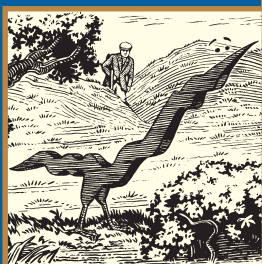


# ARTEMIS Capital *Fund*

Half-Yearly Report (unaudited)  
for the six months  
ended 7 October 2013



## 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 £16.6 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 October 2013.

### Fund status

Artemis Capital Fund was constituted by a Trust Deed dated 20 November 1986 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 (formerly the Financial Services Authority).

### Investment objective

The objective of the fund is to achieve long-term capital growth.

### Investment policy

The emphasis of the fund will be investment in UK companies in the FTSE 100 Index, however, the manager has the flexibility to invest in UK companies outside the FTSE 100 Index and overseas companies.

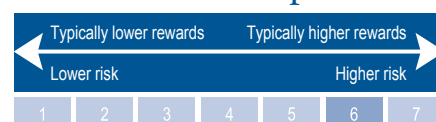
The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash

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](http://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, 25 The North Colonnade,  
Canary Wharf, London E14 5HS.

### 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

22 November 2013

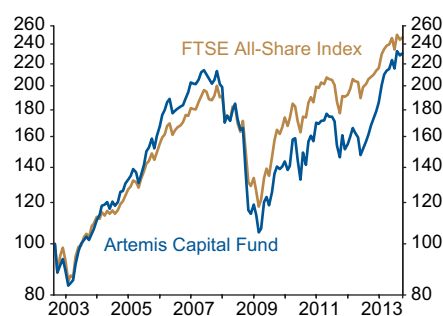
## Investment review

- Strong performance.
- Markets remain inefficient.
- Positive outlook for equities.

### Performance – Traction regained ...

Returning 10.9%\* compared to a return of 6.1%\* from the benchmark, the fund performed well over the reporting period. The process continues of catching up with the Index after a poor period of performance from 2007 to 2009. During that period, value stocks underperformed significantly, creating a headwind for the fund's relative performance. Today, many investors have all but given up on value investing. But we continue to run the fund in the same manner in which we have run it for the past decade. We use our stock-picking tool, SmartGARP®, to steer us towards stocks with low valuations and good profit growth. Results over the past year or so demonstrate that this process has regained traction. We can see no reason for this to end.

#### Artemis Capital Fund vs. Benchmark



Source: Datastream.

### Review – Sticking to a simple strategy ...

Although many doubted it a year ago, the UK economy appears to have begun its post-crisis recovery. The economy has stopped contracting and investors have gone from seeing their glasses as half-empty to seeing

them as half-full. In no small part, this helps to explain the strong returns that your fund has produced over the past six months.

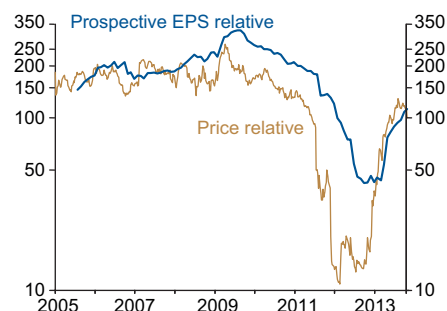
In recent years, investors have tended to focus on top-down matters such as the banking crisis or the weak economy. The result of this negative outlook was that they tended to overlook positive stock-specific news. A year ago, we owned a number of stocks that seemed to stand on ridiculously low valuations despite having made reasonable progress on their profits. It was not a view that many investors seemed to share. But as fears over the UK and global economies have receded, investors have come to realise that the valuations on some of our stocks were far too low and have pushed their share prices higher.

Two recent winners in this mould have been Thomas Cook and Trinity Mirror. In both cases their stock prices had fallen dramatically, debt was high, sales were going backwards and – importantly – costs were being slashed. But, as profits began to recover, so their share prices have risen too.

