PROFIT *hunters*

ARTEMIS UK Smaller Companies *Fund*

Manager's Report
and Financial Statements
for the year ended 31 December 2017

ARTEMIS
The PROFIT Hunter

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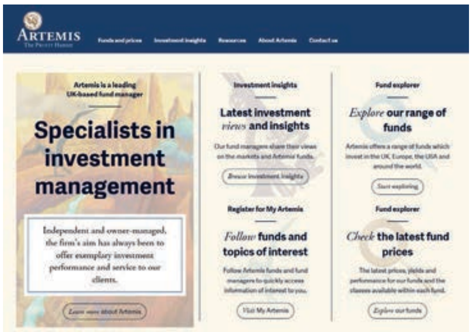

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artemisfunds.com

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 £27.8 billion* across a range of funds, two investment trusts, a venture capital trust 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 2018.

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').

Investment objective

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

Investment policy

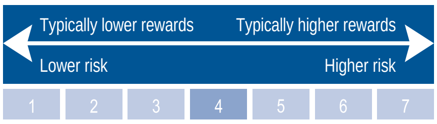
The manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on ISDX may be included in the portfolio.

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

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website artemisfunds.com. 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 stock market 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 maybe 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.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.
- There was no change to the indicator in the period.

Prospectus

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

Change of Trustee and Depositary

With effect from 15 January 2018 J.P. Morgan Europe Limited took over the responsibility as Trustee & Depositary of the fund.

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, 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 staff for its financial year.

The first full financial year for Artemis Fund Managers Limited under the amended regulations ended on 31 December 2017, therefore as this information is not yet available the required disclosures have been omitted

General information (continued)

from the Manager's Report and Financial Statements as permitted by COLL.

Details of Artemis Fund Managers Limited's UCITS remuneration policy is disclosed on Artemis' website artemisfunds.com.

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 out with 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.

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

(to 12 January 2018)
National Westminster Bank Plc †
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

(from 15 January 2018)
J.P. Morgan Europe Limited †
25 Bank Street
Canary Wharf
London E14 5JP

Registrar

DST Financial Services International Limited * (formerly International Financial Data Services (UK) Limited)
DST 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, 25 The North Colonnade, Canary Wharf, London E14 5HS.

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

Statement of the trustee's responsibilities

The trustee must ensure that the scheme is managed in accordance with COLL, 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 scheme and its investors.

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

The trustee must ensure that:

- the scheme's cash flows are properly monitored and that cash of the scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the scheme's assets is remitted to the scheme within the usual time limits;
- the scheme's income is applied in accordance with the Regulations; and
- the instructions of the manager are carried out (unless they conflict with the Regulations).

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

Report of the trustee to the unitholders of Artemis UK Smaller Companies Fund for the year ended 31 December 2017

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
27 February 2018

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 2017 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
R J Turpin, Director
Artemis Fund Managers Limited
London
27 February 2018

General information (continued)

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

Opinion

We have audited the financial statements of the Artemis UK Smaller Companies Fund ("the Fund") for the year ended 31 December 2017 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 19 including 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2017 and of the net revenue and the net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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 FRC's 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.

Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the Fund 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 unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

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 Financial Conduct Authority rules 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 3, 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 liquidate 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.

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.

Ernst & Young LLP
Statutory Auditor
Edinburgh
27 February 2018

Notes:
1. The maintenance and integrity of the Artemis Unit Trusts web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Investment review

- A good year despite economic uncertainty.
- The fund rose 29.1%* in 2017 versus the benchmark's 19.5%*.
- We prefer modestly priced, 'dull-but-worthy' stocks to expensive 'high growth'.

Performance – Broad-based strength …

The fund returned 29.1%* over the year, comfortably ahead of its benchmark, which rose by 19.5%*. Small caps outperformed large caps, more than recouping the ground they lost in the previous year. The stockmarket as a whole finished near an all-time high. The fund's holdings generally reported good results with only a few exceptions. Given that we pick stocks rather than take macroeconomic bets, it is reassuring to see the diverse range of stocks that have contributed to the fund's strong performance over the year. We review the biggest movers below.

