PROFIT *hunters*

ARTEMIS Global Energy *Fund*

Half-Yearly Report (unaudited)
for the six months ended
31 January 2014

ARTEMIS
The PROFIT Hunter

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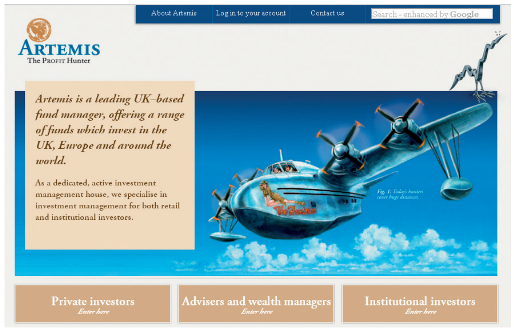

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- Artemis *filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

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 £17.8 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 28 February 2014.

Fund status

Artemis Global Energy Fund was constituted by a Trust Deed dated 13 December 2010 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 primarily from a portfolio of companies engaged in the oil and gas sector, energy generation and transmission. Additionally, the fund may invest in companies seeking to develop and exploit new energy technologies, and companies that service the energy sector.

Investment policy

The manager actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate.

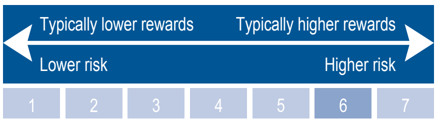
The manager will not be restricted in respect of choice of investments by company size, or in terms of the geographical split of the portfolio. At times, the fund may have a relatively concentrated portfolio.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, cash and near cash, derivatives and forward transactions for investment purposes.

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.
- As the fund concentrates on the energy sector, in addition to the general risks of the global stock market, it is subject to risks associated with global energy investments. The value of the fund may be influenced by supply and demand of the commodity involved, inflation, currency exchange and interest rates; and political, economic or financial events. There is no guarantee that the Investment Manager will be able to manage or limit these various risks.
- The fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains, however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this fund.
- A portion of the fund's assets may be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in unit prices can be expected.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.

Prospectus

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

General information (continued)

Manager

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

Dealing information:
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.

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

17 March 2014

- Fund down 11.2%* vs a fall of 6.7%* for the benchmark.
- Adverse sentiment in the energy sector weighed on returns.
- We remain committed to carefully chosen exploration and production stocks – particularly those with established hydrocarbon reserves.

Performance – Our favoured sector and stocks suffer …

The period began in promising fashion. In August, rising oil prices and decent performance from the fund's US shale and African holdings proved supportive. October, meanwhile, brought good news from some of the fund's Africa-focused stocks, such as Caracal Energy and our long-standing holding in Africa Oil.

By November, however, the market had turned against riskier stocks. And although our African and South American holdings were generally performing well, a series of individual setbacks saw the fund falling by more than 12% between November and January. Two 'dry holes' in Kenya saw Africa Oil give back its earlier gains. Cobalt International Energy, meanwhile, made impressive discoveries in Angola – but its gas content scared the market. Under production-sharing agreements in place in Angola, foreign investors cannot sell gas, so gas content in new discoveries offsets the value of oil. Det Norske trimmed its estimated reserves and raised estimated costs for its giant Johan Svedrup discovery in the Norwegian North Sea. Anadarko also had an unpleasant surprise for us in the form of a large and undisclosed legal liability.

More broadly, the exploration and production (E&P) sector continued to suffer. The 14.5%* fall that the AIM oil and gas index endured over the period gives some idea of how E&P stocks have performed. As fourth quarter results from BG and Royal Dutch Shell showed, costs are rising in the sector, project execution is patchy at best and, despite better technology, exploration has proved of limited success.

But as the herd gallops away from the oil sector, we believe it may be overlooking the huge potential of some of the US shale companies. As unitholders know, we do not invest in the two extremes of the sector, avoiding small-cap explorers at one end of the scale and large, integrated oil companies at the other. Instead, we focus on the mispriced 'appraisal' value of hydrocarbons that have been discovered – but which have yet to be exploited.

Review – Standing by shale …

The mixed results in the international portion of the fund caused us to take a step back and look at the fragility of sentiment towards the E&P sector. At the same time, we observed that US shale stocks tend to benefit when news is good – but are not punished with double-digit falls when the news is bad. Unitholders may recall that the fund started buying holdings in shale energy producers at the end of 2012 through small positions in stocks such as Magnum Hunter Resources and Concho Resources. In November 2013 we started making space for more US shale stocks by selling underperformers including Tullow Oil, Salamander Energy, Panoro and Det Norske as well as Emerging Market stocks such as Rosneft and Petrobras. With a tailwind of rapid production growth, we expect that US energy companies will be the leaders of a recovery in the sector in 2014.