The gold line on the chart below illustrates Thomas Cook's share price relative to the market. Clearly, we want to own stocks where the gold line is going up. The blue line, meanwhile, shows the consensus earnings per share (EPS) forecast for Thomas Cook compared to the market. The two lines are connected by an invisible piece of elastic; the gold line (relative share price) tells you where investors think the blue line (relative earnings) will go in future. Between 2009 and 2012, Thomas Cook was cheap; investors were implicitly anticipating a fall in its earnings per share. And, while profits did fall, investors feared the worst – so the stock remained cheap.

By mid-2012, however, Thomas Cook was no longer issuing profit warnings. By late 2012 positive surprises were starting to occur.

#### Thomas Cook vs. Market

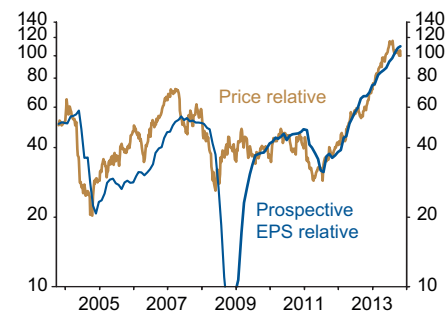


Source: Datastream.

Our system suggested that we should own Thomas Cook and we bought the shares in September 2012. We had no great insights into the plans of its management or the strength of the UK economy. We didn't know in which direction the pound would move next. What we did observe was that the stock was outrageously cheap and that positive trading updates could prompt the market to convert a cheap share into a rising share price.

The reality is that this kind of dramatic turnaround does not happen very frequently. More often, we own stocks that are somewhat cheap but which continue to churn out good growth. ITV and easyJet are good examples. Some will say that easyJet has been helped by a weak oil price, a strong pound and a recovering economy. They are probably right. But it is also true that, unlike British Airways, easyJet has delivered profitable growth for some years. Its blue line has been heading up since late 2011; the wind has been behind it for some time.

#### easyJet vs. Market



Source: Datastream.

What we do is quite simple. We buy shares in companies that are

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

## Investment review (continued)

delivering unexpectedly good growth that is not (yet) discounted in the share price. Typically, cycles of good (or bad) news from a company last for some time. We exploit these trends. We do not visit companies or broker analysts. Instead, we focus on the data and buy companies that have great financial characteristics. We have been doing this for over 20 years. In our experience, sticking to this simple strategy is remarkably effective.

benchmark. And, because we see no evidence that markets have become any smarter in recent years, we believe that our SmartGARP process will help us to outperform the market by some margin. As such, we remain optimistic on the outlook for your fund.

**Philip Wolstencroft**  
Fund manager

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## Outlook – Set fair for equities ...

Investors tend to fluctuate between two strategies. First, extrapolating returns from the past few years - i.e. buying shares in companies whose share prices have already risen (and vice versa). Second, trading in response to economic data - i.e. buying equities when the economy is perking up and selling them when it is heading south. Neither approach represents a particularly good strategy. In general, it is better to buy equities when value is unusually good.

At the moment, value is average and, as such, prospective returns from the market are likely to be good – but not spectacular. Because value in the bond market is unusually poor, however, we suspect that equity investors will do pretty well over the next decade.

In the long run, dividends from the UK market will tend to grow by about 1% per annum over and above inflation. With the dividend yield currently at 3.3% and inflation forecast to be close to 3% this implies that the equity market return in future years should compound at 7.3% (=1% + 3.3% + 3%). This is not a bad return, and is almost certainly better than that from investing in government bonds or bank deposits, where yields are between zero and 3%. It is also likely to be good protection against the slow erosion of inflation.

Our fund is certainly not an index fund. Its objective is to outperform the

## Investment information

### Five largest purchases and sales for the six months ended 7 October 2013

Purchases	Cost £'000	Sales	Proceeds £'000
BP	16,409	Barclays	14,187
Lloyds Banking Group	15,797	HSBC Holdings	10,318
Centrica	6,633	Mondi	7,203
Vodafone Group	6,375	William Hill	6,409
Rio Tinto	6,130	Standard Chartered	6,400