Review – Sticking to stocks …

The positives…

Games Workshop Group continued to demonstrate its amazing return to growth. Since the start of the year, Games Workshop's expectations for earnings have been increased by more than 15% on five separate occasions. Over the period as a whole, forecasts for earnings have trebled. We can think of few companies that are as efficient in converting growth in sales into growth in profits. This is a function of its vertically integrated business model and very high gross margins. It is interesting to see the company continue to explore new avenues for growth: it recently announced a partnership with WizKids, a maker of board games. We see this as another indication that the new management is more open to licensing the company's intellectual property than in the past. We visited the company in December and were again struck by the breadth and consistency of growth it is experiencing across all regions, products and channels as well as by its management's ambition. The UK business, which was previously considered to be 'mature', is growing rapidly. The US, German and Asian operations, meanwhile, still have potential to grow.

XP Power, which sells power supplies from its low-cost manufacturing bases in China and Vietnam, also had a very good year with orders up 30%. Although there is little visibility on future trading, XP Power's orders have been growing consistently over the last four quarters.

Both of the fund managers we hold announced strong new inflows: Brooks Mcdonald Group added 15% (annualised) while Polar Capital Holdings grew even faster, adding 18%. In Polar's case, this growth resulted in much higher profits, showing the high operating leverage inherent in fund management companies. Its shares rose accordingly. Brooks Mcdonald Group, however, chose to reinvest these extra revenues in strengthening its regulatory and risk management functions. This news was taken poorly and the shares underperformed in the second half. We still think that the prospects for the company remain good. It is growing its top line well and, while the lack of operating leverage is disappointing, we don't think that a more cautious attitude to regulatory risk should be viewed too negatively.

Having been overlooked during the early part of 2017, Alliance Pharma, the niche pharmaceuticals group, also did well. Strong cashflows have enabled it to pay down some of the debt it took on to buy Sinclair Pharma in 2015. This has allowed it to return to making its customary fill-in acquisitions, such as the rights to an anaesthetic gel and a specialist treatment for head-lice, both of which added to earnings at what looked like a reasonable return on capital.

RM, the supplier of educational software, told us in December that a return to growth in its main teaching aid division would lead to better-than-expected profits for the year. Its managers also expect the synergies from its recent acquisition of rival supplier, the Consortium Group, to be ahead of previous guidance.

On another positive note, IT specialist Computacenter said that full-year profits were likely to be comfortably ahead of previous expectations. The management also committed to returning £100m to shareholders in January 2018, a reflection of the strong surplus cash that the business has generated.

The negatives…

The main negative news came from Mears Group, who specialise in maintenance for social housing. Contracts for planned renewals of council house kitchens and bathrooms in council housing have been delayed while local authorities put all their efforts into ensuring their tower blocks are safe following the Grenfell Tower fire. We see this as a short-term glitch for Mears and have not changed our positive view. We used the weakness in the share price to add to our holding.

SDL (translation specialist), was one of the fund's best performers in the first half of the year but suffered from a couple of setbacks in the second half. In August, the company reported that margins had been squeezed due to a higher proportion of expensive freelance translators on certain contracts in Asia. As the contracts had originally been priced too low the impact of this was magnified. There was a further disappointment in December, when the company announced that profits in its technology business would be lower than previously thought. Nevertheless we are optimistic: the new managers are close to completing a major systems upgrade. This should give them far better control of costs and enable them to have a far more efficient and automated offering than any of their competitors. This bodes well for organic growth and, potentially, for acquisitions that it can integrate onto its new

* Source: Lipper Limited, class I accumulation units, bid to bid basis, in sterling with dividends reinvested. Benchmark is the Numis Smaller Companies (excluding Investment Trusts) Index.

platform. The net cash on the balance sheet gives it options for the future and has prevented the short-term issues having more painful consequences.

There was more bad news from SafeStyle (double glazing), which said that recent order intake had been patchy and that it expected profits to be below the previous year's. Although we had trimmed our holding the month before the announcement in anticipation of tougher trading, it was frustrating that we did not do so more aggressively. We know that the market for double glazing is cyclical, but it has continued to win market share each year, has a strong balance sheet with no debt and is highly cash generative. We retain our modest position.