In our last review we expressed a hope that holdings such as Karoon Gas, Oil Search, Genel Energy, Cobalt International Energy, Africa Oil, Oryx, Amerisur Resources, BG, Ithaca Energy, Occidental Petroleum and Gran Tierra Energy could start to perform. And, with the notable exceptions of Cobalt International Energy and Karoon Gas, these stocks have broadly delivered. Oil Search is preparing to pump the first gas from its liquefied natural gas (LNG) project in Papua New Guinea. Genel Energy is pumping oil from Iraq through its pipelines into Turkey and, pending payment terms, should enjoy another surge in value this year. Africa Oil continued to make additional oil discoveries in northern Kenya (although the announcement of drilling results from individual wells continued to result in some short-term volatility in its share price). In South America, it transpired that Amerisur Resources' Platanillo field is bigger than had been expected. Gran Tierra Energy, meanwhile, made significant additions to its proven reserves in Peru. In the US, Occidental Petroleum moved closer to unlocking value by separating its Californian operations from its international businesses. Closer to home, Ithaca Energy's Greater Stella Area field in the North Sea continued to grow.

The period also brought a number of disappointments. BG in particular let us down. Following a run of good performance, we had started trimming the fund's position in BG during December. In January, however, it shocked the market by downgrading both reserve estimates and production forecasts. News from Cobalt International Energy was, as we said earlier, also disappointing. We continue to hold the stock as we believe its discoveries still hold considerable value. Other outright underperformers over the period included Tullow Oil and Providence Resources. The only one of Tullow Oil's assets that is performing as hoped is Kenya, to which we have exposure through Africa Oil. We sold the holding. Providence Resources, meanwhile, continued to delay the announcement regarding the farming out of its stake in the Barryroe field. We will wait.

* Source: Lipper Limited, R accumulation, bid to bid basis, in sterling with net income reinvested. Benchmark is MSCI ACWI/Energy GBP Index. Sector is IMA Specialist.

Investment review (continued)

In terms of activity, we sold several of the fund's US holdings, including Cabot Oil & Gas, Concho Resources and Magnum Hunter Resources as they had met our price targets. With M&A activity in the energy sector remaining muted (potential bidders currently face cash constraints) Coastal Energy was the only one of our stocks to have received a takeover bid.

Although we sold some of our US stocks we returned to some of our favoured companies, particularly those exploiting opportunities in the Bakken, Permian, Eagle Ford and Marcellus shale formations. Some commentators believe that the shale 'bandwagon' has already passed. We disagree – for two reasons. Firstly, even though the S&P 500 oil and gas index rose by 18% in 2013, it lagged the wider US market. Today, US energy stocks are relatively under-owned. Secondly, our fundamental analysis of the geology of the shale formations, productivity trends and the economics of production tells us that growth in the production of shale oil is still at an early stage. Increased use of technology, infrastructure improvements and lower costs are driving the shale revolution. We believe that US shale stocks have much further to go. With weakness in the US oil sector in November offering an attractive entry point, we were able to step in and increase the fund's exposure to North America to 40%. We went back into Kodiak Oil & Gas following a resource upgrade. We also bought fellow Bakken shale operator Continental Resources. It operates in what we regard as the 'sweet spot' of the Bakken shale formation and, we believe, has excellent growth prospects.

Elsewhere, Marathon Oil and EOG are our preferred operators in the Eagle Ford formation while Pioneer Natural Resources is our top pick in the Permian Basin in west Texas. We invested in Noble Energy, a stock that we owned before, in recognition of its international prospects. It now has the added attraction of being exposed to the domestic Wattenburg shale formation. Towards the end of the reporting period we sought to take advantage of the spike in US gas prices that resulted from January's plunge in temperatures by buying a holding in EQT, a shale gas producer active in the Marcellus formation.

We are also seeking to profit from the growth of the unconventional energy sources in Canada, where we bought Suncor Energy. It is an integrated company that circumvents depressed Canadian oil prices by refining and selling into local markets. We continued to add to MEG Energy, a heavy oil producer with massive potential for growth.

One potential downside to the rapid growth in oil production in the US is that increased supply could suppress oil prices. The natural hedge to this risk is to own US-based refiners, who are beneficiaries of falling input prices. To this end, we bought holdings in Tesoro and Hollyfrontier towards the end of the reporting period.

Outlook – As certain as we can be of our stocks …

The Federal Reserve has made it clear that the pace at which its QE programme is tapered will proceed solely through reference to data on the domestic US economy. Given this, Emerging Markets may well continue to suffer as 2014 progresses, along with other 'risky' asset classes.

This should lead to a strengthening in the US E&P sector into the second quarter, coinciding with US refineries coming out of annual maintenance. A recovery in the international E&P sector should follow. And, given the large discount to fair value on which the sector currently trades, the rapidity of its recovery could take some people by surprise.

