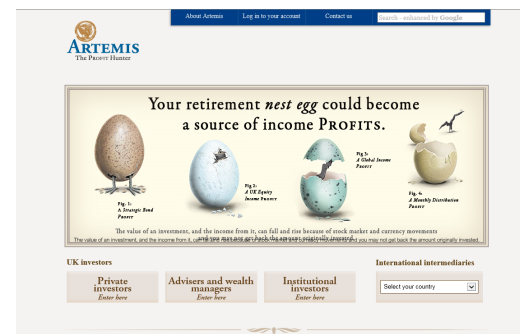


ARTEMIS
The PROFIT Hunter

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- 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



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 £23.2 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 31 July 2016.

Fund status

Artemis UK Special Situations Fund was constituted by a Trust Deed dated 25 & 28 February 2000 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 by exploiting special situations. The fund invests principally in UK equities and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK.

Investment policy

The manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investment either by company size or industry.

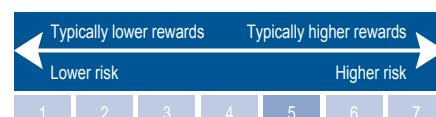
The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on ISDX may be included in the portfolio.

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

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website 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.

General information (continued)

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

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

Registrar

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

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

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

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

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis UK Special Situations Fund for the six months ended 30 June 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	R J Turpin
Director	Director
Artemis Fund Managers Limited	
London	
17 August 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.

Performance – Votes and volatility ...

We began 2016 in cautious mood. Six months later, we feel much the same. Yet while we expected a tough year, its first half was even worse than we thought. At times, the volatility was extreme, creating difficult conditions for long-term investors. The fund's performance in the first three months of the year was far from stellar and the gap between it and the benchmark widened further after the UK voted to leave the EU. Over the six month review period, the fund fell by 4.6%* versus a positive return of 4.3%* from the FTSE All-Share Index.

What caused the fund to underperform in this way? The performance gap widened sharply after the referendum. The vote to leave was viewed as a negative for the UK economy and, by extension, for any company dependent on domestic demand. Although the fund holds no housebuilders, no property companies and no retailers, it does have significant exposure (35.3% of the portfolio at the end of June) to mid cap stocks. And because many mid caps rely on domestic earnings, the FTSE 250 Index became a convenient proxy for investors looking for ways to express their worries about recession. Although our mid cap companies tend to derive a higher proportion of their earnings overseas than the average FTSE 250 stock (55% for our mid caps compared to 40% for the benchmark) they were nonetheless caught up in the blanket selling the vote to leave provoked.

The second, related phenomenon was sterling's collapse. Unless you are about to go on holiday, this is not necessarily a bad thing. For example, the fall in the pound means earnings derived overseas increase when translated back into sterling. The export companies in the fund have instantly become more competitive. However, the biggest beneficiaries of this effect are the UK's large oil, pharmaceutical, beverage and tobacco companies. These are the

companies that dominate the large-cap FTSE 100 Index. The result was that while the FTSE 100 Index rose by 6.6%* over the six-month reporting period, the FTSE 250 Index fell by 5.2%*. And while the fund holds a significant number of companies that are predominantly overseas earners – stocks such as Informa, Micro Focus International and Tate & Lyle – it had enough exposure to mid caps to offset their gains.

Review – Where the market overreacts, we respond ...

As New Year hangovers go, the 10% fall in the UK stock market during January was pretty bad. But as the first quarter progressed, results from companies helped to steady nerves. Growth may be difficult to deliver, but is not non-existent. As confidence returned, markets began to recover. Monetary stimulus from the European Central Bank – and a less aggressive tone from the US Federal Reserve – helped. Equities' gains also recognised the need for assets that can offer some return in an environment of negligible – or even negative – yields on government bonds.