### Portfolio statement as at 7 October 2013

Investment	Holding	Valuation £'000	% of net assets
United Kingdom – 72.18% (78.00%)			
Basic Materials – 3.80% (5.28%)			
Eurasian Natural Resources	700,000	1,513	0.39
Ferrexpo	2,080,988	3,579	0.93
Mondi	373,000	3,969	1.03
Rio Tinto	190,000	5,611	1.45
		<b>14,672</b>	<b>3.80</b>
Consumer Goods – 7.48% (5.40%)			
Barratt Developments	850,000	2,587	0.67
Bellway	185,000	2,287	0.59
British American Tobacco	70,000	2,228	0.58
Britvic	400,000	2,274	0.59
Dairy Crest Group	250,000	1,145	0.29
Persimmon	390,000	4,083	1.06
Premier Foods	2,700,000	4,151	1.08
Reckitt Benckiser Group	120,000	5,196	1.35
Supergroup	100,000	1,130	0.29
Taylor Wimpey	3,900,000	3,793	0.98
		<b>28,874</b>	<b>7.48</b>
Consumer Services – 18.07% (22.09%)			
British Sky Broadcasting Group	330,000	2,892	0.75
easyJet	1,243,333	15,616	4.04
Inchcape	840,000	5,090	1.32
ITV	6,200,000	11,098	2.87
Next	93,000	4,649	1.20
Sainsbury (J)	1,000,000	3,891	1.01
Thomas Cook Group	3,500,000	5,173	1.34
Trinity Mirror	4,030,000	5,017	1.30
TUI Travel	2,871,000	10,439	2.70
WH Smith	695,000	5,907	1.54
		<b>69,772</b>	<b>18.07</b>
Financials – 20.22% (23.66%)			
3i Group	2,600,000	8,879	2.30
Aberdeen Asset Management	1,080,000	4,037	1.05
Aviva	300,000	1,237	0.32
Bank of Georgia	189,172	3,772	0.98
Barclays	1,403,610	3,776	0.97

## Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Charles Stanley	282,592	1,291	0.33
Close Brothers Group	400,000	4,848	1.26
ICAP	500,000	1,783	0.46
International Personal Finance	1,200,000	7,320	1.90
Jupiter Fund Management	1,180,000	4,282	1.11
Legal & General Group	4,070,000	7,892	2.04
Lloyds Banking Group	24,200,000	17,787	4.61
London Stock Exchange Group	246,000	3,747	0.97
Paragon Group of Companies	780,000	2,504	0.65
Provident Financial	300,000	4,914	1.27
		<b>78,069</b>	<b>20.22</b>
<b>Industrials – 4.40% (6.20%)</b>			
Ashtead Group	1,540,000	9,109	2.37
Interserve	300,000	1,674	0.43
Keller Group	480,000	4,589	1.19
Smiths News	800,000	1,602	0.41
		<b>16,974</b>	<b>4.40</b>
<b>Oil &amp; Gas – 9.94% (6.99%)</b>			
BP	3,450,000	14,983	3.88
Enquest	5,400,000	6,566	1.71
Essar Energy	2,100,000	2,717	0.70
Royal Dutch Shell (A shares)	614,000	12,283	3.18
SOCO International	450,000	1,817	0.47
		<b>38,366</b>	<b>9.94</b>
<b>Technology – 2.69% (3.18%)</b>			
Computacenter	150,000	771	0.20
Pace	1,475,153	3,728	0.97
Quindell Portfolio #	41,400,000	5,899	1.52
		<b>10,398</b>	<b>2.69</b>
<b>Telecommunications – 3.61% (3.69%)</b>			
BT Group	4,030,828	13,943	3.61
		<b>13,943</b>	<b>3.61</b>
<b>Utilities – 1.97% (0.00%)</b>			
Centrica	1,700,000	6,185	1.60
SSE	100,000	1,442	0.37
		<b>7,627</b>	<b>1.97</b>
<b>Overseas – 27.11% (21.53%)</b>			
<b>Australia – 0.54% (0.00%)</b>			
Fortescue Metals Group	750,000	2,101	0.54
		<b>2,101</b>	<b>0.54</b>
<b>Austria – 0.46% (0.25%)</b>			
OMV	60,000	1,787	0.46
		<b>1,787</b>	<b>0.46</b>
<b>Bermuda – 0.38% (0.39%)</b>			
Bunge	30,000	1,461	0.38
		<b>1,461</b>	<b>0.38</b>

