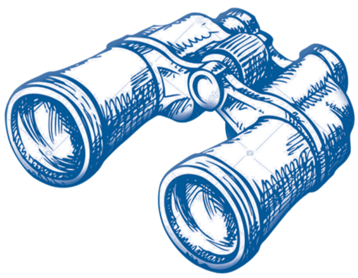
ARTEMIS
The Profit Hunter



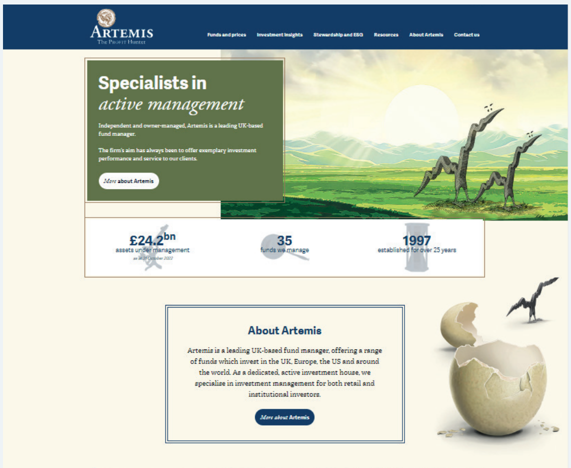
Artemis UK Smaller Companies *Fund*

Manager's Report
and Financial Statements

for the year ended 31 December 2022

Keep up to date …

… with the performance of this and other Artemis funds throughout the year on Artemis' website



- Monthly fund commentaries and factsheets
- Market and fund insights
- Fund briefings and research articles
- The Hunters' Tails, our weekly market newsletter
- Daily fund prices
- Fund literature

artemisfunds.com

General information

Company profile

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

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

The firm now manages some £25.8 billion* across a range of funds, two investment trusts and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 31 January 2023.

Fund status

Artemis UK Smaller Companies 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 ('COLL') of the Financial Conduct Authority ('FCA').

Buying and selling

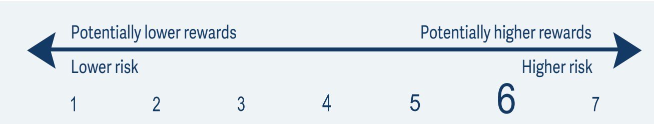
Units may be bought and sold by contacting the manager by telephone, at the address on page 5 or via the website artemisfunds.com. Valuation of the fund takes place each dealing day at 12 noon on a forward pricing basis. The current list of non-dealing days impacting the fund is published on our website at www.artemisfunds.com/non-dealing-days.

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.

Objective and investment policy

Objective	To grow capital over a five year period.	
Investment policy	**What the fund invests in**	• 80% to 100% in shares of smaller companies. • Up to 20% in bonds, cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.
	Use of derivatives	The fund may use derivatives for efficient portfolio management purposes to: • reduce risk • manage the fund efficiently
	Where the fund invests	• United Kingdom, including companies in other countries that are headquartered or have a significant part of their activities in the United Kingdom.
	Industries the fund invests in	• Any
	Other limitations specific to this fund	• None
Investment strategy	• The fund is actively managed. • The manager adopts a long-term investment approach. • The manager seeks to mostly invest in companies with predictable and/or growing cashflow streams which require little additional capital to sustain. • The manager identifies smaller companies with reference to their relative market capitalisation.	
Benchmarks	**Numis Smaller Companies (-InvTrust) TR** A widely-used indicator of the performance of the UK smaller companies stockmarket, in which the fund invests. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark. **IA UK Smaller Companies NR** A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.	

Risk and reward profile



- The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund may have risen and fallen in the past due to movements in markets, currencies and interest rates). It may not be a reliable indication of the future risk profile of the fund.
- The risk category has been calculated using historic data and may not be a reliable indicator of the fund's future risk profile.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks and the following may affect fund performance:

- **Market volatility risk:** The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- **Currency risk:** The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
- **Charges from capital risk:** Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expense of capital, which may constrain or erode capital growth.
- **Smaller companies risk:** Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies may not be as easy to sell, which can cause difficulty in valuing those shares.

There was no change to the indicator in the year ended 31 December 2022.

Please refer to the fund's prospectus for full details of these and other risks which are applicable to this fund.

Other information

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 5.

Remuneration

All UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year.

As the Artemis UK Smaller Companies Fund (the "fund") is a UCITS scheme, Artemis Fund Managers Limited ("AFML") as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com.

Remuneration levels are set to attract, retain and motivate talented partners and staff and align the long term interests of partners and staff with those of our clients. The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Risk and Compliance function when reviewing remuneration issues, including any risk adjustments or controls considered necessary.

The Artemis remuneration period runs from 1 January to 31 December. Certain partners and staff are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm. The payment of some of their variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to identified staff both (a) before the end of the vesting period and (b) within two years following the payment of any elements of variable remuneration.

