Profit *hunters*

Artemis UK Growth *Fund*

Manager's Report
and Financial Statements
for the year ended 31 December 2013

Artemis
The Profit Hunter

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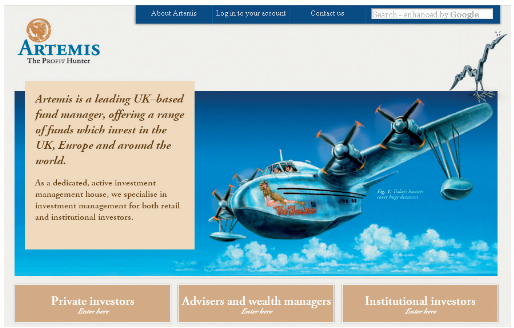

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- Artemis *filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemis.co.uk

General information

Company profile

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

The company has grown to the extent that it now manages an asset base of some £17.3 billion*. This is spread across a range of unit trusts, an investment trust, a hedge fund, a venture capital trust and both pooled and segregated institutional portfolios.

The Artemis philosophy requires our fund managers to invest in Artemis funds. This means that our fund managers' interests are directly aligned with our investors.

* Source: Artemis as at 31 January 2014.

Fund status

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

Investment objective

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

Investment policy

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

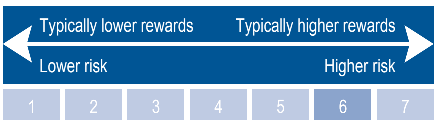
The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on ISDX may be included in the portfolio.

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

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website **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.
- Stockmarket prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.

Prospectus

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

General information (continued)

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, 25 The North Colonnade, Canary Wharf, London E14 5HS.

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
14 February 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

M R J Tyndall
Director

14 February 2014

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

We have audited the financial statements of Artemis UK Growth Fund (the "fund") for the year ended 31 December 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, balance sheet, the related notes 1 to 17 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 (formerly the Financial Services 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 December 2013 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 (formerly the Financial Services 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 (formerly the Financial Services 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
14 February 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

- The fund returned 36.4%*, significantly ahead of the FTSE All-Share Index.
- As macro worries fade, stock selection comes to the fore.
- Holdings in consumer-facing stocks drive returns.

Performance – Succeeding through stock selection …

2013 was the year in which company fundamentals began to reassert themselves as the dominant force driving equity markets. As the macro and political noise faded, investors began to ask whether stocks should trade on higher multiples during a recovery. The answer was clear: as the year progressed, multiples expanded ahead of the earnings recovery. This is standard procedure for this stage in the stockmarket cycle. More importantly, it gave us a healthy backdrop against which to invest. For the fund, the result was a very pleasing 36.4%* return.

Review – UK winners: from survival to prosperity …

A number of factors contributed to the fund's strong return on the year. The first was its exposure to the recovery in the UK economy. A combination of low interest rates, falling unemployment, an improving housing market and better conditions for bank lending is a powerful mix. Our company analysis and the signals from MARKET, our stock screening tool, told us that things were getting better in the UK. Improving consumer confidence fed through to increased spending. An upturn in short-cycle industrial names also became apparent. And the IPO market sprang back into life. Yet because not all companies were equal beneficiaries of this recovery, careful stock selection remained important.

In accordance with the theme of improving consumer confidence, our holdings in easyJet, Howdens Joinery, ITV and Sports Direct contributed strongly to the fund's performance. These 'UK survivors' are often in a better condition today than they were before the financial crisis and are emerging as long-term winners in their sectors. Five difficult years have transformed the competitive environment in which they operate.

