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Investment *Funds*  
*ICVC*

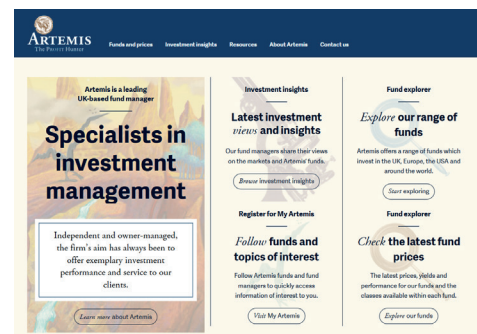
Half-Yearly Report (unaudited)  
for the six months ended 31 August 2018



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\* These items comprise the authorised corporate director's report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook.

### Company information

#### About Artemis...

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 £29.7 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 30 September 2018.

#### The company

Artemis Investment Funds ICVC ('the company') is an investment company with variable capital incorporated under the Open-Ended Investment Companies Regulations 2001 ('the Regulations') in England and Wales under registered number IC001014 and authorised and regulated by the Financial Conduct Authority ('FCA') with effect from 20 June 2014. The company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. The company has an unlimited duration. Each sub-fund is treated as a segregated portfolio of assets, and those assets can only be used to meet the liabilities of that sub-fund. Shareholders are not liable for the debts of the company or any other sub-fund. The base currency of the company is Sterling.

The company has an umbrella structure and currently has eight sub-funds, each with a different investment objective. In the financial statements you will find an investment review for each sub-fund which includes details of the investment objectives.

The company is registered for sale in Austria, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden and Switzerland. Such registrations are subject to applicable local laws and regulations and some sub-funds and/or share classes may not be available in all jurisdictions.

#### Prospectus

Copies of the most recent Prospectus are available free of charge from the authorised corporate director ('ACD') at the address on page 92.

#### Half-Yearly Report

We are pleased to present the Half-Yearly Report of the company for the six months ended 31 August 2018. As required by the Regulations, information for each of the sub-funds has been included in this report. On the following pages we present the performance of each of those sub-funds during the period.

#### Sub-fund cross holdings

At the period end none of the shares in any of the sub-funds were held by any other sub-funds of the company.

#### Report of the authorised corporate director

We hereby approve the Half-Yearly Report of Artemis Investment Funds ICVC for the six months ended 31 August 2018 on behalf of Artemis Fund Managers Limited in accordance with the requirements of Collective Investment Schemes Sourcebook ('COLL') as issued and amended by the FCA.

M J Murray  
Director

R J Turpin  
Director

Artemis Fund Managers Limited  
London  
26 October 2018

# Artemis Global Emerging Markets Fund

## Investment objective and policy

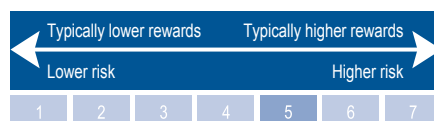
The objective of the Artemis Global Emerging Markets Fund (the 'sub-fund') is to achieve positive long-term returns through a combination of capital growth and income.

The sub-fund invests principally in companies listed, quoted and/or traded in emerging market countries and in companies which are headquartered or have a significant part of their activities in emerging markets which are quoted on a regulated market in developed countries.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments either by company size, industry, or the geographical split of the portfolio.

The sub-fund may also invest in other transferable securities, fixed interest securities, derivative instruments, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets.
- 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 risks of investing in the sub-fund include:

- The price of shares, 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.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The sub-fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the sub-fund will lose money.

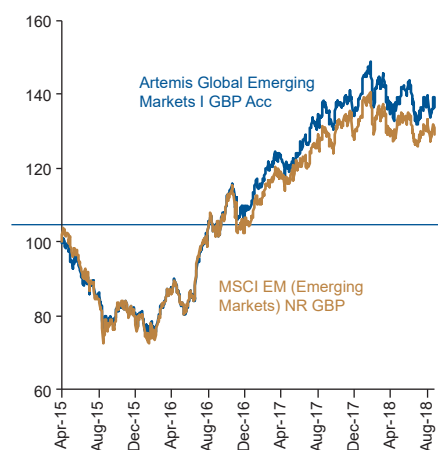
## Artemis Global Emerging Markets Fund – Investment review

- As the dollar strengthens, emerging markets weaken.
- The fund falls by 5.3%\* versus a 4.8%\* decline in the benchmark.
- Our bias to 'value' begins to be rewarded.

### Performance – Behind the market, ahead of our peers...

The fund fell by 5.3% in the six-month period, marginally more than the Index (down 4.8%) but less than the sector average (down 6.7%\*). Over the longer term, a return of 36.4%\* since its inception in 2015 puts the fund comfortably ahead both of the benchmark index (up 29.1%\*) and the sector average (up 28.5%\*).

#### Outperforming since launch



Source: Lipper.

### SmartGARP® – Evidence-based investing...

The Artemis Global Emerging Markets Fund is one of four Artemis funds that rely heavily on SmartGARP, Artemis' proprietary stock-screening tool.

SmartGARP screens 2300 stocks across emerging and frontier markets, looking for those whose valuation appears out of line with their growth prospects and where there is a catalyst that might cause investors to re-appraise their views about the

company. And while SmartGARP helps partly by singling out potentially undervalued stocks, it also monitors whether the reasons for investing in our existing holdings are still valid.

The last six months have been no different to our experience from the last 15 years: we have once again found the unemotional and objective yardstick of SmartGARP to be an extremely useful tool.

### Review – 'Value' starts to perform ...

As negative returns over the period suggest, this was a challenging period for emerging markets. A combination of factors were at work. A more hawkish stance by the US Federal Reserve ('Fed') fuelled a further rise in the dollar, increasing borrowing costs worldwide and pressuring those economies with the greatest vulnerabilities. Continued tensions around global trade did little to help. There were also a number of country-specific shocks. The net result was that emerging-market stocks underperformed their peers in developed markets.

Turkey grabbed many of the headlines and Turkish stocks fell 50% in US dollar terms in the period. Its large external liabilities left its currency vulnerable as monetary policy globally tightened. Other casualties, such as Argentina and South Africa, shared similar traits: large current-account deficits and high external debts. On the positive side, countries with current account surpluses, such as Thailand, Taiwan and South Korea, held up far better.

By sector, consumer discretionary and financial stocks were the laggards, whereas energy and commodity stocks outperformed in falling markets. This marks a change from previous years, when energy and commodity stocks were often the ones leading the market down. Companies in these sectors are not typically renowned

for their defensive characteristics, but they remain under-owned by investors and their fundamental outlooks are improving as underlying commodity prices continue to rise.

One surprising (but welcome) trend over the period was the outperformance of value stocks (those with below-average valuations) versus their growth counterparts. While value stocks continued to suffer in other market regions, from July onwards there were early signs of a turnaround in their relative performance in emerging markets.

In the fund, our exposure to energy and other commodities stocks was a significant contributor to relative performance during the period. Chinese oil producers Sinopec and CNOOC featured among the top contributors along with Indonesian coal producer Bukit Asam.

Looking beyond energy and commodities, stockpicking proved effective in some parts of the market. Highlights include Momo, one of China's leading online streaming platforms. It published earnings up 58% on previous year and 10% above high expectations. Guidance on future earnings was also positive. China Communications Services reached a 10-year high after its revenue growth hit a six-year high and as the government included it in the list of state-owned enterprises to be reformed. Philippines operator Globe Telecom also beat expectations and the stock rose 38% from the end of June.

On the negative side, our exposure to Turkey was a detractor as the lira depreciated sharply. Our holdings in Akbank, Turkcell and Tofas Turk fared no better than the market. There was one bright spot, however: Soda Sanayii, a soda-ash producer. Much of its revenue is derived from outside of Turkey so it benefits from a depreciating lira. Its share price rose 7% in US dollar terms, significantly outperforming the Turkish market.

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested to 31 August 2018. Benchmark is MSCI Emerging Markets Index (GBP).

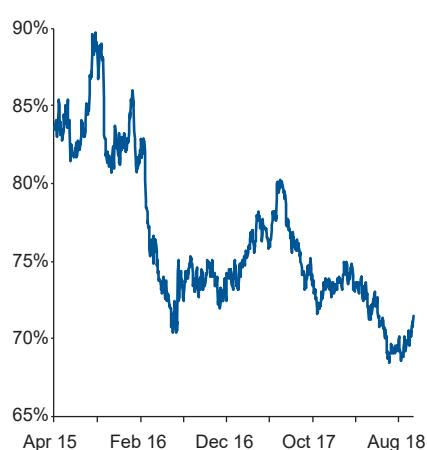


Could things get worse for emerging markets? There are reasons to believe that emerging economies are in a better place than they were back in 2013, particularly as the Chinese economy has remained stable and commodity and energy prices are rising. At the same time, risks of the Fed tightening more rapidly or trade frictions worsening could continue to cause volatility. While the market frets about the potential for contagion and a re-run of the 2013 'taper tantrum', we have stuck to our discipline of looking for companies with improving fundamentals.

Signs of improvement emerged in Taiwan Cement. Its net profits that were much better than market expectations, leading to substantial upgrades to profit forecasts. Philippine Globe Telecom's revenue and margins surprised on the upside, leading to improved guidance from company management. We added both to the portfolio.

In recognition of risks to growth and deteriorating corporate news, we reduced our positions in Asian industrials. Samsung, TSMC, Tripod Technology and Chipbond were examples of our sales.

#### The fund's significant bias to value



Source: Bloomberg, Artemis.

## Outlook – A question of valuation...

Emerging markets are facing some challenges and investors are reluctant to allocate to them. Is now the time to be buying? Much of the negative news has already been reflected in share prices. And we believe that emerging markets continue to give investors exposure to world-class companies. What makes them even more compelling is that they can now be bought at far cheaper valuations than companies in developed markets.

Our fund, meanwhile, offers something different to many of the emerging-market funds that are available. It is backed by an investment process that has proven its ability to identify companies with strong growth prospects that trade on discounted valuations. Our largest overweight positions remain in China and Russia, while our largest underweights are in technology-heavy Korea and Taiwan. By sector, our preference is for energy, utilities and construction, and we continue to have less exposure to the more widely owned segments of the markets, such as technology and consumer goods. One thing that hasn't changed is our bias towards value stocks. The fund continues to offer very attractive financial characteristics, trading on a forward price-to-earnings multiple of 8x, a 30% discount to the index. And if the discount to the market is significant, our positioning relative to the peer group is even more pronounced.

Since launching the fund in April 2015, performance has proved resilient in challenging times, outperforming in falling markets, but crucially, participating fully when markets have risen. This has largely been thanks to effective stockpicking and to taking a disciplined approach in managing country and currency risks. As such, we remain confident that the fund is well-positioned to deliver for our investors.