No staff are employed by AFML directly. Staff are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 219 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund for the year ended 31 December 2021 is £1,043,991 of which £371,207 is fixed remuneration and £672,784 is variable remuneration.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2021 is £389,871. Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of the UCITS Remuneration Code, the AFML Code staff include the members of Artemis' Management and Executive Committees, certain fund managers and others in specified roles. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

UK tax legislation requires fund managers to provide information to HM Revenue & Customs ('HMRC') on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident outwith the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of information- account-holders.

Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment on whether its funds are providing value to unitholders. AFML must publish publicly, on an annual basis, a statement setting out a summary of the outcome of the process and whether or not AFML believes the payments out of the scheme property are justified in the context of the overall value delivered to unitholders. Composite reports on Assessment of Value have been published via the website artemisfunds.com.

Manager

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

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House
57 St James's Street
London SW1A 1LD

Trustee and Depositary

J.P. Morgan Europe Limited †
25 Bank Street
Canary Wharf
London E14 5JP

Registrar

SS&C Financial Services International Limited *
SS&C House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

* Authorised and regulated by the FCA, 12 Endeavour Square, London E20 1JN.

† Authorised by the Prudential Regulation Authority ('PRA'), 20 Moorgate, London EC2R 6DA and regulated by the PRA and the FCA.

Statements of responsibilities

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Artemis UK Smaller Companies Fund ("the Trust") for the Year Ended 31 December 2022.

The Trustee in its capacity as Trustee of Artemis UK Smaller Companies Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together'the Scheme documents') as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM' or 'the Manager'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

J.P. Morgan Europe Limited
Bournemouth
28 February 2023

Statement of the manager's responsibilities

COLL 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 May 2014 ('SORP');

(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.

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

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis UK Smaller Companies Fund for the year ended 31 December 2022 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray
Director

L E Cairney
Director

Artemis Fund Managers Limited
London
28 February 2023

Auditor's report

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

Opinion

We have audited the financial statements of Artemis UK Smaller Companies Fund ("the Fund") for the year ended 31 December 2022, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice)

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital losses 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor' report thereon. The Manager is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

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 FCA and the Trust Deed; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the FCA requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of a sample of special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an 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 Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
28 February 2023

- The fund fell by significantly less than both its benchmark index and its peer group.
- The volume of takeover bids highlights the value that corporate buyers perceive among UK smaller companies.
- We are positive on the prospects for UK smaller companies in 2023.

In a falling market, we outperformed by a healthy margin

Over 2022, the fund fell by 8.3%[1] versus a 17.9%[1] fall in the Numis UK Smaller Companies (ex IT) index. The median fund in our peer group, meanwhile, fell by 25.7%. Pleasingly, the fund fell by less than the index and its peers in the first half of the year (when the market fell) and beat the index and its peer group in the second half of the year (when the market rallied).

While our outperformance was driven by a variety of holdings across a number of different sectors, one notable theme was the number of takeover bids our holdings received. In the first half of the year, we received bids for RPS, Euromoney and Brewin Dolphin. That was followed in the second half of the year by recommended offers for Crestchic, Appreciate and Curtis Banks.

Most of our holdings continued to trade well

While takeover bids played a role in the fund's outperformance, our other winners included companies whose earnings rose over the year. Prominent among them were:

- H+T, a pawnbroker;
- Wilmington, a media training company; and
- Serco, a government outsourcer.

In fact, while we had some disappointing trading updates as the year progressed – from the likes of RM, Moonpig and Halfords – the majority of our companies continued to report resilient trading. They have, of course, encountered challenges. A common challenge has been the difficulty in hiring enough people to meet higher post-Covid demand while also having to deal with supply chains that were only gradually returning to normal. The most recent reports from our companies suggest these issues have started to ease in recent months.

We are overweight in consumer discretionary stocks

At around 20% of our portfolio, we believe our fund has one of the highest exposures to consumer discretionary stocks within in its peer group. Our largest holdings in this segment include Moonpig, Dunelm, Hollywood Bowl and Halfords. These are market leaders with strong balance sheets and good cash generation.

While investor fears about a deep and long downturn in the UK economy have pushed these companies' shares sharply lower, we expect them to rally once recessionary fears ease. If we are wrong and there is a long, deep recession, we own companies with strong balance sheets that should be able to survive without needing to raise equity at dilutive prices.

