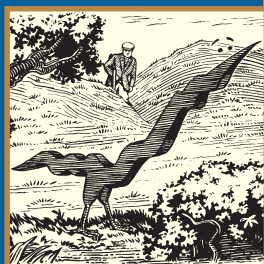


ARTEMIS European Growth *Fund*

Manager's Report
and Financial Statements
for the year ended 31 March 2014

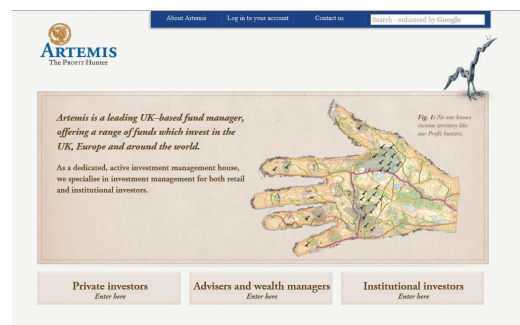


ARTEMIS
The PROFIT Hunter

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



artemis.co.uk

General 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 £18.1 billion* across a range of funds, two investment trusts, a hedge fund, 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'. It means that our fund managers' interests are directly aligned with those of our investors.

*Source: Artemis as at 30 April 2014

Fund status

Artemis European Growth Fund was constituted by a Trust Deed dated 28 April and 4 May 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 of the Financial Conduct Authority.

Investment objective

The objective of the fund is to achieve long-term capital growth through investment principally in companies in Europe (excluding the United Kingdom).

Investment policy

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

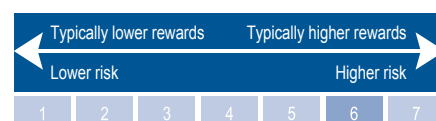
The fund may also invest in other transferable securities, units of

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 stockmarket 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.

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:
Unit Trust Department
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 Financial
Conduct Authority (FCA), 25 The North
Colonnade, Canary Wharf, London E14 5HS.

† Authorised by the Prudential Regulation
Authority (PRA) and regulated by the PRA and
the FCA.

Statement of the trustee's responsibilities

The trustee is responsible for the safekeeping of all the property of the fund (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the trustee to take reasonable care to ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'), as amended, the fund's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the fund; the application of revenue of the fund; and the investment and borrowing powers of the fund.

Report of the trustee

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's revenue in accordance with COLL, the Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund.

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
16 May 2014

Statement of the manager's responsibilities

The Collective Investment
Schemes Sourcebook ('COLL') of
the Financial Conduct Authority

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 October 2010;
- (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 requirements.

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

Report of the manager

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

R J Turpin
Director

16 May 2014

M R J Tyndall
Director

Independent auditor's report to the unitholders of the Artemis European Growth Fund

We have audited the financial statements of Artemis European Growth Fund (the "fund") for the year ended 31 March 2014 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, balance sheet, the related notes 1 to 18 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).

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 2, 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 March 2014 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
16 May 2014

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.

Investment review

- A good year for our disciplined investment process.
- Cheap stocks with strong growth performed well.
- The outlook for (our) European stocks is positive.

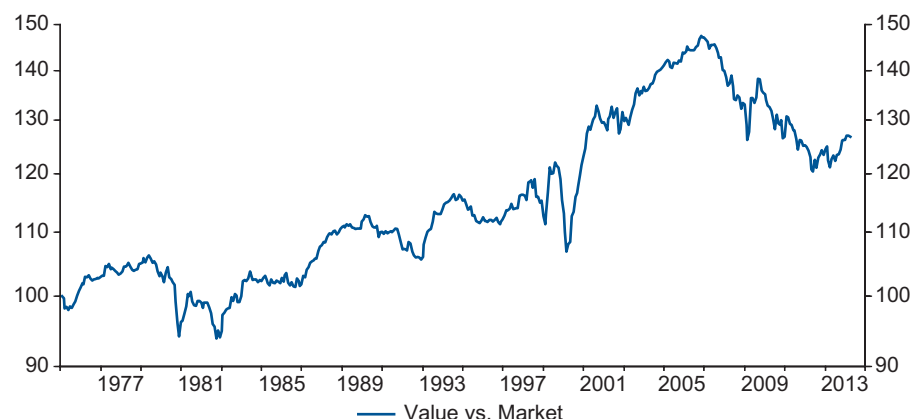
Performance – Discipline meets its reward ...