Regardless of wider macro developments, however, individual stock and sector level catalysts will be of greater importance to fund returns. We expect to see exceptional growth from the leading US shale companies such as Pioneer Natural Resources and Continental Resources. Noble Energy will start producing gas in Israel. Occidental Petroleum's planned break-up should release value. Genel Energy should get a lift from political progress in Kurdistan. Premier Oil will find a new chief executive, which should help it put last year's problems behind it. Oil Search will start up LNG production in Papua New Guinea.

For our part, we will stay focussed on investing in some of the world's best energy companies. The fund's performance to date has been against a background of falling energy prices and rising disenchantment with the sector. But we continue to believe in our long-term thesis of well-researched investing in a finite essential resource which is becoming increasingly costly to find and extract. We are confident that the fund can recover quickly in an improving environment for the oil sector.

John Dodd and Richard Hulf
Fund managers

Five largest purchases and sales for the six months ended 31 January 2014

Purchases	Cost £'000	Sales	Proceeds £'000
Suncor Energy	2,820	Coastal Energy	4,009
EOG Resources	2,793	Genel Energy	3,511
Marathon Oil	2,790	Anadarko Petroleum	3,491
Pioneer Natural Resources	2,761	Cabot Oil & Gas	3,467
Continental Resources	2,734	Kodiak Oil & Gas	3,464

Portfolio statement as at 31 January 2014

Investment	Holding	Valuation £'000	% of net assets
Australia – 4.17% (3.41%)			
Azonto Petroleum #	100,000,000	1,250	1.89
Karoon Gas Australia	890,000	1,507	2.28
		2,757	**4.17**
Bermuda – 0.94% (0.47%)			
Madagascar Oil #	4,440,129	622	0.94
		622	**0.94**
Brazil – 0.50% (2.02%)			
Petroleo Brasileiro (ADR)	95,820	327	0.50
		327	**0.50**
Canada – 23.16% (18.84%)			
Africa Oil	555,737	2,488	3.77
Caracal Energy	467,149	2,055	3.11
Ithaca Energy #	1,493,031	2,016	3.05
Kodiak Oil & Gas	358,034	2,297	3.48
MEG Energy	129,721	2,140	3.24
Suncor Energy	134,252	2,663	4.03
TransGlobe Energy	362,621	1,637	2.48
		15,296	**23.16**
Cyprus – 1.53% (1.16%)			
Buried Hill Energy (Cyprus) +	666,666	1,013	1.53
		1,013	**1.53**
Ireland – 2.11% (2.57%)			
Providence Resources #	607,620	1,397	2.11
		1,397	**2.11**
Jersey – 1.53% (4.68%)			
Genel Energy	104,482	1,014	1.53
		1,014	**1.53**
Norway – 1.39% (4.37%)			
Statoil	63,606	915	1.39
		915	**1.39**
Papua New Guinea – 1.75% (3.22%)			
Oil Search	272,710	1,159	1.75
		1,159	**1.75**
Sweden – 2.44% (3.58%)			
Lundin Petroleum	152,462	1,609	2.44
		1,609	**2.44**

Investment information (continued)

Investment	Holding / nominal value	Valuation £'000	% of net assets
United Kingdom – 21.61% (24.51%)			
Amerisur Resources #	4,111,862	2,128	3.22
BG Group	148,319	1,508	2.28
Eland Oil & Gas #	2,542,311	2,479	3.75
Hurricane Energy +	3,083,583	1,325	2.00
Hurricane Energy (convertible loan notes) +	£500,000	500	0.77
Impact Oil & Gas +	10,000,000	2,900	4.39
Intelligent Energy +	652,174	1,500	2.27
Premier Oil	722,235	1,937	2.93
Vostok Energy +	1,420,999	–	–
		14,277	**21.61**
USA – 39.87% (26.30%)			
Cobalt International Energy	207,961	2,087	3.16
Continental Resources	37,907	2,507	3.79
EOG Resources	28,139	2,840	4.30
EQT	47,799	2,613	3.96
Exxon Mobil	19,866	1,134	1.72
Gran Tierra Energy	517,764	2,331	3.53
Hollyfrontier	40,548	1,158	1.75
Magnum Hunter Resources	31,349	–	–
Marathon Oil	126,824	2,545	3.85
Noble Energy	57,240	2,190	3.32
Occidental Petroleum	58,393	3,132	4.74
Pioneer Natural Resources	19,518	2,044	3.09
Tesoro	56,429	1,757	2.66
		26,338	**39.87**
Portfolio of investments		66,724	101.00
Net other liabilities		(661)	(1.00)
Net assets attributable to unitholders		66,063	100.00

All holdings are listed ordinary shares unless otherwise stated.
The figures in brackets represent percentages as at 31 July 2013. At this date the portfolio included an exposure to Cayman Islands (3.36%) and Russia (2.63%).
Alternative Investment Market traded investments: 13.07% (31 July 2013: 16.60%).
+ Unquoted investments: 10.35% (31 July 2013: 7.91%).
ADR represents American Depositary Receipts.