Having added to Revolution Bars following its profit warning in the first half of the year, the company later received a cash offer of 203p per share from a rival operator, Stonegate. We, along with other shareholders, rejected the offer as we felt it was opportunistic and the company's problems were self-inflicted and surmountable. It was interesting to note that a rival suiter, Deltic, bought a 3% stake in Revolution after Stonegate's bid fell away. We expect to do better than the 203p offer over our three- to five-year investment horizon.

Transactions

Sales…

The 25% fall in the shares of vet chain CVS after a modest slowing in its underlying sales growth was a useful reminder of how sentiment can sour when expectations are high. Fortunately, we had already sold our holding, feeling that a price-to-earnings ratio of 30x left little room for upset. Perhaps the first increase in bank base rates in a decade may start to temper the appetite to chase growth at any cost.

Most of our main sales in the year were our usual taking of profits following share prices rising to a level where the valuation gaps we had previously identified had narrowed. These included Games Workshop Group, Craneware, XP Power, CVS, FDM and Dechra. We also received cash back from Hansteen following the sale of its European industrial property portfolio for what we felt was a good price.

Purchases…

We outlined our reasons for buying National Express and Wilmington in our interim report. We added further to both through the second half of the year. Along with adding to our existing holdings of Mears, this continued our 'dull-but-worthy' theme.

We participated in the IPO of ready meal, salad and bread maker, Bakkavor. Having owned the core Geest part of the group many years ago, we felt comfortable that the company has strong market positions and is well regarded by its key customers: Tesco, Sainsbury, M&S and Waitrose. The initial IPO price was reduced to a level we felt was attractive – a price-to-earnings multiple of 11 and a double-digit free cashflow yield. The shares moved to a modest premium after listing.

We also took part in another IPO: Strix. This company designs, manufactures and supplies the controls and connectors in kettles. We were attracted by its strong global market position (its controls are found in around 40% of all kettles produced around the world), relatively weak competition (it is more than three times the size of its nearest competitor) and its reputation for quality and reliability. The combination of its Isle of Man and Chinese factories enables Strix to deliver a high quality product at a very competitive price and this is reflected in its long-term record of attractive margins. These margins result in strong free cashflow and a high return on capital. Although the dominant market share may mean the potential for growth is modest, the IPO was priced at a 12% free cashflow yield (a single-digit p/e and 7% dividend yield) which we felt was very attractive. We were also pleased to see the unusual situation of management buying shares in the IPO rather than selling.

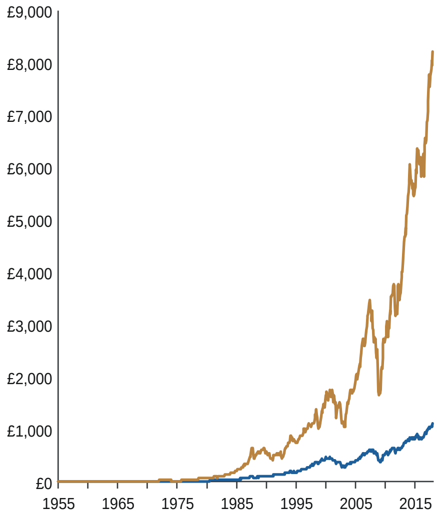
Price comparison company Gocompare.com Group received an opportunistic proposal from rival Zoopla. The premium was modest and was swiftly rejected by the company but it is encouraging that a trade buyer recognises some of the same attributes in this business that we do. As the bid fell away and the price fell, we added to our holding. We also decided to buy back a holding in one of Go Compare's competitors, Moneysupermarket.com Group. Recent share price weakness had made the valuation attractive given the group's strong balance sheet and cash- generative business model.

We took part in a placing by Pressure Technology which it used to reduce debt levels. Having gone through the mill since the oil price collapse in 2014, we felt this niche engineering supplier to the oil sector was past the worst. With a now robust balance sheet this is a company that should do very well if the recent rise in the oil price is sustained.

Outlook – Cautiously positive …

Since 1960, returns from small caps have been positive on a rolling five-year basis 98% of the time, and more than 87% of the time they have increased by more than 5%. We believe the power of the 'small-cap effect' has been proven to overcome most macro-economic issues that might come along on our three-to-five year view.