The fund had a good year, returning 23.1%* compared to a benchmark return of 17.3%*. Whilst markets (probably) won't continue to rise at this pace, we do expect positive returns. We also expect that the fund will carry on outperforming the market. Since we launched the fund in 2001, it has delivered a return of 162.3%* while the benchmark has returned 94.4%*. We attribute this outperformance to our logical and disciplined approach to investing – something that we have no intention of changing.

Review – The value of buying value ...

We buy stocks that trade on below-average valuations and which are seeing upgrades to profit forecasts. We focus our attention on stocks at the value end of the spectrum because this type of stock has a long history (more than a century) of outperforming the market. They tend to outperform

European value stocks vs. the market



Source: Datastream.

because their prospects are often not as bad as investors fear. Periodically, however, cheap stocks do have a poor run and investors lose their faith in value investing. This is what has happened over the past decade. The performance of value stocks relative to the market peaked in 2006 and, since then, investors have been scaling back their exposure to this factor.

Two years ago, value stocks in Europe were unusually cheap. Today, they are merely cheap. They have been re-rated because the outlook for the European economy is deemed to be better than it was. We are now in a situation where most investors are underweight in value stocks but are seeing cheap stocks outperforming again. Our suspicion is that this trend will continue.

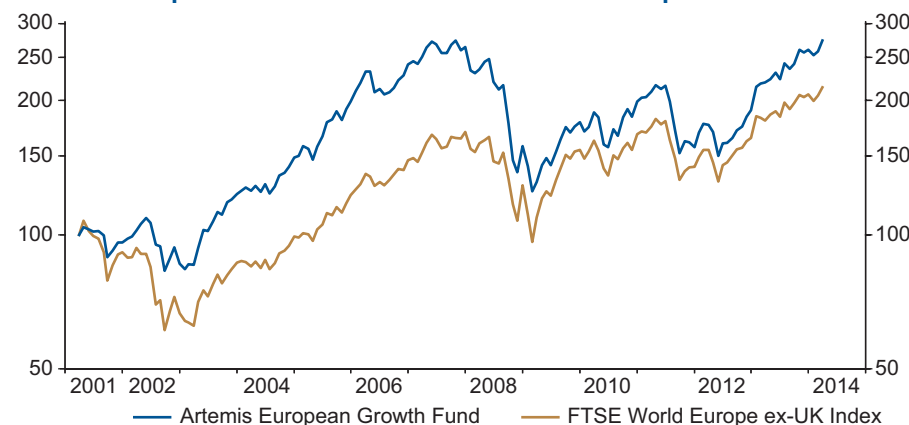
Last year, value stocks and stocks whose earnings were stronger than

the market had anticipated performed well. From the fund's perspective, both trends were helpful. And, while we had our fair share of losers (mainly in eastern Europe) the fund had another good year. Our biggest winners were a mixture of cheap stocks that were being re-rated and growth stocks whose earnings were continuing to grow. These included Plastic Omnium, Iren, Banca Generali and Valeo.

The charts overleaf illustrate the share price and prospective earnings per share (both measured relative to the European market) for two of the fund's strongest performers. The first, Plastic Omnium, is a car parts manufacturer that is growing quicker than the global car market. A year ago, analysts forecasted that its earnings per share would rise from €1.23 to €1.72 in 2014. This would have represented earnings growth of almost 20% per annum. Since then, however, Plastic Omnium has gone from strength to strength. Analysts now forecast that the company's earnings growth will average over 30% per annum. This positive surprise has transformed how investors view the company: they used to view it as a below-average company but now regard it as an above-average company. The market's new way of looking at Plastic Omnium helped its shares to outperform by 90%.