EasyJet continues to expand routes across Europe, it is making good progress in the business market and has succeeded in generating revenue by selling allocated seating. All of this will be supported in years to come by new aircraft which could be as much as 11% per seat more profitable than the current fleet. Sports Direct now dominates the sporting goods and lifestyle market in the UK. It is keen to repeat that trick in Europe and has already made key beachhead acquisitions. Howdens Joinery gained market share in the supply of kitchens during the recession. It will now press home that advantage as the housing market improves. As the most effective way to reach the largest TV audience, ITV is possibly the single best barometer of the health of the UK consumer; companies need to be confident to advertise their products and consumers need to be confident to buy them. Improving consumer and corporate confidence is feeding through to rising advertising revenues – but ITV's cost base is largely fixed.

This isn't to say, of course, that there isn't money to be made outside the UK. Aerospace & Defence is a global industry and Rolls-Royce is a leader. It benefits from a strong order cycle in civil aircraft and was among the top 10 contributors to fund returns during the period. Ashtead was our top Industrial. One of our 'recession winners', it invested in its fleet of construction equipment in the US during the downturn. It is now reaping the rewards as a buoyant US construction sector drives demand.

Outlook – Earnings growth imperative …

We are cautiously optimistic about 2014. Companies in the UK are in fairly good fettle, unless, like the energy companies, they are subject to unnecessary political interference. And although equity valuations have gone up, we think there is still value to be had in selected stocks, particularly as balance sheets are in good shape. The main question is which stocks to select.

In a bull market (which is clearly what we are in) it is clear that earnings revisions move share prices more than anything else. The key differentiating factor between 2014's winners and losers is likely to be whether earnings improve or not. Those that can manage it will move on to the next stage; those that can't will find their current share prices hard to sustain. That may sound like a simple distinction – but at this stage in the stockmarket cycle it is imperative.

The OECD says that GDP growth in the UK during 2014 should be as high as 2.4%. Many analysts believe that, by the time we are half way through 2014, this will have risen to 3% – one of the fastest growth rates in the developed world. So, with UK economic forecasts rising, we look to buy UK-focused stocks that are seeing earnings revisions (preferably ahead of those revisions occurring). Furthermore, the list of companies whose earnings are rising is dominated by smaller and mid-cap companies. For the last two years it has been right to have exposure to these sectors of the market and to avoid the so-called 'blue chips' – large companies that have a more international bias. 2014 will, we believe, bring more of the same.

Tim Steer and Paul Casson
Fund managers

* Source: Lipper Limited, R accumulation, bid to bid basis, in sterling with net income reinvested. Benchmark is the FTSE All-Share Index.

Five largest purchases and sales for the year ended 31 December 2013

Purchases	Cost £'000	Sales	Proceeds £'000
SuperGroup	13,267	Weir Group	21,611
Daily Mail & General Trust (A shares)	12,554	Rio Tinto	18,146
Rio Tinto	11,899	Rolls-Royce Holdings	13,238
Glencore Xstrata	11,862	Meggitt	13,053
GKN	11,831	Berkeley Group Holdings	12,399

Portfolio statement as at 31 December 2013

Investment	Holding	Valuation £'000	% of net assets
United Kingdom – 88.44% (96.71%)			
Basic Materials – 5.69% (10.41%)			
BHP Billiton	597,236	11,171	1.76
Elementis	8,547,490	23,027	3.64
London Mining #	1,617,959	1,816	0.29
		36,014	**5.69**
Consumer Goods – 8.10% (9.46%)			
British American Tobacco	302,544	9,775	1.55
Crest Nicholson	336,076	1,231	0.20
GKN	5,075,356	18,850	2.98
Imperial Tobacco Group	228,429	5,334	0.84
SuperGroup	1,128,654	16,004	2.53
		51,194	**8.10**
Consumer Services – 22.91% (20.62%)			
Booker Group	5,306,452	8,618	1.36
Daily Mail & General Trust (A shares)	1,760,016	16,606	2.63
easyJet	2,038,205	31,123	4.92
Inchcape	2,352,042	14,430	2.28
ITV	10,142,114	19,544	3.09
Marks & Spencer Group	973,701	4,211	0.67
N Brown Group	3,489,461	18,372	2.90
Pendragon	20,629,281	7,117	1.13
Sports Direct International	1,896,490	13,598	2.15
William Hill	2,812,978	11,243	1.78
		144,862	**22.91**
Financials – 14.78% (10.13%)			
Bank of Georgia Holdings	276,204	6,560	1.04
Derwent London (REIT)	348,124	8,588	1.36
HSBC Holdings	2,213,835	14,684	2.32
International Personal Finance	1,278,094	6,282	0.99
Lloyds Banking Group	32,822,110	25,857	4.09
Netscientific #	1,078,125	1,434	0.23
Prudential	1,446,716	19,372	3.06
Quintain Estates & Development	8,185,049	7,735	1.22
Savills	460,000	2,946	0.47
		93,458	**14.78**