**Peter Saacke and Raheel Altaf**  
Fund managers

## Artemis Global Emerging Markets Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases               | Cost<br>£'000 | Sales                                         | Proceeds<br>£'000 |
|-------------------------|---------------|-----------------------------------------------|-------------------|
| Momo, ADR               | 2,846         | Samsung Electronics                           | 3,563             |
| Country Garden Holdings | 2,659         | Taiwan Semiconductor Manufacturing            | 3,189             |
| LG Electronics          | 2,628         | Ping An Insurance Group Co. of China H shares | 2,787             |
| Tech Mahindra           | 2,625         | Tencent Holdings                              | 2,306             |
| Taiwan Cement           | 2,286         | Banco Bradesco Preference                     | 1,828             |

### Portfolio statement as at 31 August 2018

| Investment                                        | Holding   | Valuation<br>£'000 | % of net<br>assets |
|---------------------------------------------------|-----------|--------------------|--------------------|
| <b>Equities 99.38% (99.98%)</b>                   |           |                    |                    |
| <b>Brazil 7.81% (6.07%)</b>                       |           |                    |                    |
| Banco do Brasil                                   | 234,000   | 1,298              | 0.81               |
| Engie Brasil Energia                              | 234,000   | 1,574              | 0.99               |
| Itausa - Investimentos Itau Preference shares     | 986,699   | 1,724              | 1.08               |
| Petroleo Brasileiro Preference shares             | 430,000   | 1,497              | 0.94               |
| Tupy                                              | 370,000   | 1,591              | 1.00               |
| Vale                                              | 470,905   | 4,759              | 2.99               |
|                                                   |           | <b>12,443</b>      | <b>7.81</b>        |
| <b>Chile 0.28% (0.00%)</b>                        |           |                    |                    |
| Enel Chile                                        | 6,000,000 | 450                | 0.28               |
|                                                   |           | <b>450</b>         | <b>0.28</b>        |
| <b>China 33.99% (34.16%)</b>                      |           |                    |                    |
| Anhui Conch Cement H shares                       | 658,000   | 3,071              | 1.93               |
| Bank of China H shares                            | 5,477,000 | 1,894              | 1.19               |
| Bank of Communications H shares                   | 1,836,000 | 1,020              | 0.64               |
| China Communications Services H shares            | 2,810,000 | 1,784              | 1.12               |
| China Construction Bank H shares                  | 7,184,000 | 4,884              | 3.07               |
| China Petroleum & Chemical H shares               | 4,420,000 | 3,412              | 2.14               |
| China Railway Group H shares                      | 3,070,000 | 2,039              | 1.28               |
| China Railway Signal & Communication H shares     | 1,580,000 | 854                | 0.54               |
| China Resources Land                              | 798,000   | 2,138              | 1.34               |
| China State Construction Engineering A shares     | 909,917   | 552                | 0.35               |
| China Suntien Green Energy H shares               | 7,490,000 | 1,717              | 1.08               |
| CNOOC                                             | 1,880,000 | 2,553              | 1.60               |
| Country Garden Holdings                           | 1,920,000 | 2,193              | 1.38               |
| Daqin Railway A shares                            | 1,629,930 | 1,580              | 0.99               |
| ENN Energy Holdings                               | 253,000   | 1,772              | 1.11               |
| Geely Automobile Holdings                         | 660,000   | 1,078              | 0.68               |
| Goodbaby International Holdings                   | 1,230,000 | 388                | 0.24               |
| Gree Electric Appliances, Inc. of Zhuhai A shares | 369,981   | 1,621              | 1.02               |
| Guangzhou R&F Properties H shares                 | 896,000   | 1,389              | 0.87               |
| Huadian Fuxin Energy H shares                     | 8,160,000 | 1,287              | 0.81               |
| Huishang Bank H shares                            | 1,649,120 | 548                | 0.34               |
| Industrial & Commercial Bank of China H shares    | 5,090,000 | 2,882              | 1.81               |
| Lenovo Group                                      | 1,930,000 | 966                | 0.61               |



| Investment                                                 | Holding    | Valuation<br>£'000 | % of net<br>assets |
|------------------------------------------------------------|------------|--------------------|--------------------|
| Midea Group A shares                                       | 465,996    | 2,178              | 1.37               |
| Momo, ADR                                                  | 105,000    | 3,619              | 2.27               |
| Ping An Insurance Group Co. of China H shares              | 223,000    | 1,650              | 1.04               |
| Sinotrans H shares                                         | 1,490,000  | 479                | 0.30               |
| Tencent Holdings                                           | 33,700     | 1,122              | 0.70               |
| Wanhua Chemical Group A shares                             | 428,000    | 2,373              | 1.49               |
| Weichai Power H shares                                     | 1,320,000  | 1,075              | 0.68               |
|                                                            |            | <b>54,118</b>      | <b>33.99</b>       |
| <b>Colombia 0.57% (0.00%)</b>                              |            |                    |                    |
| Bancolombia Preference shares                              | 108,000    | 902                | 0.57               |
|                                                            |            | <b>902</b>         | <b>0.57</b>        |
| <b>Greece 0.99% (1.82%)</b>                                |            |                    |                    |
| Jumbo                                                      | 50,000     | 589                | 0.37               |
| Motor Oil Hellas Corinth Refineries                        | 56,000     | 991                | 0.62               |
|                                                            |            | <b>1,580</b>       | <b>0.99</b>        |
| <b>Hong Kong 0.00% (0.94%)</b>                             |            |                    |                    |
| <b>Hungary 0.47% (0.55%)</b>                               |            |                    |                    |
| MOL Hungarian Oil & Gas                                    | 94,400     | 743                | 0.47               |
|                                                            |            | <b>743</b>         | <b>0.47</b>        |
| <b>India 6.16% (4.43%)</b>                                 |            |                    |                    |
| HCL Technologies                                           | 192,868    | 2,184              | 1.37               |
| JSW Steel                                                  | 504,000    | 2,168              | 1.36               |
| Oil & Natural Gas                                          | 949,000    | 1,847              | 1.16               |
| Power Grid Corp. of India                                  | 345,000    | 752                | 0.47               |
| Tech Mahindra                                              | 344,000    | 2,857              | 1.80               |
|                                                            |            | <b>9,808</b>       | <b>6.16</b>        |
| <b>Indonesia 2.47% (3.49%)</b>                             |            |                    |                    |
| Bank Negara Indonesia Persero                              | 1,380,000  | 560                | 0.35               |
| Bank Tabungan Negara Persero                               | 2,020,000  | 290                | 0.18               |
| Bukit Asam                                                 | 7,640,000  | 1,615              | 1.02               |
| Waskita Karya Persero                                      | 14,850,000 | 1,469              | 0.92               |
|                                                            |            | <b>3,934</b>       | <b>2.47</b>        |
| <b>Kenya 0.52% (1.06%)</b>                                 |            |                    |                    |
| Safaricom (Merrill Lynch International) Warrant 13/06/2019 | 3,860,000  | 831                | 0.52               |
|                                                            |            | <b>831</b>         | <b>0.52</b>        |
| <b>Malaysia 1.91% (2.61%)</b>                              |            |                    |                    |
| CIMB Group Holdings                                        | 949,000    | 1,080              | 0.68               |
| Hartalega Holdings                                         | 770,000    | 1,019              | 0.64               |
| Malayan Banking                                            | 509,000    | 948                | 0.59               |
|                                                            |            | <b>3,047</b>       | <b>1.91</b>        |
| <b>Mexico 2.11% (0.79%)</b>                                |            |                    |                    |
| Grupo Aeroportuario del Centro Norte                       | 248,000    | 1,258              | 0.79               |
| Nemak                                                      | 1,490,000  | 949                | 0.59               |
| Regional                                                   | 246,000    | 1,161              | 0.73               |
|                                                            |            | <b>3,368</b>       | <b>2.11</b>        |
| <b>Peru 0.68% (0.75%)</b>                                  |            |                    |                    |
| Credicorp                                                  | 6,500      | 1,082              | 0.68               |
|                                                            |            | <b>1,082</b>       | <b>0.68</b>        |

Artemis Global Emerging Markets Fund – Investment information (continued)

| Investment                                                  | Holding   | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------------------|-----------|--------------------|--------------------|
| <b>Philippines 3.79% (0.77%)</b>                            |           |                    |                    |
| Globe Telecom                                               | 89,000    | 2,678              | 1.68               |
| LT Group                                                    | 3,800,000 | 927                | 0.58               |
| Manila Electric                                             | 455,000   | 2,429              | 1.53               |
|                                                             |           | <b>6,034</b>       | <b>3.79</b>        |
| <b>Poland 0.29% (0.33%)</b>                                 |           |                    |                    |
| Energa                                                      | 260,000   | 454                | 0.29               |
|                                                             |           | <b>454</b>         | <b>0.29</b>        |
| <b>Russia 8.65% (9.88%)</b>                                 |           |                    |                    |
| Gazprom, ADR                                                | 469,000   | 1,552              | 0.97               |
| Globaltrans Investment, GDR                                 | 243,000   | 2,033              | 1.28               |
| Lukoil, ADR                                                 | 69,500    | 3,694              | 2.32               |
| MMC Norilsk Nickel, ADR                                     | 91,000    | 1,155              | 0.72               |
| Sberbank of Russia, ADR                                     | 152,000   | 1,259              | 0.79               |
| Surgutneftegas, ADR                                         | 344,000   | 1,096              | 0.69               |
| Tatneft, ADR                                                | 56,000    | 2,988              | 1.88               |
|                                                             |           | <b>13,777</b>      | <b>8.65</b>        |
| <b>Saudi Arabia 0.59% (0.62%)</b>                           |           |                    |                    |
| Riyad Bank (Merrill Lynch International) Warrant 12/02/2020 | 284,000   | 935                | 0.59               |
|                                                             |           | <b>935</b>         | <b>0.59</b>        |
| <b>Singapore 0.30% (0.00%)</b>                              |           |                    |                    |
| IGG                                                         | 520,000   | 483                | 0.30               |
|                                                             |           | <b>483</b>         | <b>0.30</b>        |
| <b>South Africa 2.16% (5.19%)</b>                           |           |                    |                    |
| Naspers N shares                                            | 14,900    | 2,555              | 1.61               |
| Standard Bank Group                                         | 91,000    | 880                | 0.55               |
|                                                             |           | <b>3,435</b>       | <b>2.16</b>        |
| <b>South Korea 9.15% (10.20%)</b>                           |           |                    |                    |
| Dongwon Industries                                          | 4,000     | 826                | 0.52               |
| GS Home Shopping                                            | 6,800     | 971                | 0.61               |
| Hansol Chemical                                             | 9,000     | 516                | 0.33               |
| LG Electronics                                              | 9,200     | 487                | 0.31               |
| Posco                                                       | 9,600     | 2,155              | 1.35               |
| Samsung Electronics                                         | 12,600    | 420                | 0.26               |
| Shinhan Financial Group                                     | 56,000    | 1,677              | 1.05               |
| SK Hynix                                                    | 96,000    | 5,479              | 3.44               |
| SK Innovation                                               | 3,700     | 490                | 0.31               |
| SK Telecom                                                  | 8,600     | 1,545              | 0.97               |
|                                                             |           | <b>14,566</b>      | <b>9.15</b>        |
| <b>Taiwan 8.38% (7.16%)</b>                                 |           |                    |                    |
| Aerospace Industrial Development                            | 740,000   | 564                | 0.35               |
| Chailase Holding                                            | 370,000   | 967                | 0.61               |
| CTBC Financial Holding                                      | 4,270,000 | 2,296              | 1.44               |
| Formosa Plastics                                            | 891,000   | 2,507              | 1.58               |
| Micro-Star International                                    | 642,000   | 1,702              | 1.07               |
| Simplo Technology                                           | 309,000   | 1,735              | 1.09               |
| Taiwan Cement                                               | 2,297,000 | 2,431              | 1.53               |

| Investment                              | Holding   | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------|-----------|--------------------|--------------------|
| Yageo                                   | 65,000    | 1,135              | 0.71               |
|                                         |           | <b>13,337</b>      | <b>8.38</b>        |
| <b>Thailand 3.67% (3.60%)</b>           |           |                    |                    |
| PTT                                     | 1,625,000 | 1,993              | 1.25               |
| Thanachart Capital                      | 1,640,200 | 2,070              | 1.30               |
| Tisco Financial Group                   | 929,000   | 1,789              | 1.12               |
|                                         |           | <b>5,852</b>       | <b>3.67</b>        |
| <b>Turkey 3.33% (4.08%)</b>             |           |                    |                    |
| KOC Holding                             | 530,000   | 923                | 0.58               |
| Soda Sanayii                            | 2,067,760 | 1,934              | 1.22               |
| TAV Havalimanlari Holding               | 293,552   | 1,054              | 0.66               |
| Tofas Turk Otomobil Fabrikasi           | 318,000   | 832                | 0.52               |
| Turkcell Iletisim Hizmetleri            | 439,000   | 553                | 0.35               |
|                                         |           | <b>5,296</b>       | <b>3.33</b>        |
| <b>Vietnam 1.11% (1.48%)</b>            |           |                    |                    |
| Hoa Phat Group                          | 1,339,380 | 1,766              | 1.11               |
|                                         |           | <b>1,766</b>       | <b>1.11</b>        |
| Investment assets                       |           | 158,241            | 99.38              |
| Net other assets                        |           | 995                | 0.62               |
| Net assets attributable to shareholders |           | 159,236            | 100.00             |

The comparative percentage figures in brackets are as at 28 February 2018.