Our second company is Iren, an Italian electricity utility with a lot of debt. A year ago, investors were cool

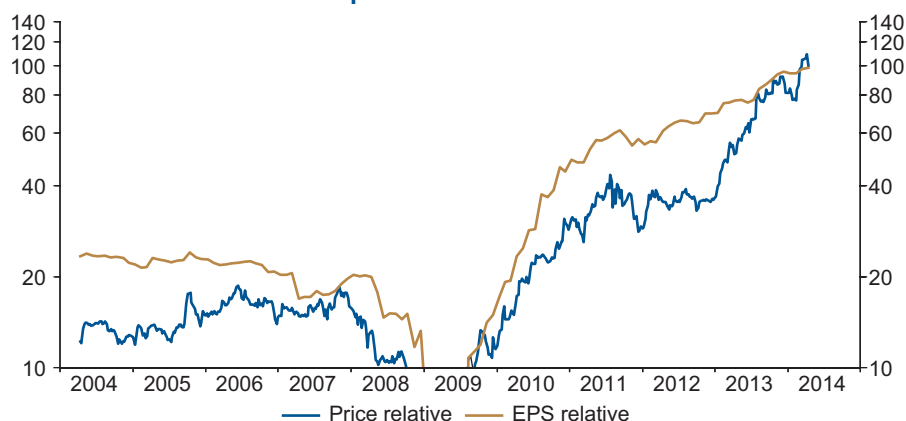
Artemis European Growth Fund and FTSE World Europe ex-UK Index



Source: Datastream.

* Source: Artemis/Lipper Limited, R accumulation, bid to bid basis in sterling with net income reinvested to 31 March 2014. Benchmark is the FTSE World Europe (ex-UK) Index.

Plastic Omnium vs. the European market



Source: Datastream.

on Italy, disliked utilities and shunned highly geared companies. Analysts expected Iren's earnings per share to fall by 10% between 2012 and 2014. The company's share price reflected this anticipated contraction in earnings. In the event, however, Iren's earnings per share at the end of this year are likely to be similar to 2012. So, although utilities are still disliked, investors have grudgingly re-rated the stock. Iren has gone from being very cheap to merely cheap.

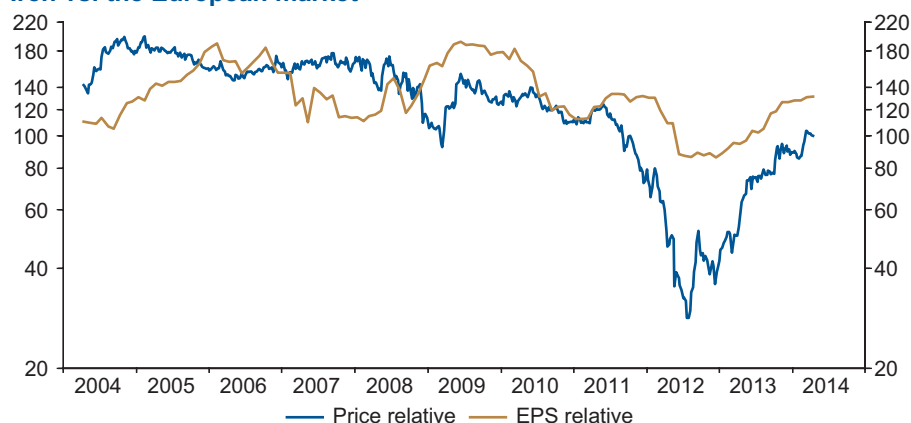
Although we could continue in this vein, the essence of our process is clear: we buy holdings in what the market perceives to be lousy companies but whose earnings are, in reality, growing. In time, your fund benefits from good growth plus a re-rating of these undervalued shares.

Outlook – Process and progress ...

Whilst stockmarkets are volatile, their long-term returns are understandable (a function of today's value and future growth). Over the next decade or so, our best guess is that European equities ought to give returns of about 7.3% per annum. This is likely to be made up of a 3% dividend yield, 2.8% inflation and 1.5% real dividend growth. This is not a spectacular return, but it may prove better than the likely return from government bonds (the current yield on gilts is just 2.6%). Moreover, we believe that your fund should beat the European market. After all, we are applying the same process that has seen the fund outperform the market over the past 13 years. At present, we can see no reason why this outperformance should not continue.

Philip Wolstencroft
Fund manager

Iren vs. the European market



Source: Datastream.