We believe inflation will fall from here, helping our consumer stocks

The main drivers of inflationary worries have been:

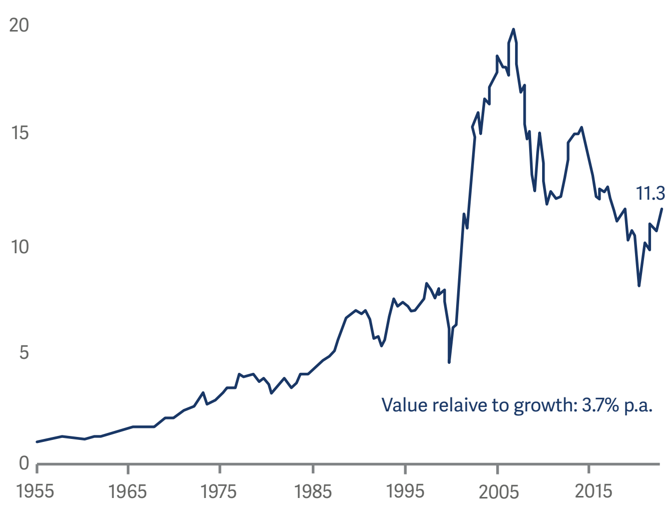
- Gas (and electricity) prices
- Freight costs
- Weak sterling
- Supply-chain disruptions
- Labour shortages

These factors are now moderating – or even reversing. Recent company meetings continue to suggest an easing of the acute labour market conditions seen in early 2022. Staff attrition is generally normalizing and demands for wage rises – while still high – are not getting worse. There was a significant further fall in UK wholesale gas prices in December and container shipping rates also trended lower. Our guess is that inflation has probably peaked and should fall for most of 2023.

This is NOT the time to buy 'growth at any price'

We see ourselves as 'growth at a reasonable price' investors rather than as 'value' investors[2]. Over the last few years, we struggled to find reasonably priced growth stocks and therefore migrated more to the value camp. More recently, however, we have cautiously added more growth to the portfolio as opportunities have presented themselves. We are seeking to take advantage of share price falls to buy attractive 'growth' companies at reasonable valuations but we are in no immediate rush to make a material change to the overall bias to value. We seek a balanced approach. After all, the best long-term returns in UK smaller companies have actually come from value rather than growth.

The best returns in UK smaller companies have come from 'value' rather than 'growth'



Source: Numis as at 16 January 2023

Past performance is not a guide to the future.

[1] Source: Artemis/Lipper Limited, class I accumulation units, in sterling, to 31 December 2022. All figures show total returns with income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. Benchmark is Numis UK Smaller Companies (ex investment trusts) Index.

[2] 'Growth' investors focus on companies whose profits are rising more quickly than average; 'value' investors seek stocks whose share prices are below average relative to their underlying profits.

We see plenty of examples of growth companies whose shares have de-rated as overly optimistic expectations have been moderated. Two holdings which we have recently acquired – Moonpig (online greeting card seller) and GB Group (online identity verification and fraud prevention) – both fall into this camp. We maintain our view that buying quality growth at any price is a big mistake: the bubble in growth stocks that quantitative easing helped to inflate has yet to fully deflate.

We started several new holdings

We invested in TT Electronics (electrical sub assembly manufacturer) after following its new management team for several years as it closed down factories and invested in the company's intellectual property. The group has seen an uptick in orders with rising margins and increased returns on capital. With most of the factory changes now made, we would expect next year to show cleaner cash generation which we feel could lead to a re-rating of the shares.

SIG (European leader in insulation for residential and commercial buildings) is another company we have tracked over the years and across several management teams. We think the outgoing chief executive has re-positioned the group to be the customer-centric business that it was a decade or so ago. We rate the incoming chief executive highly from his days leading BSS and then Grafton. With the shares weakening on recessionary fears, we think this presents us with a buying opportunity for a market-leading business whose growth drivers have significantly strengthened in recent years.

We bought back into Gamma Communications (corporate telephony). The share price had fallen back to a level we felt was attractive, while the company continued to make good progress in rolling out the latest digital switchboards to its corporate customers.

The switch from QE to QT suits our style

Thirteen years of quantitative easing[3] (from 2008 to 2021) was not particularly helpful for our 'growth at a reasonable price' investing style. As low interest rates supercharged their earnings multiples, we struggled to see good value in many 'quality' growth names. We think that period was an extreme reaction to the global financial crisis and is unlikely to be repeated in the near term.

The switch from quantitative easing to quantitative tightening (QT) at the end of 2021 has suited our style and we think it likely this trend will continue. Even if inflation falls quickly (which we think is likely) we would not bet on a rapid reduction in interest rates. This could mean a return to a more 'normal' environment of the type seen before the global financial crisis

We are positive on the prospects for UK smaller companies in 2023

As investors have reduced their exposure to UK smaller companies, returns have been poor. Trailing five-year returns at the end of a calendar year have only twice been lower (since 1955) than they were at the end of 2022. Are investors being too negative? For years that have started with trailing five-year returns at a similarly low level, the subsequent returns over the next 12 months have been good - averaging 70%.