## Artemis Global Emerging Markets Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |                | 31 August 2017 |               |
|------------------------------------------------------------------------------|----------------|----------------|----------------|---------------|
|                                                                              | £'000          | £'000          | £'000          | £'000         |
| <b>Income</b>                                                                |                |                |                |               |
| Net capital (losses)/gains                                                   |                | (10,930)       |                | 11,851        |
| Revenue                                                                      | 4,553          |                | 2,037          |               |
| Expenses                                                                     | (715)          |                | (449)          |               |
| Net revenue before taxation                                                  | 3,838          |                | 1,588          |               |
| Taxation                                                                     | (489)          |                | (175)          |               |
| Net revenue after taxation                                                   |                | 3,349          |                | 1,413         |
| <b>Total return before distributions</b>                                     |                | <b>(7,581)</b> |                | <b>13,264</b> |
| Distributions                                                                |                | 201            |                | 106           |
| Change in net assets attributable to shareholders from investment activities |                | (7,380)        |                | 13,370        |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |         | 31 August 2017 |         |
|------------------------------------------------------------------------------|----------------|---------|----------------|---------|
|                                                                              | £'000          | £'000   | £'000          | £'000   |
| Opening net assets attributable to shareholders                              |                | 135,651 |                | 67,729  |
| Amounts receivable on issue of shares                                        | 39,759         |         | 27,262         |         |
| Amounts payable on cancellation of shares                                    | (8,823)        |         | (1,606)        |         |
|                                                                              |                | 30,936  |                | 25,656  |
| Dilution adjustment                                                          |                | 29      |                | 30      |
| Change in net assets attributable to shareholders from investment activities |                | (7,380) |                | 13,370  |
| Closing net assets attributable to shareholders                              |                | 159,236 |                | 106,785 |

### Balance sheet as at 31 August 2018

|                                         | 31 August 2018 | 28 February 2018 |
|-----------------------------------------|----------------|------------------|
|                                         | £'000          | £'000            |
| <b>Assets</b>                           |                |                  |
| <b>Fixed assets</b>                     |                |                  |
| Investments                             | 158,241        | 135,627          |
| <b>Current assets</b>                   |                |                  |
| Debtors                                 | 1,173          | 3,892            |
| Cash and bank balances                  | 124            | 404              |
| <b>Total current assets</b>             | <b>1,297</b>   | <b>4,296</b>     |
| <b>Total assets</b>                     | <b>159,538</b> | <b>139,923</b>   |
| <b>Liabilities</b>                      |                |                  |
| <b>Creditors</b>                        |                |                  |
| Bank overdraft                          | -              | 144              |
| Distribution payable                    | -              | 1,076            |
| Other creditors                         | 302            | 3,052            |
| <b>Total creditors</b>                  | <b>302</b>     | <b>4,272</b>     |
| <b>Total liabilities</b>                | <b>302</b>     | <b>4,272</b>     |
| Net assets attributable to shareholders | 159,236        | 135,651          |

## Artemis Global Emerging Markets Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                    | Net asset value per share |                | Movement |
|--------------------|---------------------------|----------------|----------|
|                    | 25 October 2018           | 31 August 2018 |          |
| I accumulation EUR | 104.13c                   | 110.18c        | -5.5%    |
| I distribution GBP | 117.30p                   | 125.88p        | -6.8%    |
| I accumulation GBP | 126.89p                   | 136.21p        | -6.8%    |
| I accumulation USD | 109.25c                   | 118.24c        | -7.6%    |

## Artemis Global Emerging Markets Fund – Comparative tables

### Fund sizes & net asset values

| Date                    | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|-------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b> | 25,586,765                      |                           |                 |
| I accumulation EUR      |                                 | 74.50c                    | 10,000          |
| I distribution GBP      |                                 | 78.40p                    | 13,420,725      |
| I accumulation GBP      |                                 | 80.49p                    | 18,702,105      |
| I accumulation USD      |                                 | 74.56c                    | 10,000          |
| <b>28 February 2017</b> | 67,729,192                      |                           |                 |
| I accumulation EUR      |                                 | 101.72c                   | 10,000          |
| I distribution GBP      |                                 | 113.40p                   | 22,910,371      |
| I accumulation GBP      |                                 | 119.39p                   | 34,956,178      |
| I accumulation USD      |                                 | 99.20c                    | 10,000          |
| <b>28 February 2018</b> | 135,651,178                     |                           |                 |
| I accumulation EUR      |                                 | 118.37c                   | 27,033          |
| I distribution GBP      |                                 | 133.12p                   | 31,025,992      |
| I accumulation GBP      |                                 | 143.91p                   | 64,941,156      |
| I accumulation USD      |                                 | 133.04c                   | 897,246         |
| <b>31 August 2018</b>   | 159,236,318                     |                           |                 |
| I accumulation EUR      |                                 | 110.18c                   | 11,072,503      |
| I distribution GBP      |                                 | 125.88p                   | 32,991,407      |
| I accumulation GBP      |                                 | 136.21p                   | 71,103,150      |
| I accumulation USD      |                                 | 118.24c                   | 10,904,451      |

### Fund performance

|                                      | Since launch* | 1 year | 6 months |
|--------------------------------------|---------------|--------|----------|
| Artemis Global Emerging Markets Fund | 36.4          | (0.9)  | (5.3)    |
| MSCI Emerging Markets Index          | 29.1          | (1.5)  | (4.8)    |
| Sector average                       | 28.5          | (4.2)  | (6.7)    |
| Position in sector                   | 15/55         | 8/61   | 23/62    |
| Quartile                             | 2             | 1      | 2        |

\* Data from 8 April 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Emerging Markets. Performance details for each share class is shown on page 88.

### Ongoing charges

| Class              | 31 August 2018 |
|--------------------|----------------|
| I accumulation EUR | 0.97%          |
| I distribution GBP | 0.97%          |
| I accumulation GBP | 0.97%          |
| I accumulation USD | 0.97%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

# Artemis Global Equity Income Fund

## Investment objective and policy

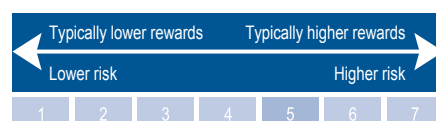
The Artemis Global Equity Income Fund (the 'sub-fund') aims to achieve income combined with long-term capital growth.

The sub-fund invests principally in a portfolio of equities selected on a global basis.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments either by company size, industry, or the geographical split of the portfolio.

The sub-fund may also invest in other transferable securities, fixed interest securities, derivative instruments, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets.
- 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 risks of investing in the sub-fund include:

- The price of shares, 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.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-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 sub-fund is valued and priced.

■ Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.

■ The sub-fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the sub-fund will lose money.



## Artemis Global Equity Income Fund – Investment review

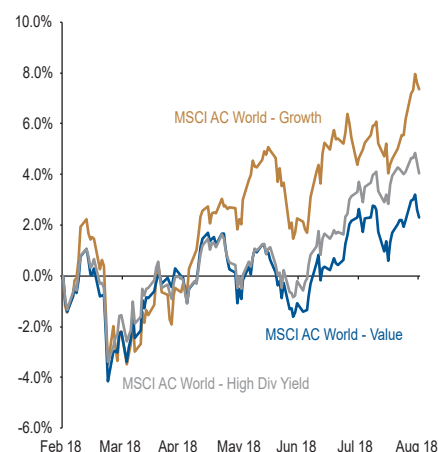
- A narrow group of non-dividend-paying technology stocks in the US lead global markets higher.
- The fund returns 5.8%\* versus an 8.3%\* return from the MSCI All Country World Index.
- Questions of 'growth' versus 'value' are less clear cut – but income stocks are firmly out of favour.

### Performance

Over the last six months, the fund returned 5.8% versus an 8.3% return from the benchmark. In part that reflects a dynamic whereby markets have largely been driven higher by areas in which we can't invest: large, fast-growing, but non-dividend-paying technology stocks. Three of the biggest negatives for the fund's performance relative to the wider global market were stocks that we either didn't own at all (Amazon.com and Microsoft) or that we didn't own enough of (Apple).

Meanwhile, our portfolio has a significant tilt towards both value and income stocks (it trades at a 20-25% discount to the wider global market with around a 3.5% prospective yield, considerably above the wider market) and both styles had a rather underwhelming six months (to say the least). As the chart shows, growth stocks globally outperformed value stocks as well as high-yielding equities.

### Growth outperforms value and high dividend yield stocks



Source: Thomson Reuters Datastream.

While we look to produce an attractive total return for investors over the long term, we also want to provide a higher-than-market yield and a growing distribution. The fund is an income portfolio and that ultimately shapes its returns. This year, the portfolio paid a healthy distribution (towards the high end of its historic range) albeit one that was lower than it was last year. In large part, this is a product of sterling's volatility. On investors' behalves, we are continually gathering dividends from companies worldwide. We then convert the dividends we receive in non-sterling currencies back into a sterling account for later distribution. In 2016, sterling weakened due to the Brexit vote, thereby boosting the value of our overseas dividends in sterling terms. This year, it recovered slightly. The pattern for the euro has been similar. So, just as the fund's dividend distribution increased when sterling fell, it has decreased as sterling has strengthened.

In tandem, we have also seen slowing dividend growth from the fund's holdings over the past two years. That has been a consequence of shifting the portfolio away from high-yielding bond proxies (which we anticipated would be most vulnerable to higher bond yields) and towards lower-yielding cyclical stocks and financials. This step down is a one-off and going forward this shouldn't affect the distribution's growth. Assuming that the portfolio remains unchanged (and that exchange rates remain broadly constant over the coming year) we would anticipate next year's distribution payment to be higher.

### Review – Stockpicking amid a messy bull market...

Reading the press, one might be seduced into thinking there is a massive bull market in equities. True, we are seeing the longest bull market on record in the US and Apple is the first company whose

market capitalisation exceeds US\$1 trillion. This is headline-grabbing stuff. But it's a messy bull market. The ascent from March 2009 has been shallow rather than steep. While US equity indices continue to reach new highs, emerging-market equities have struggled, with the Chinese equity market falling into a bear market for the second time in the last three years. When the world's second-largest economy can't produce a proper, long-lasting bull market things aren't straightforward for global investors. The European market, meanwhile, has traded in a narrow range while also showing a rather large dispersion in performance between the stocks that worked and those that didn't. Even in the US, market leadership was very narrow, with tech giants (such as the FAANG stocks – Facebook, Apple, Amazon.com, Netflix, Google) leading the way. The global economic cycle is also anything but synchronised. Growth in the US is surprisingly impressive (we could credibly reach 5% real growth in coming quarters) but it is slowing in Europe. At the same time, we have seen a number of outright blow-ups in emerging markets: Turkey, Argentina, South Africa and Brazil. In Europe, Italy sold fresh debt towards the end of August at the highest yield for four years. By contrast, yields on 10-year German bunds or 10-year US Treasuries are some 2-3% below their peak 2006 levels. Clearly, we are seeing a very de-synchronised risk appetite in markets leading to a messy situation for risk-free rates (high in emerging markets and southern Europe, low in 'better-functioning' countries and economies).