Investment information

Five largest purchases and sales for the year ended 31 March 2014

Purchases	Cost £'000	Sales	Proceeds £'000
Daimler	9,613	Ageas	10,089
Societe Generale	7,529	Bayer	9,607
Skandinaviska Enskilda Banken (A shares)	7,343	Airbus Group	7,630
Storebrand	6,423	AXA	7,168
Marine Harvest	6,423	Credit Suisse	6,631

Portfolio statement as at 31 March 2014

Investment	Holding	Valuation £'000	% of net assets
Australia – 0.55% (0.00%)			
Fortescue Metals Group	600,000	1,747	0.55
		1,747	0.55
Austria – 0.50% (0.60%)			
Raiffeisen Bank	80,000	1,576	0.50
		1,576	0.50
Bermuda – 0.89% (0.63%)			
Golden Ocean	1,200,000	1,420	0.45
Stolt-Nielsen	80,000	1,385	0.44
		2,805	0.89
Denmark – 1.96% (0.35%)			
AP Moller-Maersk (B shares)	280	2,020	0.64
Royal Unibrew	42,000	4,170	1.32
		6,190	1.96
Finland – 2.50% (4.02%)			
Cramo	160,000	2,001	0.63
Elisa	60,000	1,037	0.33
Orion Corporation (B Shares)	60,000	1,094	0.35
Stora Enso	330,000	2,123	0.67
UPM	160,000	1,645	0.52
		7,900	2.50
France – 14.80% (13.22%)			
Alten	30,000	944	0.30
Credit Agricole	450,000	4,285	1.36
EDF	280,000	6,631	2.10
GDF Suez	160,000	2,621	0.83
Natixis	220,000	974	0.31
Orange	300,000	2,658	0.84
Plastic Omnium	128,000	2,884	0.91
Scor	60,000	1,265	0.40
Societe Generale	225,000	8,323	2.63
Technicolor	1,430,000	6,206	1.96
Total	70,000	2,782	0.88
Valeo	59,000	4,977	1.57
Vinci	50,000	2,247	0.71
		46,797	14.80

Investment	Holding	Valuation £'000	% of net assets
Germany – 22.91% (22.36%)			
Aareal Bank	70,000	1,826	0.58
Allianz	76,000	7,750	2.45
BMW	28,000	2,120	0.67
BayWa	80,000	2,722	0.86
Bechtle	40,000	2,030	0.64
Bilfinger Se.	40,000	3,036	0.96
Cewe and Co.	13,000	600	0.19
Daimler	200,000	11,450	3.62
Deutsche Lufthansa	200,000	3,157	1.00
Deutsche Post	143,237	3,225	1.02
Dmg Mori Seiki	45,000	833	0.26
Drillisch	110,000	2,414	0.76
Duerr	61,384	2,875	0.91
Freenet	527,350	11,110	3.51
Fresenius	20,000	1,882	0.60
Futurevalor (warrants 2015) +	2,000	–	–
Hannover Re.	72,525	3,914	1.24
Merck	23,200	2,359	0.75
TUI Travel	220,000	2,209	0.70
Wacker Chemie	12,000	880	0.28
Wincor Nixdorf	141,000	6,050	1.91
		72,442	22.91
Greece – 1.43% (0.16%)			
Motor Oil (Hellas) Corinth Refineries	120,000	919	0.29
National Bank of Greece (warrants 2017)	1,233,800	1,320	0.42
Piraeus Bank (warrants 2018)	2,692,004	2,277	0.72
		4,516	1.43
Ireland – 0.37% (1.76%)			
Smurfit Kappa Group	80,000	1,160	0.37
		1,160	0.37
Israel – 0.28% (2.92%)			
Bezeq	820,000	881	0.28
		881	0.28
Italy – 12.68% (5.45%)			
Acea	400,000	3,552	1.12
Astaldi	350,000	2,121	0.67
Azimut Holding	50,000	1,070	0.34
Banca Generali	316,000	6,241	1.97
Banca Popolare di Milano	5,000,000	3,055	0.97
Enel	1,900,000	6,452	2.04
Fondiarria-Sai	2,247,500	5,191	1.65
Iren	3,520,000	3,680	1.16
Mediobanca	260,000	1,774	0.56
Mediolanum	170,000	961	0.30
Snam	700,000	2,447	0.78
Unione di Ban	300,000	1,674	0.53

