

Artemis Income Fund



Adrian Frost
Since January 2002



Nick Shenton

Class I accumulation units, GBP

August 2017
Data as of 31 July 2017

The fund's aims

The fund aims to produce a rising income with capital growth from a portfolio primarily made up of investments in the UK including ordinary shares, convertibles and fixed interest securities.

Fund update

The UK equity market managed a small gain in July. Positive returns from banks and resource stocks offset some underperformance from staples, pharmaceuticals and tobacco (of which more anon).

Our only transaction of note was the complete sale of Persimmon. Not only has its share price more than doubled since our purchase three years ago, it has also given us a handsome stream of income. The reason for our sale was its valuation which, at three times book value, is high relative to history. We also anticipate rough waters ahead for housebuilders (from politics rather than the economy). Housebuilding is always on the political agenda and we feel that the sector's burgeoning profitability, which coincides with support from Help to Buy, will increasingly jar with Westminster and so heighten the risk of intervention. We retain our holding in Berkeley which is much cheaper and

less exposed to this risk.

Our weighting in tobacco (c. 4.9%) was hit by the unexpected announcement from the US authorities on possible measures to lower nicotine levels. While this long-running 'consultation' will undoubtedly put a cap on valuations and the sector's performance, it is unlikely to affect cashflows and dividends for the time being (and perhaps not at all). We see our weighting as proportionate to the balance between the risks and rewards the sector offers.

The same thing can be said about our holding in AstraZeneca. A year ago, this was one of our top 10 holdings. But we recognised that while there was (and is) plenty to admire about the stock, we had no competitive advantage in predicting the fortunes of 'Mystic', a clinical trial of an experimental treatment for lung cancer. As it turns out, neither did the 'expert' analysts

who had waxed lyrical about its potential. As a result we reduced our weight earlier in the year, before the setback in Mystic. Although we recognise that there is some risk to the dividend here, at our current weighting of 2.4%, AstraZeneca contributes about 3% of the total dividend.

The UK market is viewed by some as containing a disproportionate amount of dividend risk, particularly among FTSE 100 companies. We would draw attention to recent dividend increases from Rio Tinto and Direct Line; while some dividend-payers may be at risk of falling from their perches, other are climbing back on.



Third party endorsements are not a recommendation to buy.

Composition

Top ten holdings

3i	4.4%
BP	3.9%
RELX Group	3.6%
GSK	3.5%
Informa	3.2%
Rio Tinto	3.1%
Aviva	3.1%
Lloyds Bank	3.0%
Segro	3.0%
Imperial Brands	2.9%

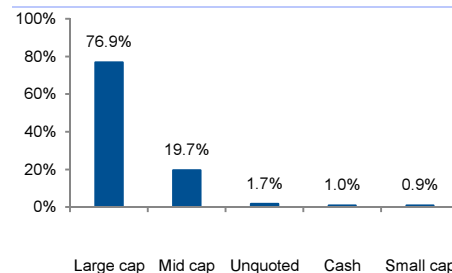
Source: Artemis as at 31 July 2017.

Market sector split

Financials	36.5%
Consumer Services	18.6%
Industrials	8.2%
Healthcare	6.8%
Oil & Gas	6.4%
Telecommunications	6.1%
Basic Materials	5.9%
Consumer Goods	5.4%
Utilities	2.3%
Collective Investments	1.7%
Technology	1.3%

Source: Artemis as at 31 July 2017. Please note that figures may not add up to 100% due to rounding and the cash holding.

Asset allocation



Source: Artemis as at 31 July 2017. Please note figures may not add up to 100% due to rounding.

Performance

Cumulative performance

	Since launch	5 years	3 years	1 year	6 months
Artemis Income Fund	380.4%	72.5%	28.9%	14.6%	9.4%
FTSE All-Share TR	279.7%	65.0%	25.7%	14.9%	7.1%
FTSE 100 TR	240.6%	57.7%	22.8%	14.0%	6.2%

'Since launch' data from 3 February 2003 to 7 March 2008 reflects class R accumulation units, and from 7 March 2008 to 31 July 2017 reflects class I accumulation units, bid to bid in sterling. All figures show total returns with dividends reinvested.

Discrete performance to year end

	2016	2015	2014	2013	2012
12 months to 31 December	10.5%	5.2%	4.3%	24.6%	14.9%

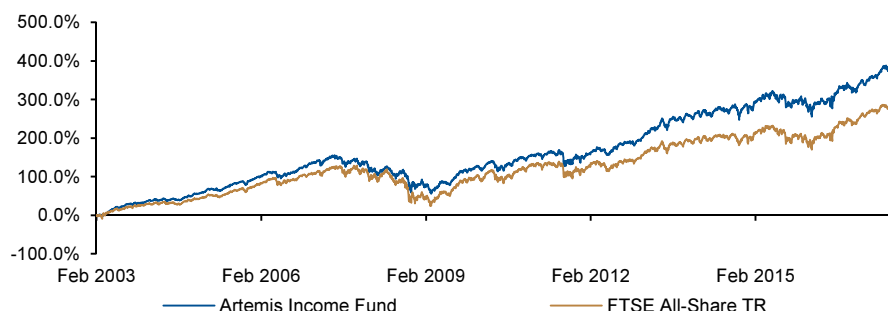
Please remember that past performance is not a guide to the future. Source: Lipper Limited, bid to bid in sterling. All figures show total returns with dividends reinvested.

Discrete performance to quarter end

	2017	2016	2015	2014	2013
12 months to 30 June	20.2%	0.0%	6.6%	12.5%	22.2%

Please remember that past performance is not a guide to the future. Source: Lipper Limited, bid to bid in sterling. All figures show total returns with dividends reinvested.

Percentage growth



Data from 3 February 2003 to 7 March 2008 reflects class R accumulation units, and from 7 March 2008 to 30 April 2017 reflects class I accumulation units, bid to bid in sterling. All figures show total returns with dividends reinvested.

Key facts

Fund type	Unit trust
Focus	Income
Asset class	Equity
Regional focus	United Kingdom
IA sector	IA UK Equity Income NR
SEDOL	B2PLJH1
ISIN	GB00B2PLJH12
Type	Accumulation
Class currency	GBP
Accumulation/distribution date	31 December, 30 June
Valuation point (UK business days)	12:00
Year end	30 April
Fund launch date	6 June 2000
Class launch date	7 March 2008
Class launch price	100p
SRRI	5
Fund size (mid basis)	£6,449.2m

Source: Artemis as at 31 July 2017.

Prices and yield

Bid price	442.30p
Offer price	449.99p
Historic yield	3.77%

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market unit price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Charges

Initial charge	1.00%
Ongoing charge	0.79%

The initial charge is currently waived. The ongoing charge includes the annual management charge of 0.75% and is shown as at the date of the Key Investor Information Document (KIID), where a full explanation of the fund's charges can be found.

Risks and important information

To ensure you understand whether this fund is suitable for you, please read the Key Investor Information Document, which is available, along with the fund's Prospectus, from artemisfunds.com.

The value of any investment, and any income from it, can rise and fall with movements in stockmarkets, currencies and interest rates. These can move irrationally and can be affected unpredictably by diverse factors, including political and economic events. This could mean that you won't get back the amount you originally invested.

The fund's past performance should not be considered a guide to future returns.

Because one of the key objectives of the fund is to provide income, the annual management charge is taken from capital rather than income. This can reduce the potential for capital growth.

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Any forward-looking statements are based on Artemis' current expectations and projections and are subject to change without notice.

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