Escalating tensions around trade made conditions progressively more uncomfortable for investors like us, who have positions in economically sensitive stocks or those with global supply chains (autos, miners and global cyclicals). Yet there was no single trigger for the market's loss of composure. Rather it seemed to be the cumulative effect of the rhetoric around tariffs, a stronger

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested to 31 August 2018. Benchmark is MSCI All Country World Index (GBP).

dollar, country-specific problems in a number of emerging markets and softer economic data, particularly in China and Europe. The 'soft patch' we identified at the start of the year is softer and bigger than we had anticipated... The rotation was most pronounced in automakers. Not only is the sector defined by the global integration of its manufacturing chain but it is, furthermore, dependent on steel, an industry upon which Trump seems fixated. Shares in one of our holdings, General Motors, fell by 12% in just two weeks.

Our holdings in US banks, meanwhile, haven't performed in quite the way we had anticipated. As expected, US Treasury yields have pushed above 3% this year – but the share-price performance of some of the big US banks hasn't followed in the way we had hoped. This has especially been true for systemically important lenders such as Citigroup. We still think valuations in this sector are attractive; the yields are supportive and dividend growth is impressive for the next few years. But that these large banks seem unlikely to be re-priced by the market any time soon has tempered our enthusiasm. Where we have seen better performance has been among our regional lenders, such as Zions Bancorporation and Comerica. As the regulatory rollback moves to embrace the larger banks, it is not inconceivable that the market turns its attention to the larger, cheaper banks. So, although we are not increasing our holdings, we retain our exposure to Citigroup and Bank of America.

The largest negative, however, was memory producer Western Digital. Its earnings rose 8% year-on-year and it announced a \$5 billion share buyback programme. Its cashflows are robust and it generates a healthy 3% yield. This, however, fell short of the market's expectations and its shares were punished. We retain our holding. The market remains unimpressed by the earnings Western Digital is making today, seemingly in the belief that oversupply or a cyclical downturn at some point in the future will destroy its pricing power. Our belief, however,

is rather different: that the demand for memory products in general is simply too strong for the market's doomsday scenario on pricing to materialise. Every smartphone, every internet-connected device, every autonomous vehicle is fuelling demand for memory – and we think this process will transcend the business cycle. We appreciate that demand drives supply and that price deflation is a risk. At this point, however, the valuation more than reflects this.

Although the fund lagged the benchmark, the last six months did bring a number of positives on a stock level. Although we are underweight in emerging markets (and in China), our Chinese cement stocks (Anhui Conch Cement and Chinese Resources Cement) contributed positively to returns. Two factors are at work here. First, to reduce pollution, the Chinese government is favouring large regional producers and removing capacity by closing more polluting, second-tier, less efficient operators. Clearly, this is helpful for pricing. For us, investing in Chinese cement stocks is chiefly about these supply-side and environmental reforms driving up prices and increasing profitability among the respected, cleaner players (the stocks we hold). Profits have increased significantly despite low (or no) volume growth. Second, these names have benefited from not getting caught up in fears of a trade war. Cement's bulk and weight means it is not worth shipping around the world – regional players dominate local markets. So although trade wars might cool the Chinese economy, they would hit cement makers relatively less than manufacturers focused on exports.

US railway group Norfolk Southern, meanwhile, rose by 33% in US dollar terms. Strong growth in the US economy has revealed capacity constraints in the US transportation sector, driving up shipping fees. Its earnings increased 46% year on year, helped both by stronger income and lower taxes.

Among our less cyclical holdings, we enjoyed excellent returns from long-

standing holdings in three Italian telco and broadcast towers companies: Infrastrutture Wireless Italiane ('INWIT'), Rai Way and EI Towers, whose masts transmit TV and mobile-phone signals. These are classic infrastructure stocks with 15-year-plus contracts linked to inflation, predictable, growing dividends, and rather ungeared balance sheets. In part, their strength this year stemmed from a bid for EI Towers, in which we are the second-largest shareholder. Its largest shareholder, Mediaset, has joined forces with F2i, an infrastructure fund part-owned by the Italian government, to launch a takeover bid. The bid for EI Towers not only highlighted the value of the assets in this sector (we believe these stocks have been undervalued for years) but also fuelled speculation that the long-awaited consolidation of this industry had taken a step closer. In the medium term, we could see Rai Way and EI merge, while INWIT merges or consolidates with one (or perhaps two) pan-European tower companies. Until this happens, we can continue to collect 3-4% dividend yields (growing 5-10% a year). Although political turmoil in Italy affected these companies, the fact that share prices were largely unmoved despite a populist victory in the recent elections illustrates the defensive nature of these assets.

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## Activity – Fewer cyclical, more 'special situations' ...

Since mid-2016, our broad thesis has been that the US economy would continue to grow, that inflation would start to come through and that 10-year US Treasury yields were more likely to hit 3% than fall to 1%. That thesis – and the positioning that followed from it – has largely been proven correct. Yet we are wary of complacency. With the US still setting new all-time highs – but with many other equity markets down markedly from their highs – we have to admit the global environment is not easy to navigate. We think valuations in emerging markets are rather interesting but for

## Artemis Global Equity Income Fund – Investment review (continued)

now we remain on the sidelines: the economic environment could still get worse. On the other hand, we are still underweight in the US but less so than we have been for a number of years.

Being pro-cyclical in an environment where growth is potentially threatened by a trade war, a tightening in financial conditions and a peaking global economy, is painful for us. So it seems prudent to be less exposed to the most economically sensitive areas than we were at the start of the year. We have, for instance, reduced our exposure to financials, particularly in Europe, where the European Central Bank ('ECB') seems increasingly dovish. Despite very modest valuations in European banks we appreciate that without higher rates and the existence of a credit cycle, many of these banks don't really have a healthy business model. If global growth is cooling, the opportunity for the ECB to tighten policy is probably dwindling. We have also lowered the portfolio's exposure to banks in the US (from a peak of around 12% to around 8% today) and recycled some of the capital into energy and energy-related stocks – such as Subsea 7 – where we have been overweight for a year now.

Additions to the fund included Japanese refiner Idemitsu Kosan. Formerly controlled by the Idemitsu family and its employees, it was only listed in 2006 and its former owners have hitherto been reluctant to relinquish control. Not only does a long-rumoured tie-up with Showa Shell mark progress for the company, it also represents another step towards consolidating the once-fragmented refining industry in the world's third-largest oil user. One can credibly expect margins to expand in Japanese refineries and we think the stock deserves to be re-rated from here.

Another purchase in Japan was Tokai Carbon, which specialises in industrial carbons, manufacturing and selling graphite electrodes to the steel industry, carbon black to tyre manufacturers, fine carbon

to makers of semiconductors and solar panels, brake pads for use in heavy machinery and linings for industrial ovens. This is a classic Japanese industrial company and extremely good at what it does. Our investment thesis is both top-down (positive industry trends) as well as stock-specific (self-help is underpinning free cashflow generation and a growing dividend). The recent strength in profitability has been driven by an increased demand for ultra-high-power graphite electrodes as China has begun to shift steel producers away from environmentally damaging induction furnaces. Tokai has also benefited from an aggressive restructuring that began in 2016 shortly after President and CEO Nagasaka-san took the helm. Although he had been with the company for nearly half of its 100-year history, he has made profound changes to both its cost structure and its culture. Tokai has already been a strong performer for the fund and it is now among our largest holdings.

### Outlook – 'As good as it gets'?

The US economy grew at a 4.1% rate in the second quarter, its best performance since 2014. US companies, meanwhile, reported their biggest jump in quarterly earnings since the financial crisis (an increase of more than 23% in the second quarter). This acceleration in both economic growth and earnings is, to some extent, being driven by tax reform in the US (the fourth-largest tax cut in the nation's history and the largest since the Reagan tax cuts of the early 1980s), the effects of which are only just kicking in.

But if the immediate past, as seen through the rear-view mirror of earnings reports and historic economic data, has been better than expected, this very strength feeds a recurrent worry: is this 'as good as it gets'? Some monetary indicators (the flattening of the US yield curve or a slowdown in the US money supply, for instance) are indicating that higher

rates and the unwinding of quantitative easing will ultimately result in growth cooling. And while it might be a case of 'this time is different', remember that economic growth in the US was fantastic in the quarters leading up to the 2000 sell-off, which was more about markets and valuations and less about the economy.

Growth in Europe is clearly weakening. And localised problems continue to emerge in a number of emerging markets, with flashpoints in Argentina, Brazil, Turkey and Indonesia. Although there is no systemic crisis, there is clearly an interaction between local political and economic dynamics and the stronger dollar (which both increases borrowing costs and pushes energy prices higher for developed markets). The dollar and interest rates are being driven higher. This could have negative impacts on financial systems and economies in emerging markets, where consumer borrowing is running at worryingly high levels.

As for US threats to impose further tariffs, we are aware that they are primarily designed to shore up support among the Republican Party's base ahead of mid-term elections in November. That said, too harsh rhetoric can in itself lead to market selloffs and slower growth in the economy (if companies stop investing due to uncertainty). We would not be surprised if there is a return to rationality at some point and perhaps even a market driven more by fundamentals and less by the White House.

All of the issues that will define the future of the global economy and corporate earnings remain finely balanced. Will the Fed continue to tighten? Can China pull itself out of its recent slowdown? Will an outright trade war erupt? Economic data is strong in the US but asset prices aren't strong everywhere, especially in emerging markets (collapsing exchange rates and bear markets in a number of large developing economies). We are seeing a divergence between the US and the rest of the world.

One result of this uncertainty is the lack of any clear style trends. The question of 'growth' versus 'value' is no longer clear-cut. This increased uncertainty means we have, at the margin, taken some risk out of the portfolio. The portfolio trades at a 20-25% discount to the wider market while yielding a percentage point more (and with a dividend cover and expected earnings growth in line with that of the market). These are reassuring metrics. More importantly, we are focusing on stock-specifics, increasingly tilting the portfolio towards 'special situations' stocks with growing cash returns to their shareholders with somewhat less focus on the macroeconomic side of things.