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Unipol Gruppo Finanziario	400,000	1,861	0.59
		40,079	12.68
Malta – 0.47% (0.00%)			
Unibet Group	50,000	1,494	0.47
		1,494	0.47
Netherlands – 4.29% (6.81%)			
Aegon	600,000	3,305	1.05
Binckbank	300,000	2,147	0.68
ING Groep	200,000	1,706	0.54
PostNL	1,300,000	3,584	1.13
SBM Offshore	260,000	2,807	0.89
		13,549	4.29
Norway – 9.10% (9.77%)			
Austevoll Seafood	150,000	530	0.17
DNB	875,000	9,096	2.88
Leroy Seafood Group	120,000	2,336	0.74
Marine Harvest	450,000	3,025	0.96
Prosafe	220,000	1,058	0.33
Salmar	400,000	3,402	1.08
SpareBank	560,000	3,400	1.07
SpareBank (primary capital)	360,000	1,915	0.61
Storebrand	350,000	1,204	0.38
TGS	50,000	958	0.30
Veidekke	300,000	1,844	0.58
		28,768	9.10
Poland – 2.24% (0.00%)			
Polska Grupa Energetyczna	1,050,000	3,969	1.25
Tauron Polska Energia	3,000,000	3,123	0.99
		7,092	2.24
Russia – 5.72% (5.45%)			
Lukoil (ADR)	225,224	7,393	2.34
Rosneft (GDR)	500,000	1,971	0.62
Sberbank of Russia (ADR)	800,000	4,519	1.43
Sistema (GDR)	120,000	1,612	0.51
Surgutneftegaz (ADR)	590,000	2,586	0.82
		18,081	5.72
Spain – 1.09% (0.96%)			
Grifols	30,000	991	0.31
Red Electrica	50,000	2,442	0.78
		3,433	1.09
Sweden – 4.62% (4.01%)			
Axfood	30,000	986	0.31
Holmen (B shares)	70,000	1,537	0.49
JM	100,000	1,959	0.62
Lindab Intl	140,000	1,003	0.32
Skandinaviska Enskilda Banken (A shares)	930,000	7,544	2.38
Swedbank (A shares)	100,000	1,589	0.50
		14,618	4.62

Investment	Holding	Valuation £'000	% of net assets
Switzerland – 7.25% (5.16%)			
Actelion	90,000	5,147	1.63
Aryzta	20,000	1,059	0.33
Bucher Industries	20,000	4,022	1.27
Ferrexpo	600,000	915	0.29
Georg Fischer	4,800	2,239	0.71
Oerlikon	75,000	752	0.23
Rieter	14,000	1,873	0.59
Swiss Life	47,000	6,926	2.20
		22,933	7.25
Turkey – 1.67% (4.62%)			
Eregli Demir Celik	2,200,000	1,673	0.53
TAV Havalimanlari	170,000	815	0.26
Turkiye Halk Bankasi	505,000	1,870	0.59
Turkiye Vakiflar Bankasi (D shares)	820,000	933	0.29
		5,291	1.67
United Kingdom – 2.12% (0.48%)			
Dialog Semiconductor	330,000	4,907	1.55
Quindell	5,000,000	1,813	0.57
		6,720	2.12
USA – 1.18% (4.00%)			
Autoliv (SDR)	15,000	895	0.28
Cigna	59,400	2,834	0.90
		3,729	1.18
Portfolio of investments		311,801	98.62
Net other assets		4,360	1.38
Net assets attributable to unitholders		316,161	100.00

All holdings are listed ordinary shares unless otherwise stated.

The figures in brackets represent percentages as at 31 March 2013. At this date the portfolio included an exposure to Belgium (5.41%), the Isle of Man (0.52%) and Portugal (0.58%).

+ Unquoted investments: 0.00% (31 March 2013: 0.00%).

ADR represents American Depositary Receipts.

GDR represents Global Depositary Receipts.

SDR represents Swedish Depositary Receipts.