Start point	Five-year historic returns	Returns over the next 12 months
December 1974	-12%	116%
December 1976	13%	98%
December 2002	-1%	43%
December 2008	7%	61%
December 2011	2%	30%
December 2022	2%	???
Average	--	*70%*

Mark Niznik and William Tamworth
Fund managers

[3] Quantitative easing (QE) was the process whereby central banks, including the Bank of England, bought financial assets – usually government bonds – to supply liquidity to financial markets, reassure investors and lower long-term borrowing costs. Quantitative tightening (QT) is the reverse of that process; banks are selling the bonds on their balance sheets (or opting not to reinvest the proceeds as they mature) to drain liquidity from the system and so – they hope – help cool inflation.

Investment information

Ten largest purchases and sales for the year ended 31 December 2022

Purchases	Cost £'000	Sales	Proceeds £'000
Moonpig Group	10,284	Euromoney Institutional Investor	16,520
RWS Holdings	8,111	Brewin Dolphin Holdings	11,612
GB Group	7,082	RPS Group	8,858
Dunelm Group	6,902	Alliance Pharma	6,849
Future	5,603	Premier Miton Group	5,154
PZ Cussons	5,444	QinetiQ Group	4,831
SigmaRoc	5,068	Serco Group	4,412
Beeks Financial Cloud Group	4,622	Volution Group	3,247
Gamma Communications	4,150	Somero Enterprises	3,195
On the Beach Group	3,668	H&T Group	3,052

Portfolio statement as at 31 December 2022

	Holding	Valuation £'000	% of net assets
Equities 98.82% (96.68%)			
Basic Materials 0.84% (0.35%)			
Central Asia Metals#	1,422,950	3,493	0.84
Thistle Mining^	2,376,532	-	-
		3,493	**0.84**
Consumer Discretionary 26.37% (24.36%)			
Centaur Media	6,684,091	2,473	0.59
DFS Furniture	2,613,942	4,046	0.97
Dunelm Group	784,232	7,776	1.87
Ebiquity#	11,135,085	5,233	1.26
Fuller Smith & Turner 'A'	813,280	3,993	0.96
Future	417,814	5,335	1.28
Halfords Group	3,199,560	6,636	1.59
Headlam Group	1,990,887	5,833	1.40
Hollywood Bowl Group	3,944,026	9,663	2.32
J D Wetherspoon	761,062	3,390	0.81
JET2#	456,486	4,366	1.05
LBG Media	3,176,485	3,812	0.92
Lookers	5,515,535	4,170	1.00
Moonpig Group	5,115,085	5,703	1.37
National Express Group	1,237,046	1,603	0.39
On the Beach Group	4,381,662	6,835	1.64
Redrow	1,227,392	5,624	1.35
Revolution Bars Group#	18,034,313	1,407	0.34
RM	6,133,883	3,447	0.83
ScS Group	2,634,543	4,255	1.02
SSP Group	559,702	1,282	0.31
Wilmington	4,240,987	12,893	3.10
		109,775	**26.37**
Consumer Staples 4.84% (4.65%)			
Bakkavor Group	4,115,412	3,955	0.95
Britvic	493,802	3,862	0.93
Carr's Group	3,876,254	4,651	1.12
PZ Cussons	2,711,252	5,666	1.36

	Holding	Valuation £'000	% of net assets
REA Holdings	2,022,530	2,023	0.48
		20,157	**4.84**
Energy 2.03% (2.16%)			
Harbour Energy	662,239	2,008	0.48
Jadestone Energy#	8,455,950	6,426	1.55
Timan Oil & Gas^	1,431,667	-	-
		8,434	**2.03**
Financials 10.04% (12.57%)			
Appreciate Group#	14,211,056	5,855	1.41
Brooks Macdonald Group#	375,990	7,633	1.83
Curtis Banks Group#	2,456,915	7,666	1.84
H&T Group#	2,159,040	10,320	2.48
Polar Capital Holdings#	441,151	2,078	0.50
Rok Entertainment Group^	410,914	-	-
ROK Global^	66,097	-	-
Secure Trust Bank	678,405	4,952	1.19
XPS Pensions Group	2,345,590	3,272	0.79
		41,776	**10.04**
Health Care 3.39% (4.86%)			
Alliance Pharma#	7,527,696	3,990	0.96
Eco Animal Health Group#	1,687,647	1,654	0.40
Medica Group	6,125,677	8,453	2.03
		14,097	**3.39**
Industrials 34.17% (35.60%)			
Alpha Financial Markets Consulting#	1,298,862	6,170	1.48
Babcock International Group	2,452,711	6,917	1.66
Chemring Group	2,139,032	6,321	1.52
Costain Group	5,398,176	2,103	0.50
CRESTCHIC#	2,081,461	8,243	1.98
EER^	14,000	-	-
Keller Group	993,407	7,947	1.91
Mears Group	6,358,122	12,971	3.12
Morgan Advanced Materials	2,485,784	7,756	1.86
Morgan Sindall Group	333,974	5,076	1.22
Mycelx Technologies#	1,217,612	268	0.06
Norcros	3,437,356	6,033	1.45
QinetiQ Group	2,055,904	7,335	1.76
Redde Northgate	1,735,773	7,169	1.72
RPS Group	4,766,099	10,485	2.52
RWS Holdings #	3,512,256	13,199	3.17
Serco Group	6,157,194	9,587	2.30
Severfield	4,485,901	2,745	0.66
SIG	4,580,966	1,354	0.33
SigmaRoc#	14,531,357	8,021	1.93
Somero Enterprises#	1,068,787	3,954	0.95
Tyman	1,153,335	2,606	0.63
Videndum	562,630	5,986	1.44
		142,246	**34.17**
Real Estate 1.40% (1.35%)			
Harworth Group	1,911,221	1,959	0.47