**Jacob de Tusch-Lec**  
**Fund manager**

## Artemis Global Equity Income Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases       | Cost<br>£'000 | Sales           | Proceeds<br>£'000 |
|-----------------|---------------|-----------------|-------------------|
| Bayer           | 2,061         | Storebrand      | 2,193             |
| GEO Group, REIT | 1,877         | Itochu          | 2,151             |
| Imperial Brands | 1,808         | Bank of America | 2,097             |
| Subsea 7        | 1,761         | Banco do Brasil | 1,989             |
| General Motors  | 1,756         | Natixis         | 1,891             |

### Portfolio statement as at 31 August 2018

| Investment                                     | Holding   | Valuation<br>£'000 | % of net<br>assets |
|------------------------------------------------|-----------|--------------------|--------------------|
| <b>Equities 99.22% (99.87%)</b>                |           |                    |                    |
| <b>Australia 0.12% (0.84%)</b>                 |           |                    |                    |
| Fortescue Metals Group                         | 87,438    | 187                | 0.12               |
|                                                |           | <b>187</b>         | <b>0.12</b>        |
| <b>Brazil 0.72% (1.63%)</b>                    |           |                    |                    |
| Banco do Brasil                                | 197,719   | 1,096              | 0.72               |
|                                                |           | <b>1,096</b>       | <b>0.72</b>        |
| <b>Canada 0.00% (0.43%)</b>                    |           |                    |                    |
| <b>China 5.81% (3.69%)</b>                     |           |                    |                    |
| Anhui Conch Cement H shares                    | 731,500   | 3,415              | 2.24               |
| Beijing Capital International Airport H shares | 611,819   | 501                | 0.33               |
| China Conch Venture Holdings                   | 565,132   | 1,492              | 0.98               |
| China Resources Cement Holdings                | 2,530,000 | 2,268              | 1.49               |
| Ping An Insurance Group Co. of China H shares  | 160,000   | 1,184              | 0.77               |
|                                                |           | <b>8,860</b>       | <b>5.81</b>        |
| <b>Czech Republic 1.12% (1.11%)</b>            |           |                    |                    |
| Moneta Money Bank                              | 623,999   | 1,703              | 1.12               |
|                                                |           | <b>1,703</b>       | <b>1.12</b>        |
| <b>Denmark 2.77% (2.60%)</b>                   |           |                    |                    |
| AP Moller - Maersk B shares                    | 1,181     | 1,424              | 0.93               |
| Danske Bank                                    | 109,544   | 2,512              | 1.65               |
| DFDS                                           | 7,251     | 297                | 0.19               |
|                                                |           | <b>4,233</b>       | <b>2.77</b>        |
| <b>France 0.87% (3.34%)</b>                    |           |                    |                    |
| Amundi                                         | 12,368    | 685                | 0.45               |
| Total                                          | 13,298    | 646                | 0.42               |
|                                                |           | <b>1,331</b>       | <b>0.87</b>        |
| <b>Georgia 0.00% (0.28%)</b>                   |           |                    |                    |
| <b>Germany 2.58% (4.32%)</b>                   |           |                    |                    |
| 1&1 Drillisch                                  | 6,213     | 245                | 0.16               |
| Bayer                                          | 21,664    | 1,581              | 1.04               |
| Rheinmetall                                    | 17,999    | 1,514              | 0.99               |
| Volkswagen Preference shares                   | 4,665     | 590                | 0.39               |
|                                                |           | <b>3,930</b>       | <b>2.58</b>        |
| <b>Ghana 0.17% (0.00%)</b>                     |           |                    |                    |
| Tullow Oil                                     | 115,576   | 267                | 0.17               |
|                                                |           | <b>267</b>         | <b>0.17</b>        |



| Investment                                  | Holding   | Valuation<br>£'000 | % of net<br>assets |
|---------------------------------------------|-----------|--------------------|--------------------|
| <b>India 0.00% (0.45%)</b>                  |           |                    |                    |
| <b>Israel 7.54% (6.06%)</b>                 |           |                    |                    |
| Bank Hapoalim                               | 351,440   | 2,024              | 1.33               |
| Bank Leumi Le-Israel                        | 602,940   | 3,117              | 2.04               |
| Bezeq The Israeli Telecommunication Company | 3,363,681 | 3,088              | 2.02               |
| Israel Chemicals                            | 150,902   | 679                | 0.45               |
| Mizrahi Tefahot Bank                        | 59,339    | 825                | 0.54               |
| Shikun & Binui                              | 1,094,016 | 1,768              | 1.16               |
|                                             |           | <b>11,501</b>      | <b>7.54</b>        |
| <b>Italy 10.35% (8.73%)</b>                 |           |                    |                    |
| Atlantia                                    | 35,173    | 573                | 0.38               |
| EI Towers                                   | 96,003    | 4,883              | 3.20               |
| Infrastrutture Wireless Italiane            | 780,516   | 4,625              | 3.03               |
| Intesa Sanpaolo                             | 197,774   | 381                | 0.25               |
| Leonardo                                    | 124,055   | 1,077              | 0.71               |
| Rai Way                                     | 818,982   | 3,391              | 2.22               |
| Telecom Italia                              | 1,977,973 | 853                | 0.56               |
|                                             |           | <b>15,783</b>      | <b>10.35</b>       |
| <b>Japan 5.52% (7.35%)</b>                  |           |                    |                    |
| Idemitsu Kosan                              | 67,500    | 2,624              | 1.72               |
| Mitsubishi UFJ Financial Group              | 16,300    | 76                 | 0.05               |
| Tokai Carbon                                | 414,900   | 5,715              | 3.75               |
|                                             |           | <b>8,415</b>       | <b>5.52</b>        |
| <b>Luxembourg 1.37% (1.90%)</b>             |           |                    |                    |
| Tenaris                                     | 163,310   | 2,096              | 1.37               |
|                                             |           | <b>2,096</b>       | <b>1.37</b>        |
| <b>New Zealand 0.29% (0.26%)</b>            |           |                    |                    |
| Metlifecare                                 | 136,609   | 441                | 0.29               |
|                                             |           | <b>441</b>         | <b>0.29</b>        |
| <b>Norway 5.55% (5.77%)</b>                 |           |                    |                    |
| Aker BP                                     | 12,352    | 339                | 0.22               |
| Borr Drilling                               | 892,560   | 2,866              | 1.88               |
| Ocean Yield                                 | 107,241   | 634                | 0.41               |
| Storebrand                                  | 443,723   | 3,051              | 2.00               |
| Yara International                          | 44,139    | 1,580              | 1.04               |
|                                             |           | <b>8,470</b>       | <b>5.55</b>        |
| <b>Poland 0.12% (0.00%)</b>                 |           |                    |                    |
| Polski Koncern Naftowy ORLEN                | 8,687     | 178                | 0.12               |
|                                             |           | <b>178</b>         | <b>0.12</b>        |
| <b>Portugal 0.76% (0.51%)</b>               |           |                    |                    |
| Galp Energia                                | 74,504    | 1,163              | 0.76               |
|                                             |           | <b>1,163</b>       | <b>0.76</b>        |
| <b>Russia 0.37% (1.60%)</b>                 |           |                    |                    |
| Sberbank of Russia Preference shares        | 156,039   | 280                | 0.18               |
| Sberbank of Russia, ADR                     | 35,179    | 291                | 0.19               |
|                                             |           | <b>571</b>         | <b>0.37</b>        |

## Artemis Global Equity Income Fund – Investment information (continued)

| Investment                                      | Holding | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|---------|--------------------|--------------------|
| <b>South Africa 0.62% (0.05%)</b>               |         |                    |                    |
| Anglo American                                  | 60,858  | 952                | 0.62               |
|                                                 |         | <b>952</b>         | <b>0.62</b>        |
| <b>South Korea 2.41% (2.00%)</b>                |         |                    |                    |
| POSCO Chemtech                                  | 88,421  | 3,677              | 2.41               |
|                                                 |         | <b>3,677</b>       | <b>2.41</b>        |
| <b>Spain 2.21% (1.79%)</b>                      |         |                    |                    |
| Euskaltel                                       | 199,818 | 1,325              | 0.87               |
| Parques Reunidos Servicios Centrales            | 123,049 | 1,331              | 0.87               |
| Repsol                                          | 48,168  | 715                | 0.47               |
|                                                 |         | <b>3,371</b>       | <b>2.21</b>        |
| <b>Sweden 2.02% (1.49%)</b>                     |         |                    |                    |
| Nordea Bank                                     | 295,144 | 2,467              | 1.62               |
| Skandinaviska Enskilda Banken A shares          | 73,676  | 611                | 0.40               |
|                                                 |         | <b>3,078</b>       | <b>2.02</b>        |
| <b>Switzerland 0.41% (1.31%)</b>                |         |                    |                    |
| Glencore                                        | 194,474 | 621                | 0.41               |
|                                                 |         | <b>621</b>         | <b>0.41</b>        |
| <b>Taiwan 1.16% (0.65%)</b>                     |         |                    |                    |
| Micro-Star International                        | 433,941 | 1,150              | 0.76               |
| Nanya Technology                                | 352,104 | 613                | 0.40               |
|                                                 |         | <b>1,763</b>       | <b>1.16</b>        |
| <b>United Arab Emirates 0.22% (0.19%)</b>       |         |                    |                    |
| Abu Dhabi National Oil Co. for Distribution     | 681,832 | 344                | 0.22               |
|                                                 |         | <b>344</b>         | <b>0.22</b>        |
| <b>United Kingdom 3.06% (4.38%)</b>             |         |                    |                    |
| 3i Group                                        | 24,969  | 226                | 0.15               |
| CNH Industrial                                  | 157,556 | 1,468              | 0.96               |
| Imperial Brands                                 | 52,488  | 1,450              | 0.95               |
| Subsea 7                                        | 145,550 | 1,531              | 1.00               |
|                                                 |         | <b>4,675</b>       | <b>3.06</b>        |
| <b>United States of America 41.08% (37.14%)</b> |         |                    |                    |
| AbbVie                                          | 44,088  | 3,281              | 2.15               |
| AGNC Investment, REIT                           | 22,756  | 335                | 0.22               |
| Annaly Capital Management, REIT                 | 27,455  | 225                | 0.15               |
| Apple                                           | 4,522   | 783                | 0.51               |
| Bank of America                                 | 81,893  | 1,951              | 1.28               |
| Best Buy                                        | 54,153  | 3,248              | 2.13               |
| Blackstone Group MLP                            | 94,877  | 2,691              | 1.76               |
| Broadcom                                        | 5,942   | 990                | 0.65               |
| Carlyle Group MLP                               | 110,048 | 1,967              | 1.29               |
| Citigroup                                       | 90,986  | 5,000              | 3.28               |
| Comerica                                        | 28,668  | 2,132              | 1.40               |
| General Motors                                  | 133,067 | 3,720              | 2.44               |
| GEO Group, REIT                                 | 105,700 | 2,068              | 1.36               |
| GrafTech International                          | 35,720  | 500                | 0.33               |
| Hess                                            | 39,954  | 2,094              | 1.37               |

| Investment                                        | Holding | Valuation<br>£'000 | % of net<br>assets |
|---------------------------------------------------|---------|--------------------|--------------------|
| Huntington Ingalls Industries                     | 9,674   | 1,793              | 1.18               |
| Intel                                             | 33,051  | 1,226              | 0.80               |
| JPMorgan Chase                                    | 1,038   | 92                 | 0.06               |
| Juniper Networks                                  | 42,595  | 939                | 0.62               |
| KKR                                               | 135,036 | 2,706              | 1.77               |
| Las Vegas Sands                                   | 10,039  | 507                | 0.33               |
| MetLife                                           | 21,582  | 766                | 0.50               |
| Micron Technology                                 | 75,478  | 3,062              | 2.01               |
| Norfolk Southern                                  | 18,920  | 2,534              | 1.66               |
| Occidental Petroleum                              | 3,441   | 212                | 0.14               |
| PACCAR                                            | 9,286   | 485                | 0.32               |
| Reliance Steel & Aluminum                         | 26,566  | 1,791              | 1.17               |
| Schlumberger                                      | 29,269  | 1,448              | 0.95               |
| Seagate Technology                                | 7,306   | 299                | 0.20               |
| Six Flags Entertainment                           | 14,708  | 738                | 0.48               |
| Synchrony Financial                               | 94,701  | 2,302              | 1.51               |
| Targa Resources                                   | 42,116  | 1,791              | 1.17               |
| Verizon Communications                            | 7,329   | 308                | 0.20               |
| Wells Fargo                                       | 38,047  | 1,710              | 1.12               |
| Western Digital                                   | 65,214  | 3,173              | 2.08               |
| Zions Bancorporation                              | 92,787  | 3,794              | 2.49               |
|                                                   |         | <b>62,661</b>      | <b>41.08</b>       |
| <b>Equities total</b>                             |         | <b>151,367</b>     | <b>99.22</b>       |
| <b>Forward currency contracts 0.07% ((0.52)%)</b> |         |                    |                    |
| Buy US Dollar 22,846,132 dated 10/09/2018         |         | 17,564             | 11.51              |
| Sell Euro 19,457,000 dated 10/09/2018             |         | (17,459)           | (11.44)            |
| <b>Forward currency contracts total</b>           |         | <b>105</b>         | <b>0.07</b>        |
| <b>Investment assets</b>                          |         | <b>151,472</b>     | <b>99.29</b>       |
| <b>Net other assets</b>                           |         | <b>1,078</b>       | <b>0.71</b>        |
| <b>Net assets attributable to shareholders</b>    |         | <b>152,550</b>     | <b>100.00</b>      |

The comparative percentage figures in brackets are as at 28 February 2018.