Financial statements

Statement of total return for the year ended 31 March 2014

	Note	31 March 2014		31 March 2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	4		47,883		42,844
Revenue	6	9,938		7,106	
Expenses	7	(4,088)		(3,166)	
Finance costs: interest	9	(5)		(20)	
Net revenue before taxation		5,845		3,920	
Taxation	8	4,308		(475)	
Net revenue after taxation			10,153		3,445
Total return before distribution			58,036		46,289
Finance costs: distribution	9		(10,097)		(3,490)
Change in net assets attributable to unitholders from investment activities			47,939		42,799

Statement of change in net assets attributable to unitholders for the year ended 31 March 2014

	31 March 2014		31 March 2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		252,382		207,062
Amounts receivable on issue of units	43,960		64,131	
Amounts payable on cancellation of units	(38,649)		(65,307)	
		5,311		(1,176)
Stamp duty reserve tax		—		(2)
Change in net assets attributable to unitholders from investment activities		47,939		42,799
Retained distribution on accumulation units		10,529		3,699
Closing net assets attributable to unitholders		316,161		252,382

Balance sheet as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			311,801		250,460
Debtors	10	3,744		5,042	
Cash and bank balances	11	2,838		3,629	
Total other assets			6,582		8,671
Total assets			318,383		259,131
Liabilities					
Creditors	12	2,222		6,749	
Total liabilities			2,222		6,749
Net assets attributable to unitholders			316,161		252,382

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 the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

(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 foreign currency transactions 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. Gains and losses 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 ('REITs'), 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 dividend is declared. 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. Costs arising from the filing of European withholding tax reclaims are charged to revenue but deducted from capital for the purpose of calculating the distribution. On receipt of any withholding tax reclaims, the relevant costs will be transferred back to revenue and deducted from the distribution.

(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 distribution policy of the fund is to accumulate all available revenue,

after deduction of expenses properly chargeable against revenue. 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 unit holders for six years are credited to the capital property of the fund.

3. Risk management policies

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 and other price 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 the Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting,

Notes to the financial statements (continued)

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. As the majority of the fund's financial assets are non-interest bearing, the fund is not subject to exposure to fair value interest rate risk due to fluctuations in levels of market interest rates.

(ii) Currency risk. A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements (see note 16). Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward foreign exchange contracts, so that the fund's exposure to currency risk is reduced. There were no open forward foreign exchange contracts as at 31 March 2014 or 31 March 2013.

Revenue received in foreign currencies is converted into sterling on or near the date of receipt. No hedging is undertaken with regard to managing the currency movement risk on accrued revenue.

(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 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). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government

decisions. As part of the ongoing review of the portfolio, the manager monitors and reviews these factors.

(b) Credit and counterparty risk.

Credit and counterparty risk is the risk that a party 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 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 an annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments. There were no significant concentrations of credit risk to counterparties other than to the custodian, or brokers where trades are pending settlement, at 31 March 2014 or 31 March 2013.

(c) Liquidity risk. Some of the fund's financial instruments can include securities that are traded on AIM or are not listed on a recognised stock exchange and which may not always be readily realisable. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to specific events such as deterioration in the creditworthiness of any particular issuer. These holdings are disclosed in the portfolio statement on pages 6 to 9. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. The fund's overall liquidity risk is managed by the manager in accordance with the requirements stipulated in the Collective Investment Schemes Sourcebook and the Prospectus.

(d) Derivatives. The manager is currently empowered to enter into derivative transactions on behalf of the fund. Transactions will normally only be entered into when conventional stock selection is not the best way to either limit investment risk or maximise investment opportunities. There were no open derivative contracts at 31 March 2014 or 31 March 2013.