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Health Care – 1.57% (1.73%)			
Abcam #	349,408	1,716	0.27
GlaxoSmithKline	509,917	8,217	1.30
		9,933	**1.57**
Industrials – 20.05% (28.71%)			
APR Energy	619,623	5,843	0.92
Ashtead Group	5,012,729	38,147	6.03
Digital Barriers #	2,909,000	4,625	0.73
Galliford	1,000,578	11,627	1.84
Howdens Joinery Group	6,764,759	23,034	3.64
Keller Group	446,524	5,108	0.81
Rolls-Royce Holdings	1,488,293	18,961	3.00
Rolls-Royce Holdings (C shares) +	127,993,198	128	0.02
Senior	3,165,725	9,716	1.54
Weir Group	271,677	5,800	0.92
Xaar	341,619	3,823	0.60
		126,812	**20.05**
Oil & Gas – 8.14% (10.79%)			
BG Group	1,414,169	18,328	2.90
BP	2,484,843	12,173	1.92
Enquest	931,340	1,255	0.20
Enteq Upstream #	1,601,867	785	0.12
Royal Dutch Shell (B shares)	831,347	18,942	3.00
		51,483	**8.14**
Technology – 1.02% (1.92%)			
Quindell #	34,330,000	6,437	1.02
		6,437	**1.02**
Telecommunications – 6.18% (2.94%)			
Avanti Communications Group #	1,842,868	4,487	0.71
BT Group	2,603,387	9,854	1.56
Telecom Plus	260,505	4,588	0.72
Vodafone Group	8,465,828	20,144	3.19
		39,073	**6.18**
Overseas – 9.16% (2.70%)			
Ireland – 1.58% (0.00%)			
DCC	338,137	10,005	1.58
		10,005	**1.58**
Israel – 0.90% (0.00%)			
Plus500 #	1,851,507	5,703	0.90
		5,703	**0.90**
Jersey – 6.68% (2.66%)			
Glencore Xstrata	4,031,887	12,670	2.00
Kentz Group	3,967,365	25,133	3.98
Wandisco #	355,504	4,444	0.70
		42,247	**6.68**

Investment	Notional exposure^ £'000	Holding	Valuation £'000	% of net assets
Derivatives – (0.57)% (0.32%)				
Contracts for difference: United Kingdom (shorts) – (0.57)% (0.32%)				
Aggreko	(5,682)	(373,168)	(734)	(0.11)
Carillion	(2,911)	(957,639)	(256)	(0.04)
Mitie Group	(11,560)	(4,345,123)	(2,279)	(0.36)
Stobart Group	(352)	(421,382)	(236)	(0.04)
Telecity	(2,959)	(425,000)	(116)	(0.02)
			(3,621)	**(0.57)**
Portfolio of investments †			613,600	97.03
Net other assets			18,782	2.97
Net assets attributable to unitholders			632,382	100.00

All holdings are listed ordinary shares unless otherwise stated.
The figures in brackets represent percentages as at 31 December 2012. At this date the portfolio included an exposure to British Virgin Islands (0.04%).
Alternative Investment Market traded investments – 4.97% (2012: 5.15%).
+ Unquoted investments – 0.02% (2012: 0.05%).
† Includes derivative liabilities.
^ The notional exposure shows the equivalent market value for each contract. The valuation is the gain or loss on the instrument.
REIT represents Real Estate Investment Trusts.

