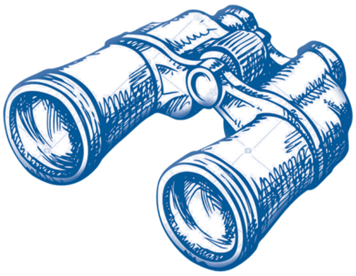
ARTEMIS
The PROFIT Hunter



Artemis UK Select *Fund*

Manager's Report and Financial Statements

for the year ended 31 December 2022

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 Select 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

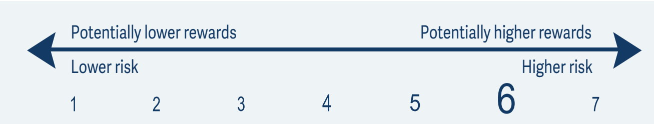
Units may be bought and sold by contacting the manager by telephone, at the address on page 5 or via the website artemisfunds.com. Valuation of the fund takes place each dealing day at 12 noon on a forward pricing basis. The current list of non-dealing days impacting the fund is published on our website 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 company shares. • 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 investment purposes to achieve the fund objective, including by taking long and short positions • to produce additional income or growth • for efficient portfolio management purposes to reduce risk and 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	• Total short exposures to equity derivatives will not exceed 10% of the fund.
Investment strategy	• The fund is actively managed. • The manager generates ideas from a number of sources of information, detailed financial analysis and wider economic analysis. A systematic approach is used to collect, assess, and cross-reference this information. • A company's valuation relative to the industry in which it operates is also considered. • While considering factors which are unique to a company, the manager seeks companies whose valuations are overly conservative in relation to their peers and that provide attractive opportunities for a future upgrade. • Short positions can be taken where stock-specific insight identifies an overvalued company.	
Benchmarks	**FTSE All-Share Index TR** A widely-used indicator of the performance of the UK 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 All 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.
- **Concentration risk:** The fund may have investments concentrated in a limited number of holdings. This can be more risky than holding a wider range of investments.
- **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.
- **Derivatives risk:** The fund may invest in derivatives with the aim of profiting from falling ('shorting') as well as rising prices. Should the asset's value vary in an unexpected way, the fund value will reduce.
- **Leverage risk:** The fund may operate with a significant amount of leverage. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested. A leveraged portfolio may result in large fluctuations in its value and therefore entails a high degree of risk including the risk that losses may be substantial.

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 Select 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 of 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 shareholders. 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:
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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 Select Fund ("the Trust") for the Year Ended 31 December 2022.

The Trustee in its capacity as Trustee of Artemis UK Select 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 Select 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
Artemis Fund Managers Limited
London
28 February 2023

L E Cairney
Director

Auditor's report

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

Opinion

We have audited the financial statements of Artemis UK Select 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

Investment review

- The fund fell by 9.8%[1] versus a 0.3%[1] return from the FTSE All-Share index.
- The outlook for our consumer-facing stocks is stronger than last year's returns suggested.
- We believe the returns we had hoped to deliver in 2022 have been delayed rather than cancelled.

A frustrating year

We started 2022 looking forward to seeing society, the economy and financial markets finally emerging from Covid. We were particularly enthused about the prospect for the fund's holdings: we anticipated that the strongest companies in those sectors that had been hit hardest by lockdowns would begin to enjoy the fruits of the market share they have gained since 2020. Sadly, hopes of a recovery proved fleeting as Europe emerged from the pandemic only to go straight into the first major land war since 1945.

In some senses, this should not have come as a surprise. Vladmir Putin had showed his hand as far back as 2014, and the US and UK intelligence services were suggesting an invasion of Ukraine was imminent as 2022 began. The senseless and protracted conflict – and human tragedy – that followed sent economic shockwaves around the world. The implications for financial markets were profound. Huge moves higher in energy prices provided a real cost-of-living squeeze, inflation readings moved higher and central banks were obliged to push interest rates higher. The net result was that investor confidence was dramatically undermined.

Although the earnings performance of our holdings was strong, the fund fell on the year

Over the year as a whole, the fund fell by 9.8%. This was significantly behind the FTSE All-Share index, which rose by 0.3%. In aggregate, however, the earnings performance of the companies we invest in was strong; this was reflected in the fact the fund started the year trading on a forward price-to-earnings multiple 10.5x but finished the year on just 7.7x[2].

It was somewhat frustrating that we began the year with a modestly valued portfolio that had exposure to the oil sector (which performed well) and with a large overweight in financial stocks (whose earnings will benefit from higher interest rates) – and yet we underperformed the market so significantly. However, positive returns in these areas were more than outweighed by falls in the share prices of our consumer-focused holdings and by strong returns from 'defensive' overseas earners, to which the fund had a relatively low level of exposure.