	Holding	Valuation £'000	% of net assets
Henry Boot	1,661,041	3,870	0.93
		5,829	**1.40**
Technology 13.46% (9.89%)			
Ascential	557,701	1,113	0.27
Beeks Financial Cloud Group#	2,902,820	3,919	0.94
Computacenter	343,222	6,580	1.58
Eckoh#	6,470,476	2,588	0.62
EMIS Group#	477,669	8,932	2.15
GB Group#	1,507,452	4,748	1.14
Kin & Carta	1,044,748	2,246	0.54
Moneysupermarket.com Group	5,175,257	9,962	2.39
NCC Group	5,478,392	10,913	2.62
Redcentric#	1,351,063	1,696	0.41
TT Electronics	1,950,135	3,343	0.80
		56,040	**13.46**
Telecommunications 2.28% (0.89%)			
Gamma Communications#	357,902	3,880	0.93
Telecom Plus	255,952	5,605	1.35
		9,485	**2.28**
Equities total		**411,332**	**98.82**
Investment assets		**411,332**	**98.82**
Net other assets		**4,933**	**1.18**
Net assets attributable to unitholders		**416,265**	**100.00**

The comparative percentage figures in brackets are as at 31 December 2021.
Security listed on another regulated market.
^ Unlisted, suspended or delisted security.

Financial statements

Statement of total return for the year ended 31 December 2022

	Note	31 December 2022 £'000	31 December 2022 £'000	31 December 2021 £'000	31 December 2021 £'000
Income					
Net capital (losses)/gains	3		**(44,292)**		107,246
Revenue	5	**12,714**		11,532	
Expenses	6	**(4,770)**		(5,404)	
Net revenue before taxation		**7,944**		6,128	
Taxation	7	**(186)**		(196)	
Net revenue after taxation			**7,758**		5,932
Total return before distributions			**(36,534)**		113,178
Distributions	**8**		**(7,813)**		(6,006)
Change in net assets attributable to unitholders from investment activities			**(44,347)**		107,172

Statement of change in net assets attributable to unitholders for the year ended 31 December 2022

	31 December 2022 £'000	31 December 2022 £'000	31 December 2021 £'000	31 December 2021 £'000
Opening net assets attributable to unitholders		**457,580**		394,027
Amounts receivable on issue of units	**35,500**		27,282	
Amounts payable on cancellation of units	**(40,484)**		(76,389)	
		(4,984)		(49,107)
Dilution adjustment		**98**		71
Change in net assets attributable to unitholders from investment activities		**(44,347)**		107,172
Retained distribution on accumulation units		**7,918**		5,417
Closing net assets attributable to unitholders		**416,265**		457,580

Balance sheet as at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Fixed assets			
Investments	9	**411,332**	442,370
Current assets			
Debtors	10	**865**	1,348
Cash and cash equivalents	11	**4,998**	14,819
Total current assets		**5,863**	16,167
Total assets		**417,195**	458,537
Liabilities			
Creditors			
Distribution payable		**193**	168
Other creditors	12	**737**	789
Total creditors		**930**	957
Total liabilities		**930**	957
Net assets attributable to unitholders		**416,265**	457,580

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with FRS 102, the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis. There are no material events that have been identified that may cast significant doubt about the fund's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue. The manager believes that the fund has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of Covid-19, they continue to adopt the going concern basis in preparing the financial statements.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. 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. Listed investments are valued at fair value which is deemed to be the bid or SETS price. The last valuation point in the year has been used for the purposes of preparing the report and financial statements and in the manager's opinion there have been no material movements in the fund between the last dealing point and close of business on the balance sheet date.

(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 currency contracts are used for investment purposes and 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. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case.

(e) Revenue. Dividends receivable from equity and non-equity shares, including 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 right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if a 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.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are initially 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.