Financial statements

Statement of total return for the year ended 31 December 2013

	Note	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2012 £'000
Income					
Net capital gains	4		153,920		34,887
Revenue	6	12,834		10,851	
Expenses	7	(7,609)		(6,260)	
Finance costs: interest	9	(16)		(4)	
Net revenue before taxation		5,209		4,587	
Taxation	8	(21)		(1)	
Net revenue after taxation			5,188		4,586
Total return before distribution			**159,108**		**39,473**
Finance costs: distribution	9		(5,281)		(4,586)
Change in net assets attributable to unitholders from investment activities			153,827		34,887

Statement of change in net assets attributable to unitholders for the year ended 31 December 2013

	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2012 £'000
Opening net assets attributable to unitholders		403,850		332,014
Amounts receivable on issue of units	114,703		87,847	
Amounts payable on cancellation of units	(45,399)		(55,034)	
		69,304		32,813
Stamp duty reserve tax		(248)		(160)
Change in net assets attributable to unitholders from investment activities		153,827		34,887
Retained distribution on accumulation units		5,649		4,296
Closing net assets attributable to unitholders		632,382		403,850

Balance sheet as at 31 December 2013

	Note	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2012 £'000
Assets					
Investment assets			617,221		403,004
Debtors	10	3,028		927	
Cash and bank balances	11	18,132		2,393	
Total other assets			21,160		3,320
Total assets			**638,381**		**406,324**
Liabilities					
Derivative liabilities			3,621		255
Creditors	12	2,378		1,359	
Bank overdraft		–		860	
Total other liabilities			2,378		2,219
Total liabilities			**5,999**		**2,474**
Net assets attributable to unitholders			632,382		403,850

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 exchange transactions are used for investment purposes or efficient portfolio management. 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. Contracts for Difference ('CFDs') held in the portfolio are valued based on the price of the underlying security or index which they are purchased to reflect. Amounts equivalent to the dividend value on CFDs are recognised as revenue when the underlying securities are quoted ex-dividend. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares, including UK 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 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.

(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, contracts for difference, 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 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, market and sector analysis, with the emphasis on long-term investments.

Notes to the financial statements (continued)

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 15). 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 December 2013 or 31 December 2012. 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. Equity CFDs can be held both long and short and are selected by the manager in pursuit of the investment objective of the fund to take advantage of anticipated movements in market prices. Increases in the value of equities underlying CFDs held long and decreases in the value of equities underlying CFDs held short will be received by the fund from the counterparty. Decreases in the value of equities underlying CFDs held long and increases in the value of equities underlying CFDs held short will be paid by the fund to the counterparty.

(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, such as derivatives. For derivatives disclosed in the portfolio statement on page 7, UBS is the counterparty for the contracts for difference. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit risk as at 31 December 2013 or 31 December 2012.

(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 5 to 7. 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 use of derivatives and forward transactions, as described above, in both exchange traded and OTC markets, in the pursuit of the fund's objective will mean that the Net Asset Value of the fund may at times be volatile. There are some derivatives whose value falls even though the market is rising. The use of derivatives will include creating synthetic short positions. The use of these strategies is subject to a risk management process and the manager has engaged an external provider to provide an analysis of the overall risk position of the fund on a daily basis, which is then used by the manager to evaluate the exposures and risks in the portfolio. As part of this process, the Value at Risk ('VaR') is calculated on a daily basis to estimate the market price risk on the fund. VaR expresses the maximum expected loss by the fund in a defined period within a defined confidence level. The model used for the fund has a confidence level of 99%, uses one year risk factor data over a one month period (i.e. it predicts the maximum loss that could arise over a one month period) and is based on the portfolio at the point of calculation. At 31 December 2013 the VaR was estimated at 12.0% (2012: 12.2%). It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