Investment	Holding	Valuation £'000	% of net assets
Denmark – 0.43% (0.00)			
AP Moller-Maersk (B shares)	280	1,644	0.43
		<b>1,644</b>	<b>0.43</b>
France – 1.63% (1.52%)			
Crédit Agricole	230,000	1,621	0.42
GDF Suez	150,000	2,401	0.62
Société Générale	70,000	2,284	0.59
		<b>6,306</b>	<b>1.63</b>
Germany – 1.59% (1.92%)			
Allianz	16,000	1,565	0.41
Daimler	42,000	2,032	0.52
Freenet	61,000	924	0.24
STADA Arzneimittel	50,000	1,608	0.42
		<b>6,129</b>	<b>1.59</b>
Ireland – 0.68% (1.45%)			
Dragon Oil	120,000	705	0.18
Greencore Group	500,000	764	0.20
Smurfit Kappa Group	80,000	1,160	0.30
		<b>2,629</b>	<b>0.68</b>
Isle of Man – 1.85% (2.23%)			
Playtech	977,400	7,135	1.85
		<b>7,135</b>	<b>1.85</b>
Israel – 0.53% (0.00%)			
Bezeq	1,880,000	2,049	0.53
		<b>2,049</b>	<b>0.53</b>
Italy – 0.57% (0.00%)			
Banco Popolare	2,000,000	2,185	0.57
		<b>2,185</b>	<b>0.57</b>
Jersey – 4.91% (1.10%)			
Beazley Group	1,200,000	2,473	0.64
Glencore Xstrata	1,600,000	5,264	1.36
Henderson Group	1,300,000	2,434	0.63
Kentz	1,000,000	4,718	1.22
WPP	330,000	4,102	1.06
		<b>18,991</b>	<b>4.91</b>
Luxembourg – 0.51% (0.00%)			
Subsea 7	150,000	1,979	0.51
		<b>1,979</b>	<b>0.51</b>
Netherlands – 1.54% (1.35%)			
EADS	60,000	2,538	0.66
SBM Offshore	270,000	3,403	0.88
		<b>5,941</b>	<b>1.54</b>
Norway – 0.97% (1.63%)			
DNB	200,000	1,921	0.50
Fred Olsen Energy	65,000	1,823	0.47
		<b>3,744</b>	<b>0.97</b>

Investment	Holding	Valuation £'000	% of net assets
<b>Russia – 4.29% (3.29%)</b>			
Lukoil (ADR)	293,000	11,569	3.00
MMC Norilsk Nickel (ADR)	200,000	1,820	0.46
Rosneft (GDR)	420,000	2,105	0.55
Surgutneftegaz (ADR)	200,000	1,070	0.28
		<b>16,564</b>	<b>4.29</b>
<b>Spain – 0.42% (0.00%)</b>			
International Consolidated Airlines Group	480,000	1,612	0.42
		<b>1,612</b>	<b>0.42</b>
<b>Switzerland – 1.58% (0.88%)</b>			
Actelion	60,000	2,599	0.67
Credit Suisse Group	182,926	3,498	0.91
		<b>6,097</b>	<b>1.58</b>
<b>USA – 4.23% (3.70%)</b>			
Aetna	115,000	4,753	1.23
Cigna	80,000	3,945	1.02
Humana	100,000	6,007	1.56
JPMorgan Chase	50,000	1,638	0.42
		<b>16,343</b>	<b>4.23</b>
Portfolio of investments		383,392	99.29
Net other assets		2,730	0.71
<b>Net assets attributable to unitholders</b>		<b>386,122</b>	<b>100.00</b>

All holdings are listed ordinary shares unless otherwise stated.

The figures in brackets represent percentages as at 7 April 2013. At this date the portfolio included an exposure to Health Care (1.51%), Belgium (1.25%) and Sweden (0.57%).

# Alternative Investment Market traded investments: 1.52% (7 April 2013: 1.93%).

ADR represents American Depositary Receipts.