(h) Dilution adjustment. The fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the fund. In order to counter this and to protect unitholders' interests, the manager will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. In the usual course of business a dilution adjustment will be applied systematically and on a consistent basis.

2. Distribution policy

The distribution policy of the fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue and taxation. The manager and trustee have agreed, for the Distribution class only, that 100% of the annual management charge is to be transferred to capital for the purpose of calculating its distribution, as permitted by COLL. The distribution currently payable reflects this treatment. Gains and losses on non-derivative investments and currencies, whether realised or unrealised, are taken to capital and are not available for 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. The fund is not more than 60% invested in qualifying investments (as defined in Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19) and where applicable will pay a dividend distribution. For accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital (losses)/gains

	31 December 2022 £'000	31 December 2021 £'000
Non-derivative securities	**(44,282)**	107,251
Currency losses	**(10)**	(5)
Net capital (losses)/gains	**(44,292)**	107,246

4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the fund on each transaction and are summarised below.

					Year ended 31 December 2022	
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	109,939	37	341	110,317	0.03	0.31
Sales						
Equities	97,122	49	-	97,073	0.05	-
Total		**86**	**341**			
Percentage of fund average net assets		**0.02%**	**0.08%**			

					Year ended 31 December 2021	
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	97,932	30	321	98,283	0.03	0.33
Sales						
Equities	152,443	63	-	152,380	0.04	-
Total		**93**	**321**			
Percentage of fund average net assets		**0.02%**	**0.07%**			

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 1.45% (2021: 1.76%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	31 December 2022 £'000	31 December 2021 £'000
UK dividends	**12,043**	10,881
Overseas dividends	**621**	651
Bank interest	**50**	-
Total revenue	**12,714**	11,532

6. Expenses

	31 December 2022 £'000	31 December 2021 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	**4,321**	4,898
Administration fees	**449**	506
Total expenses	**4,770**	5,404

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
The audit fee (excluding VAT) accrued during the period was £9,000 (2021: £8,000). This fee is paid by the manager.

7. Taxation

	31 December 2022 £'000	31 December 2021 £'000
a) Analysis of the tax charge in the year		
Irrecoverable overseas tax	**186**	196
Total taxation (note 7b)	**186**	196
b) Factors affecting the tax charge for the year		
Net revenue before taxation	**7,945**	6,128
Corporation tax at 20% (2021: 20%)	**1,589**	1,226
Effects of:		
Unutilised management expenses	**944**	1,081
Irrecoverable overseas tax	**186**	196
Non-taxable overseas dividends	**(124)**	(130)
Non-taxable UK dividends	**(2,409)**	(2,177)
Tax charge for the year (note 7a)	**186**	196

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 £23,573,000 (2021: £22,629,000) arising as a result of having unutilised management expenses of £117,863,000 (2021: £113,143,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

8. Distributions

	31 December 2022 £'000	31 December 2021 £'000
Final dividend distribution	**8,111**	5,584
Add: amounts deducted on cancellation of units	**336**	516
Deduct: amounts added on issue of units	**(634)**	(94)
Distributions	**7,813**	6,006
Movement between net revenue and distributions		
Net revenue after taxation	**7,759**	5,932
Annual management charge paid from capital	**49**	56
Revenue received on conversion of units	**5**	18
	7,813	6,006

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on page 21.

9. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy in accordance with FRS 102 which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;
Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;
Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	31 December 2022		31 December 2021	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Level 1	**411,332**	**-**	442,370	-
Total	**411,332**	**-**	442,370	-

10. Debtors

	31 December 2022 £'000	31 December 2021 £'000
Accrued revenue	**618**	934
Amounts receivable for issue of units	**247**	62
Sales awaiting settlement	**-**	352
Total debtors	**865**	1,348

11. Cash and cash equivalents

	31 December 2022 £'000	31 December 2021 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	**4,988**	14,809
Cash and bank balances	**10**	10
Total cash and cash equivalents	**4,998**	14,819

12. Other creditors

	31 December 2022 £'000	31 December 2021 £'000
Accrued annual management charge	**343**	396
Amounts payable for cancellation of units	**318**	351
Purchases awaiting settlement	**38**	-
Accrued administration fee payable to manager	**38**	42
Total other creditors	**737**	789

13. Contingent liabilities and commitments

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

14. Reconciliation of unit movements

	Units in issue at 31 December 2021	Units issued	Units cancelled	Units converted	**Units in issue at 31 December 2022**
C accumulation	1,850,294	22,417	(110,698)	66,639	**1,828,652**
I distribution	387,515	36,142	(69,552)	15,383	**369,488**
I accumulation	10,994,764	1,677,441	(1,056,643)	28,610	**11,644,172**
R accumulation	8,431,583	158,777	(852,241)	(113,025)	**7,625,094**

15. Risk disclosures

In pursuing its investment objective, the fund may hold a number of financial instruments. These financial instruments comprise equities, bonds, derivatives, cash balances and liquid resources, which include debtors and creditors that arise directly from the funds' operations. The fund only executes derivative contracts where both the derivative instrument and the counter party have been approved by the manager.

The manager has a risk management policy. The processes detailed within are designed to monitor and measure at any time the risk of the fund's positions and their contribution to the overall risk profile of the fund. In addition, our Investment Committee and Risk and Compliance Committee meet monthly and quarterly respectively, and as required to evaluate risk across each of our funds. These policies have been consistent for both the current and prior period to which these financial statements relate.

In the normal course of business, the fund's activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. These financial risks: market risk (comprising currency risk, interest rate risk, other market price risk and leverage risk), credit and counterparty risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the fund, reference should be made to the Prospectus.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage 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 COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. 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. 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

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. As the majority of the fund's financial assets are non-interest bearing, the fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been presented.

(ii) Currency risk

As at 31 December 2022 there were no assets or liabilities denominated in currencies other than sterling (2021: £nil).

(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 and counterparty 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). As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £20,567,000 (2021: £22,119,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under both the sum of the notionals and the commitment methods.

The fund can use cash borrowing and financial derivatives (subject to restrictions as set out in its Prospectus and COLL) as sources of leverage.

The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. A result of 100% indicates that no leverage has been used.

As at 31 December 2022 and 31 December 2021 the leverage ratios of the fund were:

	31 December 2022 %	31 December 2021 %
Sum of the notionals	**100.00**	100.00
Commitment	**100.00**	100.00

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty 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 Chase N.A. ('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 fund is also exposed to counterparty risk through holding specific financial instruments.

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit worthiness of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirements stipulated in COLL and the Prospectus.

There were no significant concentrations of credit and counterparty risk as at 31 December 2022 or 31 December 2021.

(c) Liquidity risk

Liquidity risk is the risk that through market liquidity conditions, requests for redemptions from investors cannot be met in an orderly and appropriate manner. Artemis adopts a policy of mitigation and control to manage liquidity risks. Mitigation occurs through maintaining prudent levels of liquidity in each fund and a well-diversified investor base. As a result, redemption requests can be satisfied in all but exceptional circumstances.

Artemis has a dedicated liquidity risk management policy which is owned by the independent investment risk team which reports to the Chief Risk Officer. Its purpose is to ensure the portfolio manager acts in the client's best interest with regards to this liquidity risk.

Through the use of 3rd party modeling and assumptions, the investment risk team conduct regular monitoring and analyses of the liquidity profile of the funds and investor base. This includes but is not limited to what percentage of the fund can be liquidated within certain redemption horizons, whether the largest investors in the fund can redeem without affecting the fair treatment of remaining investors, liquidity stress testing and other analysis deemed to cover a risk specific to the strategy considered.

There was no significant concentration of liquidity risk as at 31 December 2022 or 31 December 2021.

16. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 14 and notes 6, 9, 11 and 13 on pages 17 and 18 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2022 in respect of these transactions was £452,000 (2021: £727,000).

17. Unit classes

The annual management charges on each unit class is as follows:

C accumulation	1.20%
I distribution	0.75%
I accumulation	0.75%
R accumulation	1.50%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 23.
The distributions per unit class are given in the distribution tables on page 22. All classes have the same rights on winding up.

18. Post balance sheet event

There were no significant post balance sheet events subsequent to the year end.

Distribution tables

This fund pays annual dividend distributions.The following table sets out the distribution period

Annual distribution periods	Start	End	Ex-dividend date	Pay date
Final	1 January 2022	31 December 2022	1 January 2023	28 February 2023

Group 1 units are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.
Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation applies only to group 2 units purchased during the period. It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to 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.

C accumulation

Dividend distributions for the year ended 31 December 2022	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Corporate streaming Unfranked	2021 Distribution per unit (p)
Final	19.7323	13.3035	33.0358	100.00%	0.00%	22.0650

I distribution

Dividend distributions for the year ended 31 December 2022	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Corporate streaming Unfranked	2021 Distribution per unit (p)
Final	27.8359	24.4811	52.3170	100.00%	0.00%	43.2851

I accumulation

Dividend distributions for the year ended 31 December 2022	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Corporate streaming Unfranked	2021 Distribution per unit (p)
Final	13.8981	31.0838	44.9819	100.00%	0.00%	33.1436

R accumulation

Dividend distributions for the year ended 31 December 2022	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Corporate streaming Unfranked	2021 Distribution per unit (p)
Final	14.1554	13.0725	27.2279	100.00%	0.00%	16.1800