4. Net capital gains

	31 December 2013 £'000	31 December 2012 £'000
Non-derivative securities	160,815	37,512
Derivative contracts	(6,895)	(2,625)
Net capital gains	153,920	34,887

5. Portfolio transaction costs

	31 December 2013		31 December 2012	
	£'000	£'000	£'000	£'000
Analysis of total purchases costs				
Purchases before transaction costs		324,711		290,107
Commissions	536		611	
Taxes	1,394		1,254	
Total purchases costs		1,930		1,865
Gross purchases total		326,641		291,972
Analysis of total sales costs				
Gross sales before transaction costs		272,097		247,575
Commissions	(404)		(457)	
Total sales costs		(404)		(457)
Total sales net of transaction costs		271,693		247,118

6. Revenue

	31 December 2013 £'000	31 December 2012 £'000
UK dividends	12,669	10,162
Overseas dividends	718	871
UK stock dividends	398	459
Revenue from UK REITs	86	22
Underwriting commission	40	–
Bank interest	25	56
Derivative revenue	(1,102)	(719)
Total revenue	12,834	10,851

Notes to the financial statements (continued)

7. Expenses

	31 December 2013 £'000	31 December 2012 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	7,230	5,895
Payable to the trustee, associates of the trustee and agents of either of them:		
Trustee fee	70	54
Other expenses:		
Registration fee	131	135
Administration fee	103	114
Operational fees	49	37
Safe custody fees	13	10
Auditor's remuneration: audit fee*	12	11
Printing and postage fee	1	4
Total expenses	7,609	6,260

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above include VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £9,750 (2012: £9,500).

8. Taxation

	31 December 2013 £'000	31 December 2012 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	21	1
Total taxation (note 8b)	21	1
b) Factors affecting the tax charge for the year		
Net revenue before taxation	5,209	4,587
Corporation tax at 20% (2012: 20%)	1,042	917
Effects of:		
Unutilised management expenses	1,480	1,247
Utilisation of non-trade deficit carried forward	219	134
Irrecoverable overseas tax	21	1
Non-taxable stock dividends	(80)	(92)
Non-taxable overseas dividends	(127)	(174)
Non-taxable UK dividends	(2,534)	(2,032)
Tax charge for the year (note 8a)	21	1

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 £14,085,000 (2012: £12,605,000) arising as a result of having unutilised management expenses of £70,425,000 (2012: £63,025,000). 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 December 2013 £'000	31 December 2012 £'000
Final distribution	5,649	4,296
Add: amounts deducted on cancellation of units	203	426
Deduct: amounts added on issue of units	(571)	(136)
Finance costs: distribution	**5,281**	**4,586**
Finance costs: interest	16	4
Total finance costs	5,297	4,590
Movement between net revenue and distributions		
Net revenue after taxation	5,188	4,586
Add: revenue received on conversion of units	93	–
	5,281	4,586

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 16.

10. Debtors

	31 December 2013 £'000	31 December 2012 £'000
Sales awaiting settlement	1,601	139
Accrued revenue	822	717
Amounts receivable for issue of units	559	56
Overseas withholding tax recoverable	46	14
Prepaid expenses	–	1
Total debtors	3,028	927

11. Cash and bank balances

	31 December 2013 £'000	31 December 2012 £'000
Amounts held as collateral at futures clearing houses and brokers	10,474	2,393
Amounts held in JP Morgan Liquidity Fund	7,658	–
Total cash and bank balances	18,132	2,393

12. Creditors

	31 December 2013 £'000	31 December 2012 £'000
Purchases awaiting settlement	1,612	–
Accrued annual management charge	663	488
Accrued other expenses	95	83
Accrued trustee fee	7	4
Amounts payable for cancellation of units	1	784
Total creditors	2,378	1,359

13. Contingent liabilities and commitments

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

Notes to the financial statements (continued)

14. 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 9 and notes 7, 10 and 12 on pages 13 and 14 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2013 in respect of these transactions was £105,000 (2012: £1,216,000). The balance due to the trustee as at 31 December 2013 in respect of these transactions was £7,000 (2012: £4,000).