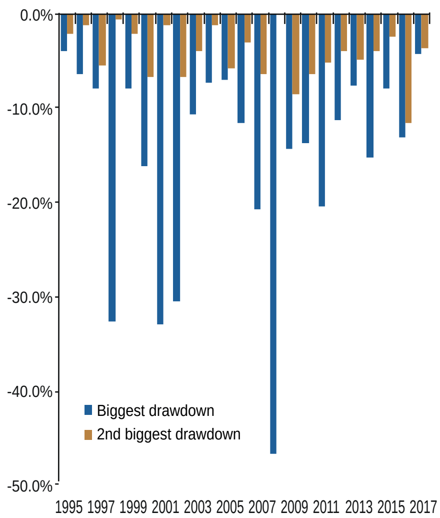
Why small caps? The power of compounding



Source: Source: From 1955 to 31 December 2015: Elroy Dimson & Paul Marsh, Numis, Smaller Companies Indices 2015 Annual Review 15 January 2016. From 31 December 2015, Lipper Limited as at 31 December 2017.

With volatility close to all-time lows and stockmarkets around the world reaching new highs it is natural to question whether complacency may be growing. It is also noteworthy to have had a year without even a 5% correction (at no point was the benchmark down more than 4% from its previous peak – the most benign market since 1995).

Benchmark drawdown history since 1995



Source: Bloomberg

A correction might feel 'due' but we do not regard ourselves as market timers. Our general observation would be that markets are high, but not ludicrously so, and that many previous signs of 'irrational exuberance' have not appeared. We have not yet heard talk of 'the death of the cycle'; no one is propagating the argument of negative equity risk premia and millennials are more likely to own Bitcoin (incidentally +1250% over the course of the year and collectively worth more than our entire benchmark) than small-cap shares.

We feel more relaxed about small caps on a relative basis. Investors remain very underweight in UK equities. There has been a notable absence of individual investors committing cash to UK smaller companies. Domestically oriented stocks (including UK small caps) trade on a discount to markets elsewhere. Finally, the risks around a 'bad Brexit' are well known and it is normally the thing that investors are overlooking rather than the concern of the moment that causes the most upset.

Investors seem to be giving little chance to a rally in sterling knocking growth companies (these are frequently overseas earners) should we have a 'less-bad Brexit'. We try to balance the macro risks the fund faces to allow the underlying strengths of the businesses we hold to shine through.

Rather than trying to second-guess future macroeconomic trends our focus remains, as it always has been, to seek out the stocks which we hope will give our investors the best possible return. In seeking to achieve this we have continued to shift the balance of the portfolio away from highly rated growth stocks (which are as highly valued as at any time we can remember outside of the dotcom bubble). The counterbalance to this has been reinvesting the proceeds into more modestly priced 'dull-but-worthy' companies. We concentrate on free cashflow, strong balance sheets and the long-term sustainability of a business but believe we get better value for our investors by accepting more modest growth.

Most of our holdings' managements remain positive, their debt levels are modest and their returns on investment are good. We feel this gives us as good a chance as possible of weathering any volatility ahead.

Mark Niznik & William Tamworth
Fund managers

Five largest purchases and sales for the year ended 31 December 2017

Purchases	Cost £'000	Sales	Proceeds £'000
National Express Group	11,927	Games Workshop Group	11,970
Gocompare.com Group	10,632	Craneware	8,042
Bakkavor Group	9,918	Ithaca Energy	7,444
Wilmington	9,544	XP Power	7,269
Moneysupermarket.com Group	7,249	Moneysupermarket.com Group	7,230