Looking across the year, the fund's underperformance was concentrated in the first half of the year. And while there was a 'Trussonomics' dip in the third quarter, a strong recovery into the year-end saw the market – and our fund - recouping a chunk of its earlier losses.

A tumultuous year for Britain

Domestically, the year was marked by the nation mourning Queen Elizabeth II. We will miss her example and contend that Britain has never seen a public figure so devoted to duty. The opposite side of St James's Park also saw tumult: not since 1868 has Britain had three prime ministers in one year. At a time when strong leadership was needed, the second of these PMs, Liz Truss, managed to inject (in the language of Bank of England Governor Andrew Bailey) her own "risk premium" into the UK. From the day she became the bookies' favourite to become leader, the UK's long-term borrowing costs rose. As her successor brought what were perceived to be a safer pair of hands to the tiller, gilt yields fell meaningfully. In a period of around seven months, the UK's long-term interest rates moved by as much as we might normally expect to see in seven years. And while the hit Trussonomics dealt to market confidence proved to be short-lived, the costs to the public in terms of higher mortgage rates and taxes will take longer to fade.

While BP and Shell soared, their share prices failed to keep pace with their earnings

Over a period of several years, concerns about global warming resulted in systematic under-investment in conventional oil and gas production. And although we embrace a more renewable future, we also recognise that 86% of the world's energy needs are currently met by fossil fuels. Putin was thus able to exploit the Achilles heel of European energy policy by turning off the gas taps. When the Nordstream pipeline was shut, many commentators warned there would be blackouts in the UK and Europe over the winter. The resulting rush for natural gas caused a spike in prices during the summer to over $1000 of oil equivalent per barrel, compounding fears of a major recession. Thus, the fund's holdings in BP and Shell soared (albeit not by as much as their earnings; their price-to-earnings multiples actually fell). Due to the ongoing structural undersupply of oil, our central thesis remains that the strong cashflows that the oil majors generate remain well underpinned.

As for the broader picture? In a remarkably short time, Europe adapted to the absence of Russian gas. First, power generators secured other sources of supply while industrial users switched to cheaper fossil fuels (coal, oil). Second, high prices triggered a contraction in demand as household and industrial consumption contracted. With the end of winter

Past performance is not a guide to the future.

[1] Source: Artemis/Lipper Limited, class I accumulation units, in sterling with income reinvested to 31 December 2022, net of all charges. The fund's benchmark index is the FTSE All-Share NR and its peer-group benchmark is IA UK All Companies sector. Stated returns do not take account of any costs incurred when investors buy or sell the fund.

[2] Price-to-earnings multiples show us what investors must pay in share-price terms in exchange for a claim on a company's future profits. The higher the multiple, the more optimistic market is about a company's future earnings potential. A forward price-to-earnings multiple of 10.5x tells us that they will pay £10.50 for every pound a company is expected to make over the coming year.

now in sight, it would appear that Putin played his strongest card and lost.

The impact of inflation

Inflation was the year's major theme. That prices rose was, perhaps, no surprise. A combination of...

- A decade of zero/near-zero interest rates;
- A pandemic which resulted in a c.£300bn increase in UK household savings;
- Covid-related bottlenecks in global supply chains; and
- Declining labour-force participation

...represented a powerful inflationary cocktail. The quantum of inflation that was delivered, however, was a surprise. The rise in energy prices sparked by Putin's invasion of Ukraine had a knock-on effect on utility bills, food prices, transport costs and had a secondary impact on other goods and services. This resulted in headline rate of inflation rising to roughly double the core rate and peaking at around 11%.

This gave investors two obvious questions to ponder. First, which companies would be able to pass on inflation effectively – and which wouldn't? Second, with interest rates rising to cool demand, which companies would benefit – and which would suffer?

Broadly, the fund's focus on market-leading businesses who were able to pass on higher prices to their customers limited inflation's impact on our portfolio. Pub company Mitchells & Butlers had more costs (utilities, labour, food) to digest than most. But partly due to the contraction in the UK's pub industry, it traded well, particularly versus its peers. Its shares de-rated significantly and now trade at less than half the value of its freehold property. We believe this is an attractive level, particularly as cost pressures are starting to ease.

The beneficiaries of higher interest rates

While banks are the most obvious beneficiaries of higher rates, their shares de-rated through the year due to concerns over an impending economic slowdown. Much of this is because the UK market is driven by a type of 'muscle memory'. The feeling seems to be that because a given company struggled in a prior economic slowdown, it will do so again. In times of heightened economic uncertainty, many of the fund's holdings are treated by the market as if they are the same businesses that they were back in 2008. This dynamic is not confined to banks. Ashtead and Intermediate Capital Group tend to receive the same treatment, despite having substantially different balance sheets and being businesses of meaningfully higher quality than they were a decade ago. When this happens, our job is to challenge the assertion of prophet Jeremiah that 'leopards don't change their spots'. We think that they can.