15. Risk disclosures – currency risk

Currency	Investments £'000	Net other assets £'000	Total £'000
31 December 2013			
US Dollar	–	–	–
31 December 2012			
US Dollar	–	14	14

16. 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 17. The distribution per unit class is given in the distribution table on page 16. All classes have the same rights.

17. Post balance sheet event

Since 31 December 2013, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	13 February 2014	31 December 2013	Movement
R accumulation	424.00	417.22	1.6%
I accumulation	434.95	427.16	1.8%

Distribution table

Final dividend distribution for the year ended 31 December 2013.

Group 1 – Units purchased prior to 1 January 2013.
Group 2 – Units purchased from 1 January 2013 to 31 December 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2014	Distribution per unit (p) 28 February 2013
R accumulation				
Group 1	3.0376	–	3.0376	3.1541
Group 2	0.5769	2.5207	3.0376	3.1541
I accumulation				
Group 1	5.8265	–	5.8265	5.3539
Group 2	4.0754	1.7511	5.8265	5.3539

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 December 2011	332,013,669		
R accumulation		275.38	113,382,136
I accumulation		278.04	7,113,019
31 December 2012	403,849,588		
R accumulation		305.55	126,147,937
I accumulation		310.82	5,919,442
31 December 2013	632,382,431		
R accumulation		417.22	112,175,766
I accumulation		427.16	38,478,418

Ongoing charges

Expense	31 December 2013
R accumulation	
Annual management charge	1.50%
Other expenses	0.07%
Ongoing charges	1.57%
I accumulation	
Annual management charge	0.75%
Other expenses	0.07%
Ongoing charges	0.82%

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	3.3867	244.64	159.24
2010	1.9025	303.43	214.06
2011	2.8181	326.36	240.22
2012	3.1541	326.51	273.48
2013	3.0376	441.40	311.66
I accumulation			
2010 *	0.6442	292.36	241.29
2011	4.8950	315.75	242.12
2012	5.3539	319.41	276.94
2013	5.8265	435.14	317.11

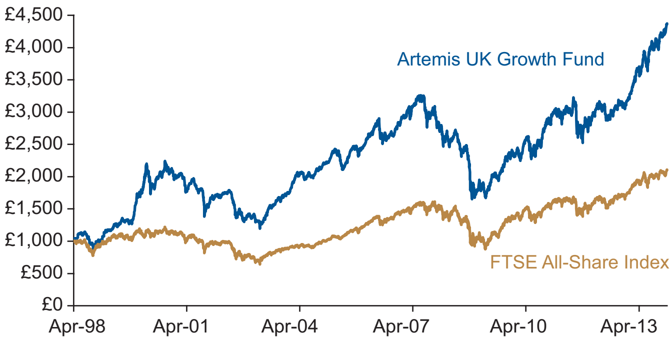
Net revenue includes all amounts paid and payable in each calendar year.
* From 1 September 2010.

Fund performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Growth Fund	337.3	132.8	46.3	36.4	15.8
FTSE All-Share Index	110.7	95.2	31.0	20.8	11.3
FTSE 100 Index	86.3	83.1	27.7	18.7	10.3
Sector average	117.6	106.2	34.9	26.2	14.2
Position in sector	5/97	47/238	55/252	31/267	83/270
Quartile	1	1	1	1	2

* Data from 3 April 1998. Source: Lipper Limited, R accumulation, bid to bid basis, in sterling with net income reinvested to 31 December 2013. All performance figures show total return percentage growth. Sector is IMA UK All Companies.

Value of £1,000 invested at launch to 31 December 2013



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