After the tough start to the year, the UK market spent most of the second quarter undulating in response to opinion polls ahead of the referendum. The real volatility, however, came in the final week of June. Markets had generally expected the UK to vote to remain in the EU. That it voted to leave shattered the political status quo and share prices fell in anticipation of recession. We are not sure we have ever seen the mere expectation of recession being discounted in share prices so quickly.

In the short term, investors became quite indiscriminate in their selling, the sole distinction being: domestic earnings bad; overseas earnings good. In our portfolio, the pain was felt most sharply by the bus companies

(FirstGroup, Stagecoach Group), Rank Group, Balfour Beatty and the banks (Barclays and Royal Bank of Scotland). But was this the correct response or an overreaction?

After the sell off, Balfour Beatty's share price awarded a valuation on the entire company equivalent to the value of its PFI assets alone, meaning we get its construction and support service operations for free. Rank has strong brands and a strategy to digitise them. It also has a strong balance sheet that it can use to make deals, giving management a second way to create value for shareholders. The banks, meanwhile, now trade on lower valuation multiples than they did in 2009 despite the fact that they are in much better health, financially, than they were seven years ago. And although the bus companies would be hurt by any rise in unemployment, their share prices are now discounting a severe recession.

Even before the referendum, we were cautious on the outlook for corporate earnings. By creating uncertainty the leave vote increases the risk of a slowdown in the economy, giving managements an excuse to hold back from investing.

But this is far from Armageddon. Strategists and economists have probably been too aggressive in downgrading their estimates for the UK economy: Brexit has intensified the risk of a slowdown but the global economy continues to grow. And the fall in sterling is significant. So we have been buying more of our existing holdings. Many – but not all – are domestic companies. All of them, however, demonstrate 'self help'. We haven't been tempted into buying companies highly dependent on the economic cycle. So our shopping list has included Balfour Beatty, De La Rue, Centrica, Phoenix Group, Saga Group, Micro Focus International, Mitchells & Butlers, Stagecoach Group, Tesco and ITV. We have, meanwhile, taken profits in overseas earners which have performed very strongly since the referendum such as

* Source: Lipper Limited, class I accumulation units, bid to bid basis, in sterling with income reinvested to 30 June 2016. Benchmark is the FTSE All-Share Index. Sector is IA UK All Companies, universe of funds is those reporting net of UK taxes.

Investment review (continued)

AstraZeneca, BP, Berendsen and Tate & Lyle. The valuations of the latter two stocks in particular had been pushed to extremes.

We should note that we made substantial investments in four new holdings ahead of the vote: Centrica, Johnson Matthey, Pearson and Royal Mail. By combining high levels of 'self help', discounted equity valuations and catalysts for change, all four still fit our model. We continue to be excited about their prospects.

Outlook – Sticking to 'self help' ...

The prospects for the economy and for the stock market have become even more uncertain. Given the fragility of the global economic system, the UK's vote to leave the EU is not helpful. We expect the uncertainty to put pressure on the UK's economic growth in the short-term. But it won't erode it altogether. The renegotiation of trade deals will take time and business will continue as usual – for now. So for all the noise and comment, our basic outlook hasn't really changed. We remain cautious on the outlook for the economy and earnings growth of any sort will be difficult to achieve. This belief is reflected in the type of companies we buy: we still see salvation in companies that are helping themselves.

We have reached the halfway stage of the year disappointed by our performance. Our companies are trading as expected and valuations are attractive. We trust this will be recognised by investors during the second half of 2016.

Derek Stuart & Andy Gray
Fund managers

Investment information

Five largest purchases and sales for the six months ended 30 June 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Saga Plc	23,644	Xchanging Plc	28,369
Centrica Plc	17,631	Melrose Industries Plc	26,817
Johnson Matthey Plc	16,828	QinetiQ Group Plc	23,188
BP Plc	16,175	HSBC Holdings Plc	23,049
BT Group Plc	15,545	Home Retail Group Plc	21,893