Portfolio statement as at 31 December 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 96.05% (95.67%)			
Basic Materials 1.26% (2.42%)			
Kenmare Resources Warrant 16/11/2019 †	1,600	-	-
Thistle Mining †	2,376,532	-	-
Victrex	225,438	5,961	1.26
		5,961	**1.26**
Consumer Goods 9.88% (8.80%)			
Bagir Group #	6,673,571	134	0.03
Bakkavor Group	5,509,792	10,496	2.21
Cranswick	71,463	2,378	0.50
Focusrite #	858,395	2,704	0.57
Games Workshop Group	632,463	16,798	3.54
Hilton Food Group	692,794	5,819	1.23
REA Holdings	2,022,530	6,169	1.30
Redrow	358,899	2,353	0.50
		46,851	**9.88**
Consumer Services 23.68% (23.58%)			
4imprint Group	341,024	6,241	1.32
Bonmarche Holdings	2,287,477	3,088	0.65
Centaur Media	13,213,391	5,946	1.25
DFS Furniture	1,164,924	2,280	0.48
Ebiquity #	7,198,924	7,487	1.58
Global Market Group †	1,138,309	-	-
Gocompare.com Group	10,373,011	11,047	2.33
Lookers	5,832,304	6,022	1.27
Moneysupermarket.com Group	2,710,091	9,629	2.03
Moss Bros Group	5,053,554	4,296	0.91
National Express Group	3,242,600	12,358	2.60
Rank Group	1,365,764	3,316	0.70
Revolution Bars Group	2,819,696	4,293	0.90
SafeStyle UK #	1,308,334	2,227	0.47
ScS Group	2,158,722	4,490	0.95
Sportech	8,708,330	6,923	1.46
Tarsus Group	4,279,357	13,566	2.86
Wilmington	3,865,265	9,093	1.92
		112,302	**23.68**
Financials 13.72% (10.71%)			
Alpha FX Group #	277,229	1,317	0.28
Brooks Macdonald Group #	387,918	7,025	1.48
H&T Group #	2,627,268	8,677	1.83
Hansteen Holdings, REIT	1,818,521	2,613	0.55

Investment	Holding	Valuation £'000	% of net assets
Harworth Group	4,571,113	4,891	1.03
Helical	1,294,788	4,331	0.91
IFG Group	3,884,078	6,991	1.47
Park Group #	8,554,369	7,378	1.56
Polar Capital Holdings #	1,795,679	9,544	2.01
ROK Entertainment Group †	410,914	-	-
ROK Global †	66,097	-	-
Safestore Holdings, REIT	528,089	2,629	0.56
U & I Group	2,499,843	4,681	0.99
Xafinity	2,623,040	4,984	1.05
		65,061	**13.72**
Healthcare 8.79% (6.86%)			
Advanced Medical Solutions Group #	1,224,322	3,851	0.81
Alliance Pharma #	24,775,848	16,352	3.45
Consort Medical	922,331	10,616	2.24
Medica Group	1,667,366	3,397	0.72
Vectura Group	6,251,173	7,476	1.57
		41,692	**8.79**
Industrials 26.43% (26.49%)			
Biffa	3,277,769	8,530	1.80
Charles Taylor	2,033,776	5,496	1.16
Clipper Logistics	536,227	2,252	0.47
Connect Group	4,286,442	4,608	0.97
Diploma	318,848	3,925	0.83
Hargreaves Services #	2,479,222	8,058	1.70
Hill & Smith Holdings	199,949	2,681	0.57
Keller Group	1,129,216	10,970	2.31
Mears Group	3,238,346	13,083	2.76
Norcros	2,856,329	5,084	1.07
Northbridge Industrial Services #	1,507,778	1,387	0.29
Pressure Technologies #	1,901,230	3,042	0.64
Sanne Group	296,161	2,395	0.50
Senior	1,975,914	5,157	1.09
Severfield	7,692,993	5,885	1.24
Somero Enterprises #	3,560,412	10,503	2.21
Strix Group #	4,983,023	7,225	1.52
Tyman	1,692,930	6,145	1.30
Volution Group	4,597,716	9,437	1.99
WYG #	6,028,184	2,653	0.56
XP Power	202,701	6,864	1.45
		125,380	**26.43**
Oil & Gas 1.44% (3.11%)			
Energy Equity Resources (Norway) †	14,000	-	-
Hurricane Energy #	18,187,975	5,729	1.21
Mycelx Technologies #	1,225,223	1,103	0.23
Timan Oil & Gas †	1,431,667	-	-
		6,832	**1.44**
Technology 9.20% (11.26%)			
Computacenter	1,299,975	14,859	3.13
GB Group #	1,374,980	5,933	1.25
NCC Group	1,399,962	3,297	0.70
Proactis Holdings #	2,668,190	4,483	0.95

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
RM	5,276,574	10,302	2.17
SDL	1,121,019	4,767	1.00
		43,641	**9.20**
Telecommunications 1.65% (2.44%)			
Telecom Plus	654,418	7,853	1.65
		7,853	**1.65**
Investment assets		455,573	96.05
Net other assets		18,744	3.95
Net assets attributable to unitholders		474,317	100.00

The comparative percentage figures in brackets are as at 31 December 2016.
† Unlisted, suspended or delisted security.
# Security traded on the Alternative Investment Market ('AIM').