GDR represents Global Depositary Receipts.

## Financial statements

### Statement of total return for the six months ended 7 October 2013

	7 October 2013		7 October 2012	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		34,524		18,658
Revenue	6,471		6,346	
Expenses	(3,094)		(2,330)	
Finance costs: interest	(9)		(1)	
Net revenue before taxation	3,368		4,015	
Taxation	(252)		(167)	
Net revenue after taxation		3,116		3,848
<b>Total return before distribution</b>		<b>37,640</b>		<b>22,506</b>
Finance costs: distribution		23		(74)
Change in net assets attributable to unitholders from investment activities		37,663		22,432

### Statement of change in net assets attributable to unitholders for the six months ended 7 October 2013

	7 October 2013		7 October 2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		352,494		293,533
Amounts receivable on issue of units	20,184		11,830	
Amounts payable on cancellation of units	(24,153)		(24,975)	
		(3,969)		(13,145)
Stamp duty reserve tax		(66)		(21)
Change in net assets attributable to unitholders from investment activities		37,663		22,432
Closing net assets attributable to unitholders		386,122		302,799

### Balance sheet as at 7 October 2013

	7 October 2013		7 April 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		383,392		350,832
Debtors	2,047		3,391	
Cash and bank balances	1,830		1,199	
Total other assets		3,877		4,590
<b>Total assets</b>		<b>387,269</b>		<b>355,422</b>
<b>Liabilities</b>				
Creditors	1,147		2,928	
<b>Total liabilities</b>		<b>1,147</b>		<b>2,928</b>
Net assets attributable to unitholders		386,122		352,494

## 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 7 April 2013, as set out therein.

### 2. Post balance sheet events

Since 7 October 2013, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		Movement
	21 November 2013	7 October 2013	
R accumulation	1,126.73	1,070.78	5.2%
I accumulation	1,153.67	1,095.40	5.3%

## Comparative tables

### Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
<b>7 April 2011</b>	374,915,500		
R accumulation		807.19	46,379,614
I accumulation		810.61	67,145
<b>7 April 2012</b>	293,533,200		
R accumulation		744.24	39,407,702
I accumulation		754.09	32,405
<b>7 April 2013</b>	352,493,608		
R accumulation		965.01	36,458,570
I accumulation		983.64	67,547
<b>7 October 2013</b>	386,121,633		
R accumulation		1,070.78	35,896,421
I accumulation		1,095.40	159,595

### Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
<b>R accumulation</b>			
2008	12.5479	987.90	482.10
2009	13.9773	730.79	465.85
2010	8.7372	818.35	681.20
2011	4.2573	889.74	654.46
2012	17.9215	927.38	676.05
2013 **	16.1147	1,174.57	888.85
<b>I accumulation</b>			
2010 *	—	848.99	606.54
2011	5.2696	861.08	659.64
2012	23.7366	907.46	684.80
2013 **	22.6853	1,155.36	904.30

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

\* From 1 September 2010.

\*\* To 7 October 2013.

### Ongoing charges

Expense	7 October 2013
<b>R accumulation</b>	
Annual management charge	1.50%
Other expenses	0.15%
<b>Ongoing charges</b>	<b>1.65%</b>
<b>I accumulation</b>	
Annual management charge	0.75%
Other expenses	0.15%
<b>Ongoing charges</b>	<b>0.90%</b>

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 *	5 years	3 years	1 year	6 months
Artemis Capital Fund	2,152.6	79.3	41.8	32.8	10.9
FTSE All-Share Index	1,011.1	76.1	30.1	15.7	6.1
FTSE 100 Index	965.6	68.7	26.8	13.8	5.0
Sector average	883.8	78.3	32.3	19.6	8.1
Position in sector	3/32	100/235	63/255	15/271	64/274
Quartile	1	2	1	1	2

\* Data from 23 December 1986. Source: Lipper Limited, R accumulation, bid to bid in sterling with net income reinvested to 7 October 2013.

All performance figures show total return percentage growth. Sector is IMA UK All Companies.

### Value of £1,000 invested at launch to 7 October 2013