Conventional wisdom holds that it's unwise to invest in banks heading into a recession. We disagree in this instance. Shares of UK banks such as NatWest are trading just above their decade lows, their capital positions are robust and they are at the start of a multi-year growth cycle in interest income. Loans-to-deposits for the UK banking system are currently 82%, a far cry from 2008 when they hit around 140%. As we write, meanwhile, it is notable how far market expectations of the severity of any recession have moderated. It has always been clear to us that any impairments due to a recession might weigh on banks' earnings but would not constitute a 'capital' event (in other words, they shouldn't need to issue new shares to rebuild their balance sheets).

Indirectly, higher interest rates bring huge benefits to the insurance sector. The net effect of higher rates was that, on aggregate, UK private defined-benefit pension schemes hit a fully funded status for the first time in over 15 years. This creates an incentive for companies to transfer their pension liabilities to life insurance companies by bulk buying annuities. Sales in this market are estimated to jump from the recent rate of c.£30 billion of transfers per year to potentially as high as £90 billion per year. This would represent a significant benefit to the companies that sell annuities, such as Legal & General.

Higher yields in bond markets also mean that there are now more attractive and less risky ways for investors to make a return than by participating in the reinsurance market. Hiscox and Conduit benefited both from the withdrawal of third-party capital from the reinsurance market and from firmer pricing in the market more broadly as reinsurers sought to recoup losses made in prior periods.

Clearly, a rise in interest rates doesn't help everyone

It was a bumpy year for housebuilders. The first bump came as the government attempted to get the sector to pay for replacing defective cladding regardless of whether or not the companies had any link to the building in question. As an outline agreement was reached on this, concerns turned to rising mortgage costs. This was a remarkable journey: at the start of last year, mortgages were widely available for 1%, they peaked at over 6% before falling back to around 4.5%, a price at which it just about makes more sense for the average first-time buyer to buy rather than rent.

Clearly, indebted businesses also suffered from rising rates. Two of our holdings fell into this camp.

888's reverse takeover of William Hill's UK and European operations made strategic sense, but a lack of pre-arranged financing caught it out: the debt it used to fund the deal was priced after the significant rise in borrowing costs. Online gaming is a very cash-generative business, but it will take a couple of years for 888 to get the leverage down to a more comfortable position. We hope to see both significant cost and revenues synergies from the merger arising in the meantime.

It was a similar story at Synthomer, where a debt-funded acquisition left it with too much leverage, particularly as its medical gloves business saw significantly greater than anticipated de-stocking post-Covid. This will normalise in time – but with leverage elevated and trading deteriorating – the shares fell sharply. Towards the end of the year, it announced the disposal of its laminates business which should remove the need to raise equity providing a clearer path towards a share-price recovery.

Despite the volatility it was a quieter year for activity

At the start of the year, we added meaningfully to holdings in three areas:

- Oil companies: BP and Shell
- Banks: Barclays, NatWest and Standard Chartered
- 'Growth' stocks that had fallen on concerns over interest rates and slower economic growth.

In this latter group, Ashtead and Howden Joinery were two examples of companies where the market had moved quickly to price in a recession. In the event, trading at both companies throughout 2022 was comfortably ahead of the market's expectations at the start of the year.

Whitbread, which owns the Premier Inn chain, was the only new position we added over the course of the year. The slow demise of the UK's independent hotel sector saw a circa 12% contraction in the number of rooms available from 2010 to 2019. This accelerated dramatically during the pandemic, with another 10% of room stock having been retired since 2020. A predictable consequence is that occupancy rates and pricing have been very strong as demand snapped back post-pandemic. For Premier Inn, this means increased revenues over a relatively fixed cost base.

Strong performances from our holdings in AstraZeneca, BAT and Tesco left their relative valuations looking less attractive versus other parts of the market. We reduced the size of our holdings, using the proceeds to fund purchases elsewhere. Elsewhere, we exited small positions in National Express, Watches of Switzerland and Quilter where the investment thesis had either run its course or, in the case of National Express, veered off course.

The outlook for consumer-facing stocks is stronger than last year's returns suggested

Recent results from a long list of consumer-facing stocks (Next, Topps Tiles, Mitchells & Butlers, JD Sports, Card Factory, Whitbread, Ryanair, Grafton, Lookers, B&M and Sainsbury's to name a few) have beaten expectations. This suggests that Christmas was not cancelled in the UK. Given that consumer spending managed to hold up despite all that was thrown at it in 2022, it feels unlikely that trading will fall off a cliff in the next two-to-three months. At that point, lower inflation should begin to see the cost-of-living squeeze ease, aiding consumer sentiment.