4. Net capital gains

	31 March 2014 £'000	31 March 2013 £'000
Non-derivative securities	48,310	43,067
Currency losses	(427)	(223)
Net capital gains	47,883	42,844

5. Portfolio transaction costs

	31 March 2014 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2013 £'000
Analysis of total purchases costs				
Purchases before transaction costs		336,008		337,851
Commissions	317		232	
Taxes	114		114	
Total purchases costs		431		346
Gross purchases total		336,439		338,197
Analysis of total sales costs				
Gross sales before transaction costs		323,730		333,653
Commissions	(290)		(257)	
Taxes	(1)		(1)	
Total sales costs		(291)		(258)
Total sales net of transaction costs		323,439		333,395

6. Revenue

	31 March 2014 £'000	31 March 2013 £'000
Overseas dividends	8,941	6,704
Interest on Denkavit reclaims	993	–
Bank interest	4	29
UK dividends	–	107
UK stock dividends	–	266
Total revenue	9,938	7,106

7. Expenses

	31 March 2014 £'000	31 March 2013 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	3,738	2,881
Payable to the trustee, associates of the trustee and agents of either of them:		
Trustee fee	41	30
Other expenses:		
Registration fee	92	95
Administration fee	80	27
Operational fees	76	49
Safe custody fees	42	24
Auditor's remuneration: non-audit fee (taxation)	11	45
Auditor's remuneration: audit fee*	8	9
Printing and postage fee	–	6
Total expenses	4,088	3,166

All expenditure stated above is inclusive of irrecoverable VAT where applicable.

* The amounts disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the period was £7,000 (2013: £7,000).

Notes to the financial statements (continued)

8. Taxation

	31 March 2014 £'000	31 March 2013 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	979	475
Denkavit reclaims	(5,287)	–
Total taxation (note 8b)	(4,308)	475
b) Factors affecting the tax charge for the year		
Net revenue before taxation	5,845	3,920
Corporation tax at 20% (2013: 20%)	1,169	784
Effects of:		
Irrecoverable overseas tax	979	475
Unutilised management expenses	415	487
Non-taxable UK dividends	–	(22)
Non-taxable stock dividends	–	(53)
Non-taxable overseas dividends	(1,584)	(1,196)
Denkavit reclaims	(5,287)	–
Tax charge for the year (note 8a)	(4,308)	475
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 £2,698,000 (2013: £2,283,000) arising as a result of having unutilised management expenses of £13,490,000 (2013: 11,415,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.		

9. Finance costs: distribution and interest

	31 March 2014 £'000	31 March 2013 £'000
Final distribution	10,529	3,699
Add: amounts deducted on cancellation of units	1,044	995
Deduct: amounts added on issue of units	(1,476)	(1,204)
Finance costs: distribution	10,097	3,490
Finance costs: interest	5	20
Total finance costs	10,102	3,510
Movement between net revenue and distribution		
Net revenue after taxation	10,153	3,445
Deduct: amounts added on conversion of units	(26)	–
Expenses paid from capital	(30)	45
	10,097	3,490

The distribution takes account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distribution per unit are set out in the distribution table on page 17.

10. Debtors

	31 March 2014 £'000	31 March 2013 £'000
Sales awaiting settlement	1,281	3,761
Amounts receivable for issue of units	1,247	–
Overseas withholding tax recoverable	737	782
Accrued revenue	478	499
Prepaid expenses	1	–
Total debtors	3,744	5,042

11. Cash and bank balances

	31 March 2014 £'000	31 March 2013 £'000
Amounts held in JP Morgan Liquidity Fund	2,824	840
Cash and bank balances	14	2,789
Total cash and bank balances	2,838	3,629

12. Creditors

	31 March 2014 £'000	31 March 2013 £'000
Purchases awaiting settlement	1,517	5,563
Accrued annual management charge	329	261
Corporation tax payable	212	–
Accrued other expenses	86	74
Amounts payable for cancellation of units	74	848
Accrued trustee fee	4	3
Total creditors	2,222	6,749

13. Contingent liabilities and commitments

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

14. Contingent assets

Following the ruling on Denkavit's case with the European Court of Justice regarding taxation withheld on overseas dividends, the manager has taken steps to make claims with certain European tax authorities for repayment of taxation suffered by the fund on dividend revenue. During the year, the fund received repayments from the French Tax Authority which have been recognised in the statement of total return and also in notes 6 and 8. These amounts have been included within the net revenue available for distribution.

Due to uncertainty regarding the likely success of claims made in other countries, it is not possible to estimate the potential amount of overseas tax that may be received by the fund, if any. Therefore, the financial statements presented for the year ended 31 March 2014 do not reflect any further amounts that may be received.