Statement of total return for the six months ended 31 January 2014

	31 January 2014 £'000	31 January 2014 £'000	31 January 2013 £'000	31 January 2013 £'000
Income				
Net capital (losses)/gains		(8,405)		4,280
Revenue	141		486	
Expenses	(583)		(730)	
Finance costs: interest	(13)		–	
Net expense before taxation	(455)		(244)	
Taxation	(18)		(48)	
Net expense after taxation		(473)		(292)
Total return before distribution		(8,878)		3,988
Finance costs: distribution		–		8
Change in net assets attributable to unitholders from investment activities		(8,878)		3,996

Statement of change in net assets attributable to unitholders for the six months ended 31 January 2014

	31 January 2014 £'000	31 January 2014 £'000	31 January 2013 £'000	31 January 2013 £'000
Opening net assets attributable to unitholders		94,861		96,549
Amounts receivable on issue of units	2,157		19,905	
Amounts payable on cancellation of units	(22,070)		(8,632)	
		(19,913)		11,273
Stamp duty reserve tax		(7)		(8)
Change in net assets attributable to unitholders from investment activities		(8,878)		3,996
Closing net assets attributable to unitholders		66,063		111,810

Balance sheet as at 31 January 2014

	31 January 2014 £'000	31 January 2014 £'000	31 July 2013 £'000	31 July 2013 £'000
Assets				
Investment assets		66,724		95,927
Debtors	1,204		127	
Cash and bank balances	313		–	
Total other assets		1,517		127
Total assets		**68,241**		**96,054**
Liabilities				
Creditors	2,178		210	
Bank overdraft	–		983	
Total liabilities		**2,178**		**1,193**
Net assets attributable to unitholders		66,063		94,861

Notes to the financial statements

1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2013, as set out therein.

2. Post balance sheet events

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

	Net asset value per unit (p)		
	14 March 2014	31 January 2014	Movement
R accumulation	38.80	37.29	4.0%
I accumulation	39.65	38.07	4.2%

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 July 2012	96,549,417		
R accumulation		42.94	147,761,110
I accumulation		43.35	76,352,324
31 July 2013	94,860,579		
R accumulation		41.98	131,202,779
I accumulation		42.69	93,190,786
31 January 2014	66,062,945		
R accumulation		37.29	113,388,416
I accumulation		38.07	62,458,443

Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
R accumulation			
2011 *	–	50.15	37.28
2012	–	50.95	40.41
2013	–	49.37	39.13
2014 **	–	42.79	37.20
I accumulation			
2011 *	–	48.13	37.41
2012	0.2419	49.21	40.77
2013	–	48.05	39.92
2014 **	–	41.90	37.98

Net revenue includes all amounts paid and payable in each calendar year.
* From 11 April 2011.
** To 31 January 2014.

Ongoing charges

Expense	31 January 2014
R accumulation	
Annual management charge	1.50%
Other expenses	0.15%
Ongoing charges	1.65%
I accumulation	
Annual management charge	0.75%
Other expenses	0.15%
Ongoing charges	0.90%

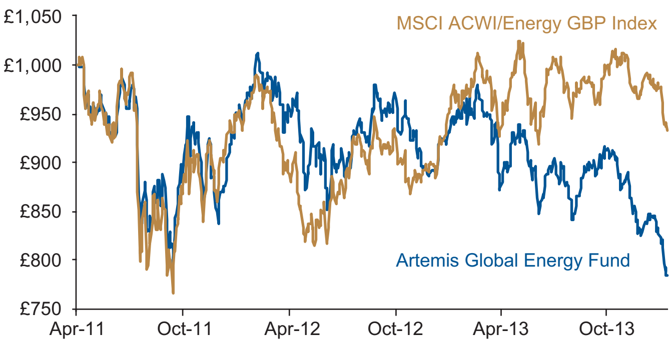
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Fund performance

	Since launch *	1 year	6 months
Artemis Global Energy Fund	(21.7)	(16.7)	(11.2)
MSCI ACWI/Energy GBP Index	(6.7)	(2.8)	(6.7)
Sector average	(9.1)	(6.1)	(3.5)
Position in sector	83/114	110/138	119/141
Quartile	3	4	4

* Data from 21 April 2011 due to the fixed offer period of the fund.
Source: Lipper Limited, R accumulation, bid to bid basis, in sterling with net income reinvested to 31 January 2014. All performance figures show total return percentage growth. Sector is IMA Specialist.

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



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