## Artemis Global Equity Income Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |              | 31 August 2017 |              |
|------------------------------------------------------------------------------|----------------|--------------|----------------|--------------|
|                                                                              | £'000          | £'000        | £'000          | £'000        |
| <b>Income</b>                                                                |                |              |                |              |
| Net capital gains                                                            |                | 5,689        |                | 1,501        |
| Revenue                                                                      | 3,446          |              | 3,685          |              |
| Expenses                                                                     | (661)          |              | (608)          |              |
| Interest payable and similar charges                                         | (12)           |              | (19)           |              |
| Net revenue before taxation                                                  | 2,773          |              | 3,058          |              |
| Taxation                                                                     | (268)          |              | (233)          |              |
| Net revenue after taxation                                                   |                | 2,505        |                | 2,825        |
| <b>Total return before distributions</b>                                     |                | <b>8,194</b> |                | <b>4,326</b> |
| Distributions                                                                |                | (2,627)      |                | (2,924)      |
| Change in net assets attributable to shareholders from investment activities |                | 5,567        |                | 1,402        |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |         | 31 August 2017 |         |
|------------------------------------------------------------------------------|----------------|---------|----------------|---------|
|                                                                              | £'000          | £'000   | £'000          | £'000   |
| Opening net assets attributable to shareholders                              |                | 143,275 |                | 126,295 |
| Amounts receivable on issue of shares                                        | 35,833         |         | 16,939         |         |
| Amounts payable on cancellation of shares                                    | (34,097)       |         | (11,026)       |         |
|                                                                              |                | 1,736   |                | 5,913   |
| Dilution adjustment                                                          |                | 17      |                | -       |
| Change in net assets attributable to shareholders from investment activities |                | 5,567   |                | 1,402   |
| Retained distributions on accumulation shares                                |                | 1,955   |                | 2,295   |
| Closing net assets attributable to shareholders                              |                | 152,550 |                | 135,905 |

### Balance sheet as at 31 August 2018

|                                         | 31 August 2018 | 28 February 2018 |
|-----------------------------------------|----------------|------------------|
|                                         | £'000          | £'000            |
| <b>Assets</b>                           |                |                  |
| <b>Fixed assets</b>                     |                |                  |
| Investments                             | 151,472        | 143,097          |
| <b>Current assets</b>                   |                |                  |
| Debtors                                 | 18,054         | 878              |
| Cash and bank balances                  | 124            | 782              |
| <b>Total current assets</b>             | <b>18,178</b>  | <b>1,660</b>     |
| <b>Total assets</b>                     | <b>169,650</b> | <b>144,757</b>   |
| <b>Liabilities</b>                      |                |                  |
| Investment liabilities                  | -              | 749              |
| <b>Creditors</b>                        |                |                  |
| Bank overdraft                          | 203            | -                |
| Distribution payable                    | 703            | 233              |
| Other creditors                         | 16,194         | 500              |
| <b>Total creditors</b>                  | <b>17,100</b>  | <b>733</b>       |
| <b>Total liabilities</b>                | <b>17,100</b>  | <b>1,482</b>     |
| Net assets attributable to shareholders | 152,550        | 143,275          |

## Artemis Global Equity Income Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                    | Net asset value per share |                | Movement |
|--------------------|---------------------------|----------------|----------|
|                    | 25 October 2018           | 31 August 2018 |          |
| I distribution EUR | 89.81c                    | 99.03c         | -9.3%    |
| I accumulation EUR | 99.59c                    | 109.81c        | -9.3%    |
| I distribution GBP | 109.31p                   | 122.27p        | -10.6%   |
| I accumulation GBP | 121.03p                   | 135.38p        | -10.6%   |
| I distribution USD | 92.26c                    | 104.07c        | -11.3%   |
| I accumulation USD | 102.13c                   | 115.19c        | -11.3%   |
| R accumulation EUR | 99.59c                    | 109.93c        | -9.4%    |
| R accumulation USD | 103.65c                   | 117.03c        | -11.4%   |

## Artemis Global Equity Income Fund – Distribution table

**Interim dividend distribution for the six months ended 31 August 2018 (payable on 31 October 2018) per share.**

Group 1 - Shares purchased prior to 1 March 2018.

Group 2 - Shares purchased from 1 March 2018 to 31 August 2018.

|                           | Net revenue | Equalisation | Distribution per share<br>31 October 2018 | Distribution per share<br>31 October 2017 |
|---------------------------|-------------|--------------|-------------------------------------------|-------------------------------------------|
| <b>I distribution EUR</b> |             |              |                                           |                                           |
| Group 1                   | 2.0080      | -            | 2.0080                                    | 2.2841c                                   |
| Group 2                   | 0.5356      | 1.4724       | 2.0080                                    | 2.2841c                                   |
| <b>I accumulation EUR</b> |             |              |                                           |                                           |
| Group 1                   | 1.8338      | -            | 1.8338                                    | 2.0845c                                   |
| Group 2                   | 1.2146      | 0.6192       | 1.8338                                    | 2.0845c                                   |
| <b>I distribution GBP</b> |             |              |                                           |                                           |
| Group 1                   | 2.4793      | -            | 2.4793                                    | 2.8943p                                   |
| Group 2                   | 1.2642      | 1.2151       | 2.4793                                    | 2.8943p                                   |
| <b>I accumulation GBP</b> |             |              |                                           |                                           |
| Group 1                   | 2.2613      | -            | 2.2613                                    | 2.6353p                                   |
| Group 2                   | 0.4119      | 1.8494       | 2.2613                                    | 2.6353p                                   |
| <b>I distribution USD</b> |             |              |                                           |                                           |
| Group 1                   | 2.1101      | -            | 2.1101                                    | 2.4394c                                   |
| Group 2                   | 1.2296      | 0.8805       | 2.1101                                    | 2.4394c                                   |
| <b>I accumulation USD</b> |             |              |                                           |                                           |
| Group 1                   | 1.9193      | -            | 1.9193                                    | 2.2233c                                   |
| Group 2                   | 0.5364      | 1.3829       | 1.9193                                    | 2.2233c                                   |
| <b>R accumulation EUR</b> |             |              |                                           |                                           |
| Group 1                   | 1.4515      | -            | 1.4515                                    | 1.7463c                                   |
| Group 2                   | 0.5398      | 0.9117       | 1.4515                                    | 1.7463c                                   |
| <b>R accumulation USD</b> |             |              |                                           |                                           |
| Group 1                   | 1.5397      | -            | 1.5397                                    | 1.8834c                                   |
| Group 2                   | 0.9505      | 0.5892       | 1.5397                                    | 1.8834c                                   |

Corporate shareholders should note that:

1. 100.00% of the revenue distribution 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 shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## Artemis Global Equity Income Fund – Comparative tables

### Fund sizes & net asset values

| Date                    | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|-------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b> | 97,820,722                      |                           |                 |
| I distribution EUR      |                                 | 84.22c                    | 3,268,945       |
| I accumulation EUR      |                                 | 85.68c                    | 63,290,299      |
| I distribution GBP      |                                 | 90.90p                    | 1,129,808       |
| I accumulation GBP      |                                 | 92.52p                    | 31,129,173      |
| I distribution USD      |                                 | 82.41c                    | 998,025         |
| I accumulation USD      |                                 | 83.86c                    | 36,790,612      |
| R accumulation EUR      |                                 | 87.38c                    | 279,000         |
| R accumulation USD      |                                 | 86.80c                    | 262,438         |
| <b>28 February 2017</b> | 126,294,830                     |                           |                 |
| I distribution EUR      |                                 | 97.81c                    | 511,931         |
| I accumulation EUR      |                                 | 102.83c                   | 56,126,664      |
| I distribution GBP      |                                 | 114.70p                   | 21,089,688      |
| I accumulation GBP      |                                 | 120.42p                   | 27,086,443      |
| I distribution USD      |                                 | 93.40c                    | 836,725         |
| I accumulation USD      |                                 | 98.03c                    | 19,438,800      |
| R accumulation EUR      |                                 | 104.10c                   | 3,015,988       |
| R accumulation USD      |                                 | 100.72c                   | 1,555,882       |
| <b>28 February 2018</b> | 143,275,268                     |                           |                 |
| I distribution EUR      |                                 | 97.10c                    | 1,802,869       |
| I accumulation EUR      |                                 | 105.48c                   | 60,685,824      |
| I distribution GBP      |                                 | 117.93p                   | 23,334,298      |
| I accumulation GBP      |                                 | 127.92p                   | 21,525,720      |
| I distribution USD      |                                 | 106.86c                   | 1,283,584       |
| I accumulation USD      |                                 | 115.87c                   | 30,250,874      |
| R accumulation EUR      |                                 | 105.99c                   | 2,712,979       |
| R accumulation USD      |                                 | 118.17c                   | 1,575,044       |
| <b>31 August 2018</b>   | 152,549,989                     |                           |                 |
| I distribution EUR      |                                 | 99.03c                    | 1,718,741       |
| I accumulation EUR      |                                 | 109.81c                   | 51,403,670      |
| I distribution GBP      |                                 | 122.27p                   | 26,162,162      |
| I accumulation GBP      |                                 | 135.38p                   | 39,781,235      |
| I distribution USD      |                                 | 104.07c                   | 1,435,890       |
| I accumulation USD      |                                 | 115.19c                   | 10,716,607      |
| R accumulation EUR      |                                 | 109.93c                   | 2,818,304       |
| R accumulation USD      |                                 | 117.03c                   | 1,241,690       |

### Ongoing charges

| Class              | 31 August 2018 |
|--------------------|----------------|
| I distribution EUR | 0.92%          |
| I accumulation EUR | 0.92%          |
| I distribution GBP | 0.92%          |
| I accumulation GBP | 0.92%          |
| I distribution USD | 0.92%          |
| I accumulation USD | 0.92%          |
| R accumulation EUR | 1.67%          |
| R accumulation USD | 1.67%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of the fund for the preceding 12 months.

### Fund performance

|                                   | Since launch* | 3 years | 1 year | 6 months |
|-----------------------------------|---------------|---------|--------|----------|
| Artemis Global Equity Income Fund | 35.5          | 50.1    | 8.8    | 5.8      |
| MSCI All Country World Index      | 50.7          | 65.6    | 10.5   | 8.3      |
| Sector Average                    | 37.4          | 49.2    | 5.8    | 6.0      |
| Position in sector                | 24/36         | 21/37   | 10/46  | 28/47    |
| Quartile                          | 3             | 3       | 1      | 3        |

\* Data from 3 June 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Equity Income. Performance details for each share class is shown on page 88.

## Artemis Pan-European Absolute Return Fund

### Investment objective and policy

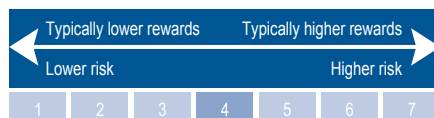
The objective of the Artemis Pan-European Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in Europe and in companies which are headquartered or have a significant part of their activities in Europe which are quoted on a regulated market outside Europe.

There is no guarantee that the sub-fund will achieve a positive return over the longer term or any other time period and your capital is at risk.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time. When market conditions are less favourable, a higher proportion of the sub-fund may be invested in cash and near cash.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risks of 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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

## Artemis Pan-European Absolute Return Fund – Investment review

- The fund fell by 1.0%\* (in sterling terms).
- Banks and consumer discretionary stocks hold back returns.
- We expect 'value' stocks to outperform.