As investors look at the potential for recovery, their time horizons are growing longer – stretching out from days and weeks to months and years. This always happens at turning points and typically sees a very rapid re-rating of stocks. In the early weeks of 2023 this has started to happen and in the near term we anticipate that this process will continue, particularly for consumer stocks.

The returns we hoped to deliver in 2022 have been delayed rather than cancelled

In aggregate, last year's underperformance was driven by a de-rating of the companies we hold; their earnings grew. Whilst the performance of the fund in 2022 was disappointing, we are of the view that the strong earnings performance of our holdings means that the returns that we had hoped to see in 2022 have been delayed rather than cancelled.

Looking ahead to 2023 we expect earnings and dividends from our stocks to grow again. This should underpin returns. However, we believe that the biggest potential upside comes from a re-rating of our portfolio's earnings as investors become less gloomy about the outlook. We continue to see a peak in inflation and a pause in monetary tightening as the most likely catalysts for sentiment to improve. The recent fall in gas prices is important in this context. In our experience, when sentiment turns the expansion in price-to-earnings multiples tends to be rapid as investors shift from worrying about what might happen next week to believing we are past the worst and looking to the earnings that companies will generate over the months and years to come. We are confident that the fund is well positioned to participate in this re-rating when it comes.

Ed Legget and Ambrose Faulks
Fund managers

Investment information

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

Purchases	Cost £'000	Sales	Proceeds £'000
NatWest Group	38,687	British American Tobacco	29,746
BP	29,938	AstraZeneca	26,525
Shell	20,180	National Express Group	12,548
Barclays	19,378	Quilter	12,480
Hiscox	18,132	LondonMetric Property, REIT	9,152
Ashtead Group	17,669	Man Group	7,498
Howden Joinery Group	17,128	Shell	7,350
Whitbread	16,575	Redrow	6,704
Standard Chartered	13,281	M&G	6,488
Man Group	11,700	Watches of Switzerland Group	5,670

Portfolio statement as at 31 December 2022

	Holding	Valuation £'000	% of net assets
Equities 99.05% (99.31%)			
Basic Materials 4.51% (5.94%)			
Anglo American	935,000	30,247	2.15
Bodycote	3,850,000	21,791	1.55
Synthomer	7,835,966	11,323	0.81
		63,361	**4.51**
Consumer Discretionary 22.63% (27.47%)			
888 Holdings	12,851,585	11,052	0.79
Crest Nicholson Holdings	3,000,000	7,080	0.50
Entain	2,350,000	31,079	2.21
Flutter Entertainment	125,000	14,069	1.00
Howden Joinery Group	4,279,728	24,275	1.73
International Consolidated Airlines Group	27,303,995	33,983	2.42
JET2 #	3,050,000	29,170	2.07
Lookers	35,000,000	26,460	1.88
Mitchells & Butlers	15,965,869	22,065	1.57
Next	400,000	23,328	1.66
Redrow	3,133,674	14,358	1.02
Ryanair Holdings	1,150,000	12,457	0.89
Vistry Group	4,100,000	25,686	1.83
WH Smith	1,800,000	26,739	1.90
Whitbread	630,000	16,342	1.16
		318,143	**22.63**
Consumer Staples 5.54% (7.40%)			
British American Tobacco	1,375,000	45,237	3.22
Tesco	14,500,000	32,611	2.32
		77,848	**5.54**
Energy 12.25% (5.54%)			
BP	19,200,000	91,575	6.51
Shell	3,450,000	80,678	5.74
		172,253	**12.25**
Financials 37.53% (34.16%)			
3i Group	5,630,000	75,301	5.36
Barclays	47,000,000	74,739	5.32

	Holding	Global exposure^ £'000	Valuation £'000	% of net assets
Conduit Holdings	4,700,000		19,858	1.41
Hiscox	4,728,699		51,827	3.69
Intermediate Capital Group	2,100,000		24,255	1.72
International Personal Finance	14,242,416		10,411	0.74
Legal & General Group	11,100,000		27,772	1.97
M&G	8,500,000		16,031	1.14
Man Group	15,000,000		32,175	2.29
NatWest Group	25,688,050		68,382	4.86
Numis#	2,013,658		3,786	0.27
Provident Financial	9,703,004		18,581	1.32
Prudential	2,900,000		32,944	2.34
St. James's Place	1,900,000		20,957	1.49
Standard Chartered	5,400,000		33,728	2.40
Virgin Money UK	9,282,000		16,986	1.21
			527,733	**37.53**
Health Care 0.80% (2.43%)				
AstraZeneca	100,000		11,244	0.80
			11,244	**0.80**
Industrials 15.67% (15.49%)				
Ashtead Group	740,000		35,113	2.50
DS Smith	11,922,000		38,257	2.72
Melrose Industries	34,000,000		45,560	3.24
Morgan Sindall Group	1,387,222		21,086	1.50
Oxford Instruments	2,275,000		51,074	3.63
Tyman	7,446,797		16,830	1.19
Weir Group	750,000		12,476	0.89
			220,396	**15.67**
Real Estate 0.12% (0.88%)				
LondonMetric Property, REIT	1,000,000		1,733	0.12
			1,733	**0.12**
Equities total			**1,392,711**	**99.05**
Contracts for Difference 0.01% (0.01%)				
Basic Materials 0.00% (0.00%)				
Rio Tinto	(195,000)	(11,304)	39	–
		(11,304)	**39**	**–**
Industrials 0.01% (0.01%)				
Spirax-Sarco Engineering	(105,000)	(11,172)	121	0.01
		(11,172)	**121**	**0.01**
Contracts for Difference total		**(22,476)**	**160**	**0.01**
Investment assets			**1,392,871**	**99.06**
Net other assets			**13,165**	**0.94**
Net assets attributable to unitholders			**1,406,036**	**100.00**