Portfolio statement as at 30 June 2016

Investment	Holding	Valuation £'000	% of net assets
Equities 97.58% (97.50%)			
Basic Materials 3.22% (1.27%)			
Johnson Matthey Plc	614,679	17,137	1.71
Synthomer Plc	4,731,949	15,218	1.51
		32,355	3.22
Consumer Goods 2.85% (2.42%)			
Burberry Group Plc	629,714	7,349	0.73
Tate & Lyle Plc	3,254,490	21,284	2.12
		28,633	2.85
Consumer Services 24.89% (22.97%)			
Conviviality Plc #	4,479,831	8,276	0.82
Dalata Hotel Group Plc	2,197,820	6,635	0.66
FirstGroup Plc	23,973,158	23,637	2.35
GameAccount Network Plc #	2,781,631	779	0.08
Informa Plc	4,694,312	33,071	3.30
ITV Plc	8,609,051	15,066	1.50
Johnston Press Plc	3,880,061	679	0.07
Mitchells & Butlers Plc	4,028,179	9,293	0.93
Pearson Plc	3,107,410	29,598	2.95
Rank Group Plc	13,397,835	28,578	2.85
Saga Plc	15,782,198	30,018	2.99
Stagecoach Group Plc	10,653,082	24,747	2.47
Stanley Gibbons Group Plc #	1,000,717	108	0.01
Tesco Plc	12,555,306	21,771	2.17
TUI AG	1,907,594	16,014	1.60
Vertu Motors Plc #	3,370,181	1,407	0.14
		249,677	24.89
Financials 10.70% (13.24%)			
Barclays Plc	9,689,180	13,129	1.31
IG Group Holdings Plc	3,088,546	24,430	2.43
Phoenix Group Holdings	2,581,858	20,255	2.02
ROK Global Plc ^	66,096	—	—
Royal Bank of Scotland Group Plc	8,197,400	14,050	1.40
RSA Insurance Group Plc	7,382,943	35,483	3.54
Third Advance Value Realisation Co. Ltd. ^	1,161,347	—	—
		107,347	10.70

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Healthcare 9.04% (10.05%)			
AstraZeneca Plc	696,291	30,056	2.99
GlaxoSmithKline Plc	2,190,278	33,993	3.39
Smith & Nephew Plc	2,167,188	26,678	2.66
		90,727	9.04
Industrials 14.10% (18.41%)			
Balfour Beatty Plc	10,052,170	21,270	2.12
Berendsen Plc	1,995,760	23,789	2.37
De La Rue Plc	2,709,611	13,419	1.34
e2v Technologies Plc	13,221,991	25,948	2.59
Hargreaves Services Plc #	962,537	1,706	0.17
Ibstock Plc	54,153	72	0.01
MBA Polymers Subord Convertible Promissory Note ^	668,300	496	0.05
MBA Polymers, Inc. ^	824,000	611	0.06
MBA Polymers, Inc. Preference G shares ^	7,000,000	–	–
MBA Polymers, Inc. Preference Senior G shares ^	613,325	455	0.05
Melrose Industries Plc	839,399	3,500	0.35
Morgan Advanced Materials Plc	6,136,950	13,962	1.39
Renishaw Plc	7,099	152	0.02
Royal Mail Plc	3,153,804	15,287	1.52
Sanne Group Plc	3,265,423	12,482	1.24
Security Research Group Plc ^	1,770,432	752	0.07
Speedy Hire Plc	18,074,526	6,055	0.60
Xaar Plc	374,412	1,530	0.15
		141,486	14.10
Oil & Gas 8.48% (6.47%)			
BP Plc	11,446,709	49,186	4.90
Cape Plc	5,249,867	10,290	1.03
Hurricane Energy Plc #	7,835,077	1,293	0.13
Mycelx Technologies Corp. #	1,408,683	141	0.01
Royal Dutch Shell Plc B shares	1,198,270	24,151	2.41
		85,061	8.48
Technology 14.48% (15.21%)			
ARRIS International Plc	933,155	14,233	1.42
Computacenter Plc	4,563,892	32,929	3.28
FDM Group Holdings Plc	2,309,209	9,814	0.98
Intechnology Plc ^	21,937,940	1,599	0.16
Micro Focus International Plc	3,240,420	50,324	5.01
ROK Entertainment Group, Inc. ^	410,914	–	–
SDL Plc	5,190,686	19,828	1.98
Spirent Communications Plc	21,041,552	16,570	1.65
		145,297	14.48
Telecommunications 6.60% (5.94%)			
BT Group Plc	9,100,401	36,916	3.68
Vodafone Group Plc	13,241,782	29,330	2.92
		66,246	6.60