COMPARATIVE TABLES

	C accumulation **			I distribution		
	2022	2021	2020	2022	2021	2020
Change in net assets per unit (p)						
Opening net asset value unit	**2,032.70**	**1,569.36**	**1,434.53**	**1,914.01**	**1,504.14**	**1,820.93**
Return before operating charges *	(149.88)	488.58	152.37	(140.26)	469.25	(289.71)
Operating charges	(24.43)	(25.24)	(17.54)	(15.15)	(16.09)	(11.79)
Return after operating charges	(174.31)	463.34	134.83	(155.41)	453.16	(301.50)
Distributions	(33.04)	(22.07)	-	(52.32)	(43.29)	(15.29)
Retained distributions on accumulation units	33.04	22.07	-	-	-	-
Closing net asset value per unit	**1,858.39**	**2,032.70**	**1,569.36**	**1,706.28**	**1,914.01**	**1,504.14**
* after direct transaction costs of	(1.87)	(1.74)	(1.87)	(1.76)	(1.69)	(1.92)
Performance						
Return after charges	(8.58)%	29.52%	9.40%	(8.12)%	30.13%	(16.56)%
Other information						
Closing net asset value (£'000)	33,984	37,611	22,726	6,305	7,417	3,062
Closing number of units	1,828,652	1,850,294	1,448,104	369,488	387,515	203,548
Operating charges (%)	1.31%	1.31%	1.31%	0.86%	0.86%	0.86%
Performance fees (%)	-	-	-	-	-	-
Performance fees (£'000)	-	-	-	-	-	-
Direct transaction costs	0.10%	0.09%	0.14%	0.10%	0.09%	0.14%
Prices * **						
Highest unit price (p)	2,077.17	2,121.28	1,599.57	1,974.24	2,039.70	1,864.02
Lowest unit price (p)	1,675.99	1,581.62	1,058.84	1,584.63	1,516.21	1,021.54

	I accumulation			R accumulation		
	2022	2021	2020	2022	2021	2020
Change in net assets per unit (p)						
Opening net asset value unit	**2,202.08**	**1,692.54**	**2,029.22**	**2,021.42**	**1,565.38**	**1,890.95**
Return before operating charges *	(162.37)	527.34	(323.23)	(149.02)	486.72	(302.18)
Operating charges	(17.40)	(17.80)	(13.45)	(29.86)	(30.68)	(23.39)
Return after operating charges	(179.77)	509.54	(336.68)	(178.88)	456.04	(325.57)
Distributions	(44.98)	(33.14)	(5.32)	(27.23)	(16.18)	-
Retained distributions on accumulation units	44.98	33.14	5.32	27.23	16.18	-
Closing net asset value per unit	**2,022.31**	**2,202.08**	**1,692.54**	**1,842.54**	**2,021.42**	**1,565.38**
* after direct transaction costs of	(2.03)	(1.87)	(2.19)	(1.86)	(1.72)	(2.03)
Performance						
Return after charges	(8.16)%	30.11%	(16.59)%	(8.85)%	29.13%	(17.22)%
Other information						
Closing net asset value (£'000)	235,481	242,114	215,008	140,495	170,438	153,231
Closing number of units	11,644,172	10,994,764	12,703,270	7,625,094	8,431,583	9,788,783
Operating charges (%)	0.86%	0.86%	0.86%	1.61%	1.61%	1.61%
Performance fees (%)	-	-	-	-	-	-
Performance fees (£'000)	-	-	-	-	-	-
Direct transaction costs	0.10%	0.09%	0.14%	0.10%	0.09%	0.14%
Prices * **						
Highest unit price (p)	2,250.36	2,294.79	2,076.43	2,065.57	2,111.51	1,933.99
Lowest unit price (p)	1,822.25	1,705.86	1,137.94	1,662.65	1,577.54	1,058.64

** Launched on 13 March 2020.
*** High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.
The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Ongoing charges

Class	**31 December 2022**
C accumulation	1.31%
I distribution	0.86%
I accumulation	0.86%
R accumulation	1.61%

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.

Class I accumulation performance

	Since launch *	10 years	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund **	2017.9	146.5	12.2	(0.5)	(8.3)	4.1
Artemis UK Smaller Companies Fund ***	2039.8	154.3	11.9	(0.5)	(8.3)	4.3
Numis Smaller Companies (ex-Inv Trust) Index	549.2	100.4	1.5	(4.2)	(17.9)	3.0
IA UK Smaller Companies average	654.1	132.3	9.0	(2.1)	(25.7)	(1.6)
Position in sector	1/15	19/40	13/45	16/46	2/47	4/48
Quartile	1	2	2	2	1	1

Past performance is not a guide to the future.
* Source: Artemis/ Lipper Limited, data from 3 April 1998 to 1 September 2010 reflects class R accumulation units, and from 1 September 2010 to 31 December 2022 reflects class I accumulation units. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. Sector is IA UK Smaller Companies.
** Value at 12 noon valuation point
*** Value at close of business

Class I accumulation is disclosed as it is the primary share class.

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