The comparative percentage figures in brackets are as at 31 December 2021.
Security listed on the Alternative Investment Market ('AIM').
^ Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

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		**(186,291)**		172,719
Revenue	5	**55,031**		34,342	
Expenses	6	**(12,050)**		(11,340)	
Interest payable and similar charges	7	**(404)**		(1,146)	
Net revenue before taxation		**42,577**		21,856	
Taxation	8	**(3)**		(4)	
Net revenue after taxation			**42,574**		21,852
Total return before distributions			**(143,717)**		194,571
Distributions	9		**(43,892)**		(22,291)
Change in net assets attributable to unitholders from investment activities			**(187,609)**		172,280

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		**1,418,054**		975,895
Amounts receivable on issue of units	**367,040**		390,878	
Amounts payable on cancellation of units	**(228,101)**		(139,149)	
		138,939		251,729
Dilution adjustment		**499**		598
Change in net assets attributable to unitholders from investment activities		**(187,609)**		172,280
Retained distribution on accumulation units		**36,153**		17,552
Closing net assets attributable to unitholders		**1,406,036**		1,418,054

Balance sheet as at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Fixed assets			
Investments	10	**1,392,871**	1,408,458
Current assets			
Debtors	11	**4,686**	5,741
Cash and cash equivalents	12	**19,797**	12,611
Total current assets		**24,483**	18,352
Total assets		**1,417,354**	1,426,810
Liabilities			
Investment liabilities	10	**-**	32
Creditors			
Distribution payable		**8,776**	7,523
Other creditors	13	**2,542**	1,201
Total creditors		**11,318**	8,724
Total liabilities		**11,318**	8,756
Net assets attributable to unitholders		**1,406,036**	1,418,054

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. 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. Where trading in the securities of a company is suspended, the investment is valued at an estimate of its fair value which is deemed to be its suspension price. The Contracts for Difference held in the portfolio are valued based on the price of the underlying security or index which they are purchased to reflect. The nature and intended use of these derivatives is to synthetically allow the fund to go long and short on an underlying asset without the need to trade the physical securities. They are valued at the quoted bid price of the underlying security when held long and at the quoted offer price of the underlying security when short.

(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. Contracts for difference ('CFDs') held in the portfolio are valued at bid when held long and offer when short. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return. The net gains/losses are reflected within forward currency contracts under net capital gains/losses in the Notes to the financial statements.

(e) Revenue. Dividends receivable from equity and non-equity shares 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. Dividends on contracts for difference are recognised when the securities are quoted ex-dividend. Cash held at CFD broker as margin is reflected separately within cash and bank balance. 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.

(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 fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for distribution units for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. 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 Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19) 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. 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
Derivative contracts	**6,312**	(3,786)
Currency gains	**58**	10
Non-derivative securities	**(192,661)**	176,495
Net capital (losses)/gains	**(186,291)**	172,719

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	319,979	85	1,354	321,418	0.03	0.42
Sales						
Equities	147,284	34	-	147,250	0.02	-
Total		**119**	**1,354**			
Percentage of fund average net assets		**0.01%**	**0.10%**			

						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	475,351	122	2,106	477,579	0.03	0.44
Sales						
Equities	188,163	66	-	188,097	0.04	-
Derivative purchases and sales		**5**	**-**			
Total		**193**	**2,106**			
Percentage of fund average net assets		**0.01%**	**0.17%**			

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.18% (2021: 0.19%). 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	**50,647**	31,562
Overseas dividends	**4,062**	2,528
Bank Interest	**180**	1
Revenue from UK REITs	**128**	251
Revenue from other derivatives	**14**	-
Total revenue	**55,031**	34,342

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	**10,812**	10,238
Administration fees	**1,238**	1,102
Total expenses	**12,050**	11,340

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
The audit fee (excluding VAT) accrued during the period was £9,650 (2021: £8,800). This fee is paid by the manager.

7. Interest payable and similar charges

	31 December 2022 £'000	31 December 2021 £'000
Dividends payable on short positions	**317**	178
Interest payable on positions with brokers and counterparties	**80**	961
Interest payable	**7**	7
Total interest payable and similar charges	**404**	1,146

8. Taxation

	31 December 2022 £'000	31 December 2021 £'000
a) Analysis of the tax charge in the year		
Irrecoverable overseas tax	**3**	4
Total taxation (note 8b)	**3**	4
b) Factors affecting the tax charge for the year		
Net revenue before taxation	**42,577**	21,856
Corporation tax at 20% (2021: 20%)	**8,515**	4,371
Effects of:		
Unutilised management expenses	**2,384**	2,218
Irrecoverable overseas tax	**3**	4
Utilisation of non-trade deficit carried forward	**42**	229
Non-taxable overseas dividends	**(812)**	(506)
Non-taxable UK dividends	**(10,129)**	(6,312)
Tax charge for the year (note 8a)	**3**	4

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 £29,157,000 (2021: £26,773,000) arising as a result of having unutilised management expenses of £145,788,000 (2021: £133,866,000) and non-trade loan relationship deficits of £10,283,000 (2021:£10,325,000). 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 2022 £'000	31 December 2021 £'000
Final dividend distribution	**44,929**	25,075
Add: amounts deducted on cancellation of units	**3,694**	1,318
Deduct: amounts added on issue of units	**(4,731)**	(4,102)
Distributions	**43,892**	22,291
Movement between net revenue and distributions		
Net revenue after taxation	**42,574**	21,852
Annual management charge paid from capital	**1,293**	1,352
Revenue received/(paid) on conversion of units	**25**	(913)
	43,892	22,291

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 pages 22 and 23.

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 2022		31 December 2021	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Level 1	**1,392,871**	**-**	1,408,458	32
Total	**1,392,871**	**-**	1,408,458	32

11. Debtors

	31 December 2022 £'000	31 December 2021 £'000
Accrued revenue	**3,937**	2,804
Amounts receivable for issue of units	**701**	2,937
Amounts receivable on derivative contracts	**48**	-
Total debtors	**4,686**	5,741

12. Cash and cash equivalents

	31 December 2022 £'000	31 December 2021 £'000
Cash and bank balances	**17,061**	12,576
Amounts held at futures clearing houses and brokers	**2,736**	35
Total cash and cash equivalents	**19,797**	12,611

13. Other creditors

	31 December 2022 £'000	31 December 2021 £'000
Amounts payable for cancellation of units	**1,537**	126
Accrued annual management charge	**879**	907
Accrued administration fee payable to manager	**104**	104
Purchases awaiting settlement	**22**	34
Accrued other expenses	**-**	30
Total other creditors	**2,542**	1,201

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

	Units in issue at 31 December 2021	Units issued	Units cancelled	Units converted	**Units in issue at 31 December 2022**
C accumulation	4,496,934	82,208	(357,389)	179,263	**4,401,016**
G distribution	33,679,592	7,879,803	(15,475,840)	110,000	**26,193,555**
G accumulation	96,973,370	21,878,744	(27,929,300)	94,570,970	**185,493,784**
I distribution	8,459,789	3,912,640	(2,108,154)	(16,105)	**10,248,170**
I accumulation	100,551,893	36,741,441	(10,246,397)	(11,738,563)	**115,308,374**
R accumulation	27,159,518	1,277,016	(2,948,342)	(242,303)	**25,245,889**
S distribution*	-	5,000	-	-	**5,000**
S accumulation*	-	5,000	-	-	**5,000**

* Launched 15 August 2022.

16. 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) Value at Risk ('VaR')

The manager is currently empowered to enter into derivative transactions on behalf of the fund. The use of these strategies is subject to a risk management process and the manager analyses the overall risk position of the fund on a daily basis, which is then used by the manager to evaluate the exposures and risks in the portfolio.

As part of the process, the VaR is used on a daily basis to calculate the market price risk on the fund relative to a reference portfolio, the FTSE All-Share Index. The maximum limit for UCITS funds is twice the VaR of the reference portfolio, i.e. +100%, in accordance with the Committee of European Securities Regulators ('CESR') guidance. A relative VaR of zero indicates that the fund is estimated to have the same market price risk as the reference portfolio. A negative relative VaR indicates that the fund's market price risk is estimated to be lower than the reference portfolio. VaR expresses the maximum expected loss by the fund in a defined period, at a specified confidence level. The parameters used are: a confidence level of 99%, uses a maximum two year risk factor data and a 20 business day holding period.