Investment	Holding	Valuation £'000	% of net assets
Utilities 3.22% (1.52%)			
Centrica Plc	14,752,303	32,278	3.22
		32,278	3.22
Equities total		979,107	97.58
Investment assets		979,107	97.58
Net other assets		24,306	2.42
Net assets		1,003,413	100.00

The comparative percentage figures in brackets are as at 31 December 2015.

Security traded on the Alternative Investment Market ('AIM').

^ Unlisted, suspended or delisted security.

Financial statements

Statement of total return for the six months ended 30 June 2016

	30 June 2016		30 June 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses)/gains		(66,647)		43,206
Revenue	19,844		20,098	
Expenses	(6,436)		(7,559)	
Net revenue before taxation	13,408		12,539	
Taxation	(125)		(44)	
Net revenue after taxation		13,283		12,495
Total return before distribution		(53,364)		55,701
Distribution		(1,731)		(601)
Change in net assets attributable to unitholders from investment activities		(55,095)		55,100

Statement of change in net assets attributable to unitholders for the six months ended 30 June 2016

	30 June 2016		30 June 2015	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,246,900		1,211,462
Amounts receivable on issue of units	34,528		23,619	
Amounts payable on cancellation of units	(222,920)		(112,063)	
		(188,392)		(88,444)
Change in net assets attributable to unitholders from investment activities		(55,095)		55,100
Closing net assets attributable to unitholders		1,003,413		1,178,118

Balance sheet as at 30 June 2016

	30 June 2016	31 December 2015
	£'000	£'000
Assets		
Fixed assets		
Investments	979,107	1,215,784
Current assets		
Debtors	6,761	3,598
Cash and bank balances	25,146	31,557
Total current assets	31,907	35,155
Total assets	1,011,014	1,250,939
Liabilities		
Creditors		
Distribution payable	-	2,616
Other creditors	7,601	1,423
Total creditors	7,601	4,039
Total liabilities	7,601	4,039
Net assets attributable to unitholders	1,003,413	1,246,900

Notes to the financial statements

1. Basis of preparation

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 as set out therein.

2. Post balance sheet events

Since 30 June 2016, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		Movement
	16 August 2016	30 June 2016	
I distribution	555.58	500.88	10.9%
I accumulation	591.56	533.32	10.9%
R accumulation	555.38	501.18	10.8%

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 December 2013	1,206,299,847		
I distribution		514.45	10,884,974
I accumulation		525.64	57,108,132
R accumulation		503.33	168,898,574
31 December 2014	1,211,461,859		
I distribution		505.97	16,511,113
I accumulation		526.64	72,486,599
R accumulation		500.51	149,082,494
31 December 2015	1,246,900,165		
I distribution		524.76	106,113,445
I accumulation		558.58	22,056,353
R accumulation		526.88	102,190,834
30 June 2016	1,003,413,205		
I distribution		500.88	18,401,818
I accumulation		533.32	80,553,299
R accumulation		501.18	96,100,060

Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
I distribution			
2013 *	11.1243	536.41	450.25
2014	9.5018	550.64	476.46
2015	11.8620	547.74	488.12
2016 **	-	534.04	465.86
I accumulation			
2011	7.8047	401.68	318.01
2012	8.2869	418.49	343.50
2013	11.0826	536.48	414.01
2014	9.9115	562.58	486.79
2015	12.2974	570.15	510.10
2016 **	-	568.64	496.04
R accumulation			
2011	4.9607	408.32	309.64
2012	5.2373	420.73	332.82
2013	7.3987	535.32	399.31
2014	5.6555	560.62	463.37
2015	7.7889	540.15	484.64
2016 **	-	556.93	467.48

Net revenue includes all amounts paid and payable in each calendar year.