### Performance – What changed in March ...

Against the backdrop of a market characterised by higher levels of volatility than we have seen in recent years, the fund's net asset value (NAV) fell by 1.0%\* during the six months to 31 August 2018. March was easily the worst month for performance: the NAV fell just over 3%. The remaining five months were positive, producing a return of just over 2%.

When we comment on performance, we do not usually pick apart reporting periods in this way. But in this case we think it is relevant. Since 2009, an historically unusual combination of low inflation, low interest rates, unprecedented easing monetary policy by central banks and moderate levels of economic growth underpinned a bull market in almost every asset class, often summed up by the word 'Goldilocks' (when growth is neither too hot nor too cold but 'just right' for asset prices). The events of February and March may prove to have been the point at which that began to change.

### Review – Adapting to new challenges ...

Stock markets have had a lot to contend with over the last six months. If investors were polled on what they thought were the key risks, they would mention: President Trump, trade wars, Iran, emerging markets, Brexit and Italian politics. All of these are relevant and have an impact on the markets. But none is as powerful as what is going on with the single most important input in the financial world – the cost of money. This is

the underlying factor linking many seemingly unrelated events of recent times and will continue to do so for the foreseeable future.

Beginning with the US Federal Reserve, interest rates are rising again after a decade of being close to zero. In addition the process of moving away from quantitative easing and towards quantitative tightening has begun. This means that the cost of money is rising. The Bank of England is beginning to follow and the ECB will not be much further behind. Since the onset of the global financial crisis, Europe has followed where the US has led. Sometimes reluctantly and always belatedly but follow they do. So this is a key assumption we make in looking at the world in which we must make decisions for the fund and our investors. The change of direction is clear: all that remains to be seen is the speed of travel.

In the portfolio this has meant a continued focus on what is driving the rotation between sectors. The long book contributed positively to the fund's NAV during the last six months while the short book detracted. This may seem inevitable during a time in which European equity markets made modest gains. But it only tells a very small part of the story. Indeed, the fund's exposure to different sectors and factors (such as 'value' and 'growth') has been much more important in dictating where returns have come from.

The fund's worst performing holdings were in the banking and consumer discretionary sectors. Having maintained our exposure to banks on the prospect of higher interest rates and a better environment for lending, we had begun to take profits as their valuations recovered to more normal levels. During this process, however, weakness in certain emerging markets and the contagion from Italian political problems began to hurt the banks. It is hard to know which had the most negative effect but in the case of Italy it certainly bore all the hallmarks of reactions to past eurozone crises.

Yields on Italian government bonds spiked higher, dragging Italian and non-Italian banks' share prices down sharply. Our short positions in the sector only mitigated the pain to a small extent. We are not convinced that confidence here can be restored quickly.

Italy is an interesting case study in the rise of 'populist' political parties. We would rather describe this as 'democracy'. That democratically elected leaders may not entirely be to Brussels' taste does not make them any less legitimate. For this reason we do not believe the trend will end soon. The problem is that many voters have seen owners of capital do very well since the global financial crisis while suppliers of labour have not. As part of an attempt to redress the balance, we should expect higher wages. Many companies are not prepared for this and many equity analysts have little experience of inflationary labour markets. For us, this means searching for businesses with low margins, weak pricing power, too much debt and lots of employees. As wages rise, this will have a nasty impact on profits. We will seek to exploit this in the short book.

Other losers over the last six months included Ryanair Holdings, Mediaset Espana Comunicacion and Vodafone Group. Ryanair's problem is company-specific. It is going through the process of recognising worker unions and all that entails. The market is wary but we are confident the company will manage to do this in a way that will not harm future growth prospects. Mediaset España and Vodafone are suffering from the popular belief that old media and telecoms will be destroyed by new internet giants. But as regulation begins to catch up with the new entrants, the established companies look increasingly attractive on any metric which does not assume an imminent collapse in their profitability.

Energy was by far the biggest contributor to performance. Some 28% of the fund's NAV being allocated to various areas of the energy sector,

\* Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid basis, in sterling with dividends reinvested to 31 August 2018. Benchmark is LIBOR GBP 3 months.



## Artemis Pan-European Absolute Return Fund – Investment review (continued)

the rise in the oil price, touching \$80 per barrel, helped. As crude oil prices have journeyed up from \$27 per barrel (where we began building our holdings in the sector) we have heard various assertions about why the price could not go any higher: renewable energy; electric vehicles; US shale; Opec's loss of control of the market; the imposition of sanctions on Iran having a 'temporary' effect. All these assertions have been wrong. That is not to say we are guaranteed higher oil prices forever. What it does say is that this oil cycle is like every other we have seen in the last 20 years. Each time the recovery comes for precisely the same reason: during the downturn, oil companies do not invest enough in finding and exploiting new reserves. So while we are no more expert than anyone else in divining how geopolitics will affect the oil price, we are confident that if no money has been spent replacing reserves then there will at some point be a shortage of supply. This is what the current oil price and the price of oil futures are signalling.

In the first instance, the higher oil price benefits the major oil companies. The market rewards capital discipline and with higher oil prices cashflow improves dramatically and with that comes the prospect of more secure dividends. Our holdings in Equinor and Royal Dutch Shell have both benefited from this. The final stage is the realisation that renewed vigour allows the oil companies to grow again – we are waiting for this.

For companies that provide services to the oil industry, the story is somewhat different. Here we look for new contracts being awarded and signs that the trough in profit margins has been reached. The recovery in earnings after a deep downturn can be spectacular. One by one, our holdings are being rewarded for it. Saipem, TechnipFMC and Subsea 7 all have strong order books. The first two were among the top 10 contributors to the fund and we have every expectation that Subsea 7 will follow the same path in time. Finally we have two exploration and production companies, Tullow and Premier Oil. Here, the attraction is that higher oil prices mean that cash floods

in, paying down debt and allowing all the additional value created to accrue to shareholders. If they can also achieve a modicum of new exploration success, then so much the better. In time, there is every chance that M&A activity returns but we do not build this into our investment thesis, preferring to treat it as a bonus should it happen.

Consumer stocks also did well for the fund, mostly due to the long position in Tesco. This has been a pleasant journey of recovery. The new chief executive has begun to arrest the decline in market share and margins are starting to recover. Meanwhile, some consumer staples companies (where we are short) began to pay the price for their lack of investment, which is exposing the business as problems in emerging markets affect demand.

The topic of emerging markets is an interesting one. The mid-to-late 1990s saw a series of crises in Latin America, Russia and Asia. While various factors contributed, the keys proved to be higher US interest rates and a stronger dollar. Does this sound familiar? In the end this proved to be the advanced warning for a more widespread collapse in global stock markets, culminating in the bursting of the technology bubble and the pain felt by investors worldwide until 2003. We are not expecting an exact repeat of those events. History is rarely so simple. But we are certainly vigilant to the risks and, having witnessed the events above first-hand, we are not going to be complacent about the hints that apparently far-flung events can provide. During the latter part of the period, our short positions in stocks with emerging markets exposure did well: luxury goods, selected financials and semiconductor stocks all began to show signs of buyers' fatigue.

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### Transactions – Pharmaceuticals revisited ...

There have been two main developments in the long book during the last six months. The first was to buy back into mainstream pharmaceuticals after an absence of

many years. Our difficulty here had always been that they were neither one thing nor the other, not growing fast enough to be 'growth' and not cheap enough to be 'value'. For slightly differing reasons, however, both GlaxoSmithKline and Sanofi reached the point where improving prospects for growth and modest valuations combined to make them attractive. In the case of Sanofi, we expect an additional boost from restructuring as new management arrives from Peugeot. Sanofi is the result of a couple of decades of mergers and we imagine there are a lot of costs waiting to be cut. Continuing in the more defensive theme we also added new long positions in Danone and Marine Harvest. Both have attractive niches and strong positions in their markets and should fare well in an environment of slower economic growth.

Notable sales included Tesco, Petroleum Geo-Services (PGS) and Sodexo. The first two were sold from a position of strength, having built the holdings at a time when faith in the business and potential of both was at a low ebb. To maintain our long weighting in energy the proceeds from PGS were recycled into Premier Oil. Sodexo was not quite so favourable, as it had issued a profit warning. Normally we are inclined to be patient when we think the fundamental case for investment is intact, if delayed. With Sodexo, however, it seemed more likely we had made a mistake so we sold the entire position.

As mentioned earlier we also cut our holdings in banks, a process we accelerated to reduce unwanted exposure to stress in a number of emerging markets. ING Groep, Unicredit, BBVA and Lloyds were all sold. In addition, we profited from a number of tactical short positions in banks and asset managers, all now closed. All that remains is a small net long position in the sector which we will retain until the volatility settles.

For some time, we have had modest short positions in selected technology companies. As signs emerged of



over-ordering and weakening demand in semiconductors we added to these shorts. In past cycles, semiconductors have acted as an early warning signal for the technology sector as a whole and, indeed, the wider market. We also initiated a number of short positions in luxury goods, where rising valuations have completely departed from the more normal justification of improving earnings. We closed various short positions in support services and consumer discretionary sectors, booking reasonable profits.

## Outlook – A new world of quantitative tightening ...

It is increasingly clear that the change from low interest rates and quantitative easing to rising interest rates and quantitative tightening is having an effect. So far, we have seen stress in emerging markets including Venezuela, Argentina, Brazil, Turkey and South Africa. This is a direct consequence of tighter liquidity in US dollars. As we write, European equity markets are showing a negative return over the year to date. Goldman Sachs recently noted that, in US dollar terms, 98% of the gains in European markets since March 2009 have come from price appreciation, with only 2% from better earnings. It is asking a lot for this to continue. Either earnings must improve or share prices will fall. In our opinion it is all the more relevant for crowded trades in the technology, luxury goods and industrials sectors, where share prices run well ahead of earnings. Risks are building and with them opportunities for successful shorting are becoming more plentiful.

Until recently, politics has been the dog that didn't bark. Italy is the first country in Europe in which 'populist' parties control the government. Will it be the last? Mainstream parties are losing voters in almost every country. The rise of populism means we doubt that politics will favour capital over labour in the way it has in the past. We should remember that trade wars are political too.

Liquidity is also tighter in both stock and bond markets. This is in part due to algorithmic trading and passive investment. It is also to do with regulatory intervention in investment banking, where dealers and market makers now hold a lot less inventory to smooth the trading process, especially in bonds. The paths being taken by central bankers and investors are diverging. Does anyone think a flash crash at a time of monetary tightening would be as easily absorbed as it was in a world of money printing? We don't.

Then we have Brexit. Or rather we don't. Here we repeat our comment from six months ago verbatim. "Suffice it to say that negotiating positions of both sides remain far apart, the clock is ticking and precisely nothing has been definitively agreed".

Another change is increased costs companies must bear. When interest rates rise, the cost of debt does too. Commodity prices have risen. So, at last, are wages. These challenges will require a change in behaviour from stock analysts who grown accustomed to modelling cost cuts during a long period of low inflation and high unemployment. More profit warnings, some of which will be misleadingly blamed on trade wars, look likely.

This may all sound quite negative, certainly compared with the experience of the past few years. But we would prefer to view it as realistic: the time for blindly buying markets and expecting momentum to do the work is coming to an end. We must now consider what will work in the changing environment. Rotation between sectors is important. It is already in evidence and we expect the pace of change to accelerate. Energy is a case in point. At the beginning of 2018, the sector was expected to contribute only marginally to growth in European earnings. As we approach the end of the year it is looking like the single biggest contributor – yet energy stocks remain cheap. 'Value' stocks, meanwhile, have underperformed for years and the relationship between value and growth keeps getting more extreme.