It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

	31 December 2022 **%**	31 December 2021 %
At 31 December	**24.00**	24.00
Average utilisation during the year	**26.00**	20.00
Highest utilisation during the year	**39.00**	37.00
Lowest utilisation during the year	**16.00**	9.00

(ii) 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 leverage of a fund is expressed as a percentage of the exposure of the fund and its net asset value. The fund can use cash borrowing and financial derivatives (subject to the restrictions as set out in its Prospectus and COLL) as sources of leverage. The expected level of leverage for this fund is between 100% and 200%.

(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.

The derivatives held at the year end are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for the CFDs (2021: UBS for the CFDs). Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 December 2022 or 31 December 2021.

Counterparty and collateral exposure

The types of derivatives held at the balance sheet date were CFDs. Details of the individual contracts are disclosed separately in the portfolio statement and the total position by counterparty and the collateral pledged, at the balance sheet date, were as follows:

Currency	Contracts for difference £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
31 December 2022			
UBS	(22,476)	(25,212)	2,736
31 December 2021			
UBS	(2,160)	(2,195)	35

Only cash collateral is pledged or held by the fund.

(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.

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 16 and notes 6, 9, 11 and 13 on pages 19 to 21 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 December 2022 in respect of these transactions was £1,819,000 (2021: due from £1,800,000).

18. Unit classes

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

C accumulation	1.20%
G distribution	0.48%
G accumulation	0.48%
I distribution	0.75%
I accumulation	0.75%
R accumulation	1.50%
S distribution	0.65%
S accumulation	0.65%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 24 and 25. The distributions per unit class are given in the distribution tables on pages 22 and 23. All classes have the same rights on winding up.

19. 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	3 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	11.2016	6.4620	17.6636	100.00%	0.00%	10.1723

G 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	15.6340	8.6944	24.3284	100.00%	0.00%	17.9684

G 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	1.8135	1.2114	3.0249	100.00%	0.00%	0.4573

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	11.5166	11.9332	23.4498	100.00%	0.00%	17.3903

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	12.7710	9.6371	22.4081	100.00%	0.00%	14.4090

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	10.0847	5.4671	15.5518	100.00%	0.00%	7.9616

Annual distribution periods	Start	End	Ex-dividend date	Pay date
Final	15 August 2022	31 December 2022	3 January 2023	28 February 2023

S distribution *

Dividend distributions for the period ended 31 December 2022	Group 2 Net revenue per unit (p)	Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Unfranked
Final	1.3148	-	1.3148	100.00%	0.00%

S accumulation *

Dividend distributions for the period ended 31 December 2022	Group 2 Net revenue per unit (p)	Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	Corporate streaming Franked	Unfranked
Final	1.0866	-	1.0866	100.00%	0.00%

* Launched 15 August 2022.

Comparative Tables

	C accumulation **			G distribution		
	2022	2021	2020	2022	2021	2020
Change in net assets per unit (p)						
Opening net asset value per unit	**735.30**	**620.82**	**433.97**	**694.38**	**596.92**	**572.22**
Return before operating charges *	(66.08)	123.64	193.21	(61.94)	119.32	37.29
Operating charges	(8.59)	(9.16)	(6.36)	(3.63)	(3.89)	(2.87)
Return after operating charges	(74.67)	114.48	186.85	(65.57)	115.43	34.42
Distributions	(17.66)	(10.17)	(3.62)	(24.33)	(17.97)	(9.72)
Retained distributions on accumulation units	17.66	10.17	3.62	-	-	-
Closing net asset value per unit	**660.63**	**735.30**	**620.82**	**604.48**	**694.38**	**596.92**
* after direct transaction costs of	(0.73)	(1.28)	(1.13)	(0.70)	(1.23)	(1.13)
Performance						
Return after charges	(10.16)%	18.44%	43.06%	(9.44)%	19.34%	6.02%
Other information						
Closing net asset value (£'000)	29,074	33,066	20,616	158,335	233,866	176,007
Closing number of units	4,401,016	4,496,934	3,320,689	26,193,555	33,679,592	29,485,852
Operating charges	1.29%	1.29%	1.30%	0.57%	0.57%	0.58%
Direct transaction costs	0.11%	0.18%	0.23%	0.11%	0.18%	0.23%
Prices						
Highest unit price (p)	760.01	763.91	636.28	718.30	738.39	621.73
Lowest unit price (p)	565.12	603.15	335.92	537.07	580.64	326.40