* From 1 July 2013.

** To 30 June 2016.

Ongoing charges

Class	30 June 2016
I distribution	0.81%
I accumulation	0.81%
R accumulation	1.56%

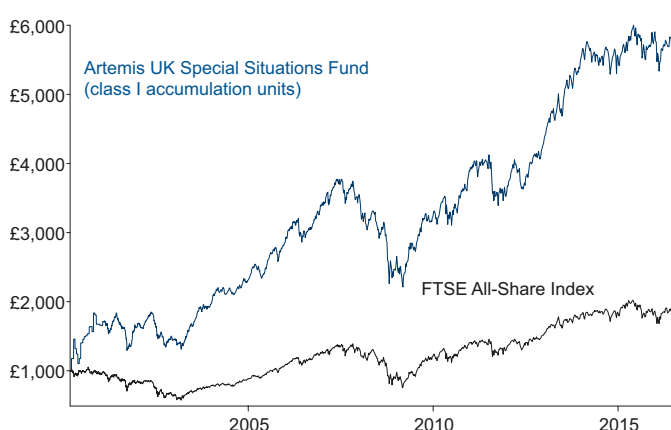
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Special Situations Fund	460.5	38.8	18.5	(3.5)	(4.6)
FTSE All-Share Index	93.5	35.5	18.6	2.2	4.3
FTSE 100 Index	75.3	31.7	16.9	3.8	6.6
Sector average	97.8	36.9	16.8	(4.0)	(2.7)
Position in sector	1/102	98/216	101/244	133/258	171/262
Quartile	1	2	2	3	3

* Data from 9 March 2000. Source: Lipper Limited, data from 9 March 2000 to 7 March 2008 reflects class R accumulation units, and from 7 March 2008 reflects class I accumulation units, bid to bid in sterling to 30 June 2016. All performance figures show total returns with income reinvested, percentage growth. Sector is IA UK All Companies, universe of funds is those reporting net of UK taxes.

Value of £1,000 invested at launch to 30 June 2016

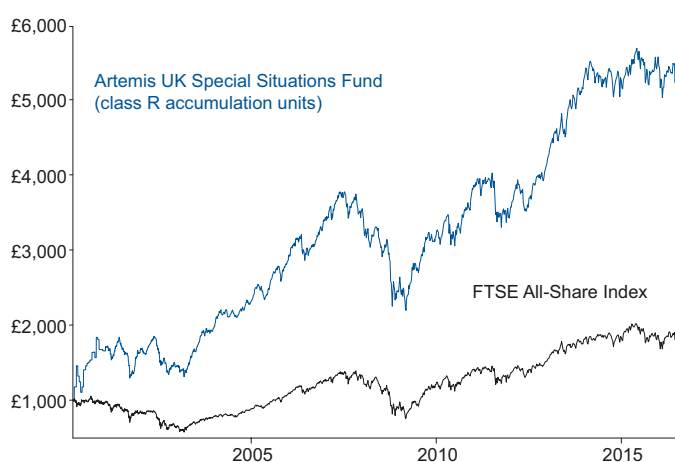


Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Special Situations Fund	426.7	33.7	15.8	(4.2)	(4.9)
FTSE All-Share Index	93.5	35.5	18.6	2.2	4.3
FTSE 100 Index	75.3	31.7	16.9	3.8	6.6

* Data from 9 March 2000. Source: Lipper Limited, class R accumulation units, bid to bid, in sterling to 30 June 2016.
All performance figures show total return with income reinvested percentage growth.

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