15. Related party transactions

The manager and trustee are deemed to be related parties. All transactions and balances associated with the manager and trustee are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 10 and notes 7, 10 and 12 on pages 13 and 15 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 March 2014 in respect of these transactions was £844,000 (2013 due to the manager: £1,109,000). The balance due to the trustee as at 31 March 2014 in respect of these transactions was £4,000 (2013: £3,000).

Notes to the financial statements (continued)

16. Risk disclosures – currency risk

Currency	Investments £'000	Net other assets £'000	Total £'000
31 March 2014			
Euro	197,418	445	197,863
Norwegian Krone	31,573	354	31,927
Swiss Franc	20,959	17	20,976
US Dollar	20,915	20	20,935
Swedish Krona	17,007	352	17,359
Polish Zloty	7,092	–	7,092
Danish Krone	6,190	–	6,190
Turkish Lira	5,291	–	5,291
Australian Dollar	1,747	33	1,780
Israeli New Shekels	881	–	881
31 March 2013			
Euro	154,783	903	155,686
Norwegian Krone	26,251	241	26,492
US Dollar	23,849	4	23,853
Swiss Franc	13,019	13	13,032
Turkish Lira	11,662	–	11,662
Swedish Krona	10,118	398	10,516
Israeli New Shekels	7,372	–	7,372
Danish Krone	891	–	891

17. Unit classes

The fund currently has two unit classes: R accumulation and I accumulation. The annual management charge on each unit class is as follows:

R accumulation: 1.50%

I accumulation: 0.75%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 18. The distribution per unit class is given in the distribution table on page 17. All classes have the same rights.

18. Post balance sheet event

Since 31 March 2014, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		Movement
	15 May 2014	31 March 2014	
R accumulation	245.15	249.24	(1.6)%
I accumulation	256.68	260.73	(1.6)%

Distribution table

Final dividend distribution for the year ended 31 March 2014.

Group 1 – Units purchased prior to 1 April 2013.

Group 2 – Units purchased from 1 April 2013 to 31 March 2014.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 May 2014	Distribution per unit (p) 31 May 2013
R accumulation				
Group 1	7.8534	–	7.8534	2.7191
Group 2	1.2227	6.6307	7.8534	2.7191
I accumulation				
Group 1	9.8699	–	9.8699	4.1245
Group 2	2.1514	7.7185	9.8699	4.1245

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.

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 group 2 units and is refunded to the 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

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 March 2012	207,062,165		
R accumulation		163.25	125,388,663
I accumulation		168.28	1,404,113
31 March 2013	252,382,077		
R accumulation		202.63	99,613,656
I accumulation		210.41	24,017,919
31 March 2014	316,161,124		
R accumulation		249.24	90,989,337
I accumulation		260.73	34,279,790

Ongoing charges

Expense	31 March 2014
R accumulation	
Annual management charge	1.50%
Other expenses	0.12%
Ongoing charges	1.62%
I accumulation	
Annual management charge	0.75%
Other expenses	0.12%
Ongoing charges	0.87%

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.

Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
R accumulation			
2009	2.5018	182.90	111.59
2010	2.2543	194.57	142.73
2011	0.2461	213.15	133.29
2012	3.6902	187.10	138.42
2013	2.7191	255.21	178.72
2014*	7.8534	262.12	229.55
I accumulation			
2009	3.7774	177.62	112.39
2010	3.4142	190.66	145.12
2011	1.5476	209.44	136.88
2012	5.0748	186.10	142.86
2013	4.1245	255.39	185.27
2014*	9.8699	263.12	239.86

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

* To 31 March 2014.

Fund performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis European Growth Fund	162.3	106.4	29.9	23.1	13.0
FTSE World Europe (ex-UK) Index	94.4	96.0	22.6	17.3	8.7
Sector average	88.3	97.5	25.9	17.2	9.6
Position in sector	5/49	24/84	28/89	17/96	17/97
Quartile	1	2	2	1	1

* Data from 7 March 2001. Source: Artemis/Lipper Limited, R accumulation, bid to bid in sterling with net income reinvested to 31 March 2014. All performance figures show total return percentage growth. Sector is IMA Europe (ex-UK).

Value of £1,000 invested at launch to 31 March 2014