	G accumulation ***		I distribution		
	2022	2021	2022	2021	2020
Change in net assets per unit (p)					
Opening net asset value per unit	**98.55**	**100.00**	**670.19**	**577.70**	**555.30**
Return before operating charges *	(8.86)	(0.90)	(59.81)	115.43	35.95
Operating charges	(0.51)	(0.55)	(5.10)	(5.55)	(4.13)
Return after operating charges	(9.37)	(1.45)	(64.91)	109.88	31.82
Distributions	(3.02)	(0.46)	(23.45)	(17.39)	(9.42)
Retained distributions on accumulation units	3.02	0.46	-	-	-
Closing net asset value per unit	**89.18**	**98.55**	**581.83**	**670.19**	**577.70**
* after direct transaction costs of	(0.10)	(0.17)	(0.67)	(1.19)	(1.11)
Performance					
Return after charges	(9.51)%	(1.45)%	(9.69)%	19.02%	**5.73%**
Other information					
Closing net asset value (£'000)	165,417	95,563	59,627	56,697	36,612
Closing number of units	185,493,784	96,973,370	10,248,170	8,459,789	6,337,567
Operating charges	0.57%	0.57%	0.84%	0.84%	0.85%
Direct transaction costs	0.11%	0.18%	0.11%	0.18%	0.23%
Prices					
Highest unit price (p)	101.87	101.36	693.25	713.32	601.73
Lowest unit price (p)	76.17	93.18	517.27	561.83	316.56

** Launched 13 March 2020.
*** Launched 13 September 2021.

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.

	I accumulation			R accumulation		
	2022	2021	2020	2022	2021	2020
Change in net assets per unit (p)						
Opening net asset value per unit	**795.87**	**668.95**	**632.94**	**731.22**	**619.24**	**590.34**
Return before operating charges *	(71.56)	133.35	40.65	(65.70)	123.18	37.00
Operating charges	(6.05)	(6.43)	(4.64)	(10.53)	(11.20)	(8.10)
Return after operating charges	(77.61)	126.92	36.01	(76.23)	111.98	28.90
Distributions	(22.41)	(14.41)	(6.67)	(15.55)	(7.96)	(2.40)
Retained distributions on accumulation units	22.41	14.41	6.67	15.55	7.96	2.40
Closing net asset value per unit	**718.26**	**795.87**	**668.95**	**654.99**	**731.22**	**619.24**
* after direct transaction costs of	(0.79)	(1.38)	(1.25)	(0.73)	(1.27)	(1.16)
Performance						
Return after charges	(9.75)%	18.97%	5.69%	(10.43)%	18.08%	4.90%
Other information						
Closing net asset value (£'000)	828,215	800,266	560,044	165,358	198,596	182,616
Closing number of units	115,308,374	100,551,893	83,719,338	25,245,889	27,159,518	29,490,270
Operating charges	0.84%	0.84%	0.85%	1.59%	1.59%	1.60%
Direct transaction costs	0.11%	0.18%	0.23%	0.11%	0.18%	0.23%
Prices						
Highest unit price (p)	822.66	825.66	685.60	755.76	760.40	634.68
Lowest unit price (p)	613.83	650.14	360.69	560.67	601.48	335.85

	S distribution ****	S accumulation ****
	2022	2022
Change in net assets per unit (p)		
Opening net asset value per unit	**100.00**	**100.00**
Return before operating charges *	(2.40)	(2.39)
Operating charges	(0.31)	(0.31)
Return after operating charges	(2.71)	(2.70)
Distributions	(1.31)	(1.09)
Retained distributions on accumulation units	-	1.09
Closing net asset value per unit	**95.98**	**97.30**
* after direct transaction costs of	(0.10)	(0.10)
Performance		
Return after charges	(2.71)%	(2.70)%
Other information		
Closing net asset value (£'000)	5	5
Closing number of units	5,000	5,000
Operating charges	0.74%	0.74%
Direct transaction costs	0.11%	0.11%
Prices		
Highest unit price (p)	100.76	100.76
Lowest unit price (p)	83.14	83.14

**** Launched 15 August 2022.

Ongoing charges

Class	**31 December 2022**
C accumulation	1.29%
G distribution	0.57%
G accumulation	0.57%
I distribution	0.84%
I accumulation	0.84%
R accumulation	1.59%
S distribution*	0.74%
S accumulation*	0.74%

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.

*Ongoing charges shows the estimated annual operating expenses as a percentage of the average net assets of that class since launch.

Class I accumulation performance

	Since launch*	10 years	5 years	3 years	1 year	6 months
Artemis UK Select Fund **	654.1	131.3	20.9	13.5	(9.8)	5.4
Artemis UK Select Fund ***	653.6	130.1	20.1	13.3	(10.1)	4.7
FTSE All-Share Index	228.3	88.2	15.5	7.1	0.3	5.1
IA UK All Companies average	234.3	82.6	8.4	(0.4)	(9.2)	4.1
Position in sector	3/65	17/169	27/200	13/210	125/216	75/217
Quartile	1	1	1	1	3	2

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 reflects class I accumulation units, in sterling, with dividends reinvested to 31 December 2022. All performance 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. This class may have charges or a hedging approach different from those in the IA UK All Companies sector benchmark.
** 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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