Financial statements

Statement of total return for the year ended 31 December 2017

	Note	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Income					
Net capital gains	3		100,253		35,052
Revenue	5	12,527		10,166	
Expenses	6	(5,118)		(4,348)	
Interest payable and similar charges	7	(2)		(20)	
Net revenue before taxation		7,407		5,798	
Taxation	8	(106)		(48)	
Net revenue after taxation			7,301		5,750
Total return before distributions			**107,554**		**40,802**
Distributions	9		(7,317)		(5,772)
Change in net assets attributable to unitholders from investment activities			100,237		35,030

Statement of change in net assets attributable to unitholders for the year ended 31 December 2017

	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Opening net assets attributable to unitholders		372,467		362,833
Amounts receivable on issue of units	24,485		7,668	
Amounts payable on cancellation of units	(30,218)		(38,588)	
		(5,733)		(30,920)
Change in net assets attributable to unitholders from investment activities		100,237		35,030
Retained distribution on accumulation units		7,346		5,524
Closing net assets attributable to unitholders		474,317		372,467

Balance sheet as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Fixed assets			
Investments	10	455,573	356,354
Current assets			
Debtors	11	1,064	7,851
Cash and bank balances	12	18,365	8,987
Total current assets		**19,429**	**16,838**
Total assets		**475,002**	**373,192**
Liabilities			
Creditors			
Distribution payable		25	-
Other creditors	13	660	725
Total creditors		**685**	**725**
Total liabilities		**685**	**725**
Net assets attributable to unitholders		474,317	372,467

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 and the SORP.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price. Unquoted investments are valued at fair value which is determined by the investment manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board.

(c) Foreign exchange rates. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward 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. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(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 the dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Bank interest is recognised on an accruals basis. Underwriting commission is recognised when the issue underwritten takes place.

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

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The ordinary element of stock dividends is treated as revenue and forms part of any distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution. 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 investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gains

	31 December 2017 £'000	31 December 2016 £'000
Non-derivative securities	100,257	35,056
Capital transaction charges	(4)	(4)
Net capital gains	100,253	35,052

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 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	124,259	72	447	124,778	0.06	0.36
Sales						
Equities	125,904	88	-	125,816	0.07	-
Total		160	447			
Percentage of fund average net assets		0.04%	0.10%			

	Year ended December 2016					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	91,684	69	376	92,093	0.08	0.41
Sales						
Equities	141,240	90	-	141,150	0.06	-
Total		159	376			
Percentage of fund average net assets		0.04%	0.11%			

During the year the fund incurred £4,000 (2016: £4,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 1.82% (2016: 2.05%). 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 2017 £'000	31 December 2016 £'000
UK dividends	10,497	8,682
Overseas dividends	1,588	1,387
Revenue from UK REITs	420	65
Bank interest	20	32
Underwriting commission	2	-
Total revenue	12,527	10,166

6. Expenses

	31 December 2017 £'000	31 December 2016 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	4,802	4,043
Other expenses:		
Registration fees	119	116
Administration fees	93	83
Trustee fees	51	42
Operational fees	34	45
Safe custody fees	10	9
Auditor's remuneration: audit fees *	8	8
Price publication fees	1	1
Printing and postage fees	-	1
Total expenses	5,118	4,348

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £7,000 (2016: £7,000).

7. Interest payable and similar charges

	31 December 2017 £'000	31 December 2016 £'000
Interest payable	2	20
Total interest payable and similar charges	2	20

8. Taxation

	31 December 2017 £'000	31 December 2016 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	106	48
Total taxation (note 8b)	106	48
b) Factors affecting the tax charge for the year		
Net revenue before taxation	7,407	5,798
Corporation tax at 20% (2016: 20%)	1,481	1,160
Effects of:		
Unutilised management expenses	935	854
Irrecoverable overseas tax	106	48
Non-taxable overseas dividends	(317)	(277)
Non-taxable UK dividends	(2,099)	(1,737)
Tax charge for the year (note 8a)	106	48

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 £18,512,000 (2016 : £17,577,000) arising as a result of having unutilised management expenses of £92,562,000 (2016 : £87,885,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	31 December 2017 £'000	31 December 2016 £'000
Final dividend distribution	7,371	5,524
Add: amounts deducted on cancellation of units	201	307
Deduct: amounts added on issue of units	(255)	(59)
Distributions	7,317	5,772
Movement between net revenue and distributions		
Net revenue after taxation	7,301	5,750
Add: revenue received on conversion of units	13	22
Annual management charge paid from capital	3	-
	7,317	5,772

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 table on page 20.

10. 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 2017 Assets £'000	31 December 2016 Assets £'000
Level 1	455,573	356,354
Total	455,573	356,354

11. Debtors

	31 December 2017 £'000	31 December 2016 £'000
Accrued revenue	1,051	695
Amounts receivable for issue of units	13	1
Sales awaiting settlement	-	7,155
Total debtors	1,064	7,851

12. Cash and bank balances

	31 December 2017 £'000	31 December 2016 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	18,346	8,987
Cash and bank balances	19	-
Total cash and bank balances	18,365	8,987

13. Other creditors

	31 December 2017 £'000	31 December 2016 £'000
Accrued annual management charge	402	331
Amounts payable for cancellation of units	174	315
Accrued other expenses	84	79
Total other creditors	660	725

14. Contingent liabilities and commitments

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

15. Reconciliation of unit movements

Class	Units in issue at 31 December 2016	Units issued	Units cancelled	Units converted	Units in issue at 31 December 2017
I distribution	900	19,383	(23)	36,216	56,476
I accumulation	12,842,075	740,071	(810,665)	148,742	12,920,223
R accumulation	14,759,785	761,633	(1,177,177)	(194,020)	14,150,221

16. Risk disclosures

The fund's financial instruments comprise equities, cash balances and liquid resources which include debtors and creditors. The fund holds such financial assets in accordance with its investment objective and policy as set out on page 1. The fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(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 2017 there were no assets or liabilities denominated in currencies other than sterling (2016: £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 £22,779,000 (2016: £17,817,000). 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 the 'sum of the notionals' and '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. A result of 100% indicates that no leverage has been used.

As at 31 December 2017 and 31 December 2016 the leverage ratios of the fund were:

	2017	2016
Sum of the notionals	103.89%	104.78%
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 J.P. 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 trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan.

There were no significant concentrations of credit risk to counterparties other than to the custodian, or brokers where trades are pending settlement, at 31 December 2017 or 31 December 2016.

(c) Liquidity risk

Some of the fund's financial instruments can include securities that are not listed on a recognised stock exchange and which may not always be readily realisable. However, from time to time, liquidity in any market or in a specific security can be affected by economic events. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

17. 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 11 and notes 6, 9, 11 and 13 on pages 14 to 16 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2017 in respect of these transactions was £563,000 (2016: £645,000).

18. Unit classes

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

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 table on page 21. The distributions per unit class are given in the distribution table on page 20. All classes have the same rights on winding up.

19. Post balance sheet event

Since 31 December 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	22 February 2018	31 December 2017	Movement
I distribution	1,653.87	1,716.31	(3.6)%
I accumulation	1,733.51	1,799.38	(3.7)%
R accumulation	1,638.02	1,702.19	(3.8)%

Distribution table

Final dividend distribution for the year ended 31 December 2017 (payable on 28 February 2018) in pence per unit.

Group 1 - Units purchased prior to 1 January 2017.
Group 2 - Units purchased from 1 January 2017 to 31 December 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2018	Distribution per unit (p) 28 February 2017
I distribution				
Group 1	45.0205	-	45.0205	-
Group 2	2.9723	42.0482	45.0205	28.2378
I accumulation				
Group 1	34.0196	-	34.0196	25.4247
Group 2	17.1720	16.8476	34.0196	25.4247
R accumulation				
Group 1	20.8487	-	20.8487	15.3023
Group 2	8.2833	12.5654	20.8487	15.3023

Corporate unitholders should note that:

1. 100.00% of the revenue distribution together with the tax credit is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Equalisation applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of 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.

Comparative tables

	I distribution **		I accumulation		
	2017	2016 **	2017	2016	2015
Change in net assets per unit (p)					
Opening net asset value per unit	**1,355.17**	**1,290.09**	**1,384.11**	**1,226.58**	**1,030.36**
Return before operating charges *	419.65	96.94	428.53	167.91	205.92
Operating charges	(13.49)	(3.62)	(13.26)	(10.38)	(9.70)
Return after operating charges	406.16	93.32	415.27	157.53	196.22
Distributions	(45.02)	(28.24)	(34.02)	(25.42)	(19.04)
Retained distributions on accumulation units	-	-	34.02	25.42	19.04
Closing net asset value per unit	**1,716.31**	**1,355.17**	**1,799.38**	**1,384.11**	**1,226.58**
* after direct transaction costs of	(1.98)	(1.71)	(1.94)	(1.61)	(1.27)
Performance					
Return after charges	29.97%	7.23%	30.00%	12.84%	19.04%
Other information					
Closing net asset value (£'000)	969	12	232,484	177,748	150,593
Closing number of units	56,476	900	12,920,223	12,842,075	12,277,533
Operating charges	0.82%	0.24%	0.82%	0.84%	0.84%
Direct transaction costs	0.12%	0.13%	0.12%	0.13%	0.11%
Prices					
Highest offer unit price (p)	1,817.24	1,431.42	1,856.51	1,432.15	1,273.98
Lowest bid unit price (p)	1,355.70	1,113.76	1,384.35	1,112.16	1,027.43

	R accumulation		
	2017	2016	2015
Change in net assets per unit (p)			
Opening net asset value per unit	**1,319.17**	**1,177.82**	**996.90**
Return before operating charges *	407.03	160.18	198.43
Operating charges	(24.01)	(18.83)	(17.51)
Return after operating charges	383.02	141.35	180.92
Distributions	(20.85)	(15.30)	(9.98)
Retained distributions on accumulation units	20.85	15.30	9.98
Closing net asset value per unit	**1,702.19**	**1,319.17**	**1,177.82**
* after direct transaction costs of	(1.84)	(1.54)	(1.21)
Performance			
Return after charges	29.03%	12.00%	18.15%
Other information			
Closing net asset value (£'000)	240,864	194,706	212,240
Closing number of units	14,150,221	14,759,785	18,019,746
Operating charges	1.57%	1.59%	1.59%
Direct transaction costs	0.12%	0.13%	0.11%
Prices			
Highest offer unit price (p)	1,825.78	1,419.01	1,271.79
Lowest bid unit price (p)	1,319.29	1,063.83	993.92

* Direct transaction costs are stated after deducting the amounts collected in relation to estimated dealing costs added to issues of units and subtracted from the cancellation of units.

** Launched 14 September 2016.

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 2017
I distribution	0.82%
I accumulation	0.82%
R accumulation	1.57%

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 performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund	1,788.3	119.8	74.8	30.0	13.3
Numis Smaller Companies (ex-Inv Trust) Index	539.3	97.3	46.8	19.5	8.9
Sector average	591.2	113.0	57.6	26.6	11.1
Position in sector	2/17	25/42	13/44	16/46	15/46
Quartile	1	3	2	2	2

* Data from 3 April 1998. Source: Lipper Limited, data from 3 April 1998 to 1 September 2010 reflects class R accumulation units and from 1 September 2010 reflects class I accumulation units, bid to bid in sterling to 31 December 2017. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA UK Smaller Companies.

Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund	1,686.3	111.7	70.9	29.1	12.9
Numis Smaller Companies (ex-Inv Trust) Index	539.3	97.3	46.8	19.5	8.9

* Data from 3 April 1998. Source: Lipper Limited, class R accumulation units, bid to bid in sterling to 31 December 2017. All performance figures show total returns with dividends reinvested, percentage growth.

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