This cannot continue forever. We think the reversal may have already begun. Yet this is not a popular view, nor is it one we see widely applied across the markets. That means that although we are currently in a minority among our peers, we could be a lot less lonely a few months from now. In the meantime, we are encouraged by the simultaneous opportunities in both our long and short books. We are looking forward to the coming quarters.

**Paul Casson**  
Fund manager

## Artemis Pan-European Absolute Return Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases       | Cost<br>£'000 | Sales                           | Proceeds<br>£'000 |
|-----------------|---------------|---------------------------------|-------------------|
| Equinor         | 8,341         | ING Groep                       | 5,379             |
| Sanofi          | 5,669         | Banco Bilbao Vizcaya Argentaria | 5,192             |
| Adecco Group    | 5,582         | Rio Tinto                       | 4,977             |
| GlaxoSmithKline | 5,133         | BNP Paribas                     | 4,877             |
| GEA Group       | 3,321         | Sodexo                          | 4,841             |

### Portfolio statement as at 31 August 2018

| Investment                           | Holding   | Valuation<br>£'000 | % of net<br>assets |
|--------------------------------------|-----------|--------------------|--------------------|
| <b>Equities 76.86% (67.78%)</b>      |           |                    |                    |
| <b>Denmark 2.46% (2.43%)</b>         |           |                    |                    |
| AP Moller - Maersk B shares          | 3,921     | 4,730              | 2.46               |
| OW Bunker ^                          | 29,538    | -                  | -                  |
|                                      |           | <b>4,730</b>       | <b>2.46</b>        |
| <b>France 12.59% (11.47%)</b>        |           |                    |                    |
| Amundi                               | 97,026    | 5,376              | 2.79               |
| CGG                                  | 891,089   | 1,917              | 1.00               |
| Danone                               | 91,364    | 5,569              | 2.89               |
| Sanofi                               | 87,281    | 5,797              | 3.01               |
| Vallourec                            | 1,261,234 | 5,569              | 2.90               |
|                                      |           | <b>24,228</b>      | <b>12.59</b>       |
| <b>Germany 10.42% (8.55%)</b>        |           |                    |                    |
| Akasol                               | 42,489    | 1,962              | 1.02               |
| Bayerische Motoren Werke             | 97,665    | 7,331              | 3.81               |
| Commerzbank                          | 479,530   | 3,525              | 1.83               |
| Deutsche Telekom                     | 576,367   | 7,239              | 3.76               |
|                                      |           | <b>20,057</b>      | <b>10.42</b>       |
| <b>Ireland 3.36% (2.97%)</b>         |           |                    |                    |
| AIB Group                            | 1,133,653 | 4,916              | 2.55               |
| Cairn Homes                          | 1,086,359 | 1,554              | 0.81               |
|                                      |           | <b>6,470</b>       | <b>3.36</b>        |
| <b>Italy 3.47% (1.85%)</b>           |           |                    |                    |
| Saipem                               | 1,627,916 | 6,675              | 3.47               |
|                                      |           | <b>6,675</b>       | <b>3.47</b>        |
| <b>Netherlands 3.79% (6.39%)</b>     |           |                    |                    |
| Royal Dutch Shell B shares           | 284,213   | 7,297              | 3.79               |
|                                      |           | <b>7,297</b>       | <b>3.79</b>        |
| <b>Norway 7.92% (5.13%)</b>          |           |                    |                    |
| Borr Drilling                        | 1,551,057 | 4,980              | 2.59               |
| Equinor                              | 411,083   | 8,177              | 4.25               |
| Marine Harvest                       | 124,634   | 2,076              | 1.08               |
|                                      |           | <b>15,233</b>      | <b>7.92</b>        |
| <b>Spain 3.14% (5.03%)</b>           |           |                    |                    |
| Mediaset Espana Comunicacion         | 880,115   | 5,023              | 2.61               |
| Parques Reunidos Servicios Centrales | 94,778    | 1,025              | 0.53               |
|                                      |           | <b>6,048</b>       | <b>3.14</b>        |

| Investment                                      | Holding   | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|-----------|----------------------------|--------------------|--------------------|
| <b>Switzerland 5.81% (5.32%)</b>                |           |                            |                    |                    |
| Adecco Group                                    | 117,715   |                            | 5,574              | 2.90               |
| Cembra Money Bank                               | 77,570    |                            | 5,599              | 2.91               |
|                                                 |           |                            | <b>11,173</b>      | <b>5.81</b>        |
| <b>United Kingdom 23.90% (18.64%)</b>           |           |                            |                    |                    |
| DCC                                             | 59,106    |                            | 4,137              | 2.15               |
| GlaxoSmithKline                                 | 310,959   |                            | 4,904              | 2.55               |
| Greggs                                          | 319,354   |                            | 3,350              | 1.74               |
| Imperial Brands                                 | 236,650   |                            | 6,536              | 3.40               |
| ITV                                             | 4,065,759 |                            | 6,587              | 3.42               |
| Premier Oil                                     | 2,713,200 |                            | 3,332              | 1.73               |
| Subsea 7                                        | 439,822   |                            | 4,626              | 2.41               |
| TechnipFMC                                      | 241,868   |                            | 5,737              | 2.98               |
| Vodafone Group                                  | 4,056,024 |                            | 6,776              | 3.52               |
|                                                 |           |                            | <b>45,985</b>      | <b>23.90</b>       |
| <b>Equities total</b>                           |           |                            | <b>147,896</b>     | <b>76.86</b>       |
| <b>Contracts for difference 0.83% ((0.48)%)</b> |           |                            |                    |                    |
| <b>Denmark 0.04% ((0.07)%)</b>                  |           |                            |                    |                    |
| GN Store Nord                                   | (91,515)  | (3,657)                    | 32                 | 0.02               |
| ISS                                             | (143,027) | (3,865)                    | 40                 | 0.02               |
|                                                 |           | <b>(7,522)</b>             | <b>72</b>          | <b>0.04</b>        |
| <b>France 0.13% ((0.07)%)</b>                   |           |                            |                    |                    |
| Airbus                                          | (48,398)  | (4,635)                    | 95                 | 0.05               |
| BNP Paribas                                     | (83,122)  | (3,787)                    | 89                 | 0.05               |
| Kering                                          | (7,130)   | (3,019)                    | 40                 | 0.02               |
| Legrand                                         | (70,607)  | (4,115)                    | (19)               | (0.01)             |
| Schneider Electric                              | (58,486)  | (3,686)                    | 41                 | 0.02               |
|                                                 |           | <b>(19,242)</b>            | <b>246</b>         | <b>0.13</b>        |
| <b>Germany 0.10% ((0.24)%)</b>                  |           |                            |                    |                    |
| Beiersdorf                                      | (23,140)  | (2,072)                    | 27                 | 0.01               |
| HelloFresh                                      | (85,354)  | (946)                      | (24)               | (0.01)             |
| Infineon Technologies                           | (189,853) | (3,742)                    | 22                 | 0.01               |
| Lanxess                                         | (75,140)  | (4,595)                    | 128                | 0.07               |
| Siemens                                         | (40,892)  | (4,112)                    | 45                 | 0.02               |
|                                                 |           | <b>(15,467)</b>            | <b>198</b>         | <b>0.10</b>        |
| <b>Ghana 0.03% ((0.31)%)</b>                    |           |                            |                    |                    |
| Tullow Oil                                      | 2,288,127 | 5,290                      | 66                 | 0.03               |
|                                                 |           | <b>5,290</b>               | <b>66</b>          | <b>0.03</b>        |
| <b>Ireland 0.01% ((0.55)%)</b>                  |           |                            |                    |                    |
| CRH                                             | 193,194   | 5,002                      | 31                 | 0.02               |
| Kingspan Group                                  | 110,369   | 4,162                      | 22                 | 0.01               |
| Ryanair Holdings                                | 427,222   | 5,471                      | (29)               | (0.02)             |
|                                                 |           | <b>14,635</b>              | <b>24</b>          | <b>0.01</b>        |

Artemis Pan-European Absolute Return Fund – Investment information (continued)

| Investment                                         | Holding     | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------------|-------------|----------------------------|--------------------|--------------------|
| <b>Netherlands 0.02% (0.09%)</b>                   |             |                            |                    |                    |
| ASML Holding                                       | (20,732)    | (3,266)                    | 4                  | –                  |
| Heineken                                           | (52,092)    | (3,962)                    | 34                 | 0.02               |
|                                                    |             | <b>(7,228)</b>             | <b>38</b>          | <b>0.02</b>        |
| <b>Norway 0.00% (0.15%)</b>                        |             |                            |                    |                    |
| <b>Portugal 0.00% (0.07%)</b>                      |             |                            |                    |                    |
| <b>Spain 0.02% (0.03%)</b>                         |             |                            |                    |                    |
| Amadeus IT Group                                   | (74,287)    | (5,345)                    | 40                 | 0.02               |
|                                                    |             | <b>(5,345)</b>             | <b>40</b>          | <b>0.02</b>        |
| <b>Sweden 0.01% (0.00%)</b>                        |             |                            |                    |                    |
| Sandvik                                            | (310,066)   | (4,203)                    | 21                 | 0.01               |
|                                                    |             | <b>(4,203)</b>             | <b>21</b>          | <b>0.01</b>        |
| <b>Switzerland 0.12% ((0.12)%)</b>                 |             |                            |                    |                    |
| STMicroelectronics                                 | (208,034)   | (3,320)                    | (23)               | (0.01)             |
| Swatch Group                                       | (10,947)    | (3,564)                    | 256                | 0.13               |
|                                                    |             | <b>(6,884)</b>             | <b>233</b>         | <b>0.12</b>        |
| <b>United Kingdom 0.35% (0.54%)</b>                |             |                            |                    |                    |
| AA                                                 | (2,269,621) | (2,597)                    | 26                 | 0.01               |
| AO World                                           | (801,884)   | (1,147)                    | (17)               | (0.01)             |
| B&M European Value Retail                          | (763,682)   | (3,162)                    | (59)               | (0.03)             |
| Berkeley Group Holdings                            | (104,091)   | (3,813)                    | 3                  | -                  |
| Burberry Group                                     | (125,743)   | (2,833)                    | 91                 | 0.05               |
| HSBC Holdings                                      | (555,552)   | (3,724)                    | 112                | 0.06               |
| Marks & Spencer Group                              | (1,274,038) | (3,857)                    | 37                 | 0.02               |
| Pearson                                            | (456,617)   | (4,245)                    | 30                 | 0.01               |
| Rentokil Initial                                   | (866,550)   | (2,854)                    | 108                | 0.06               |
| Rio Tinto                                          | (120,598)   | (4,434)                    | 110                | 0.06               |
| Royal Mail                                         | (589,764)   | (2,662)                    | 166                | 0.09               |
| Scottish Mortgage Investment Trust                 | (901,037)   | (5,004)                    | 69                 | 0.04               |
| SSE                                                | (299,877)   | (3,798)                    | (15)               | (0.01)             |
|                                                    |             | <b>(44,130)</b>            | <b>661</b>         | <b>0.35</b>        |
| <b>Contracts for difference total</b>              |             | <b>(90,096)</b>            | <b>1,599</b>       | <b>0.83</b>        |
| <b>Forward currency contracts (0.12)% (0.02%)</b>  |             |                            |                    |                    |
| <b>I accumulation EUR (Hedged) (0.16)% (0.02%)</b> |             |                            |                    |                    |
| Buy Euro 3,656,488 dated 28/09/2018                |             |                            | 19                 | 0.01               |
| Sell Danish Krone 27,264,481 dated 28/09/2018      |             |                            | (19)               | (0.01)             |
| Buy Euro 14,153,984 dated 28/09/2018               |             |                            | 12,708             | 6.60               |
| Sell Norwegian Krone 138,119,279 dated 28/09/2018  |             |                            | (12,744)           | (6.63)             |
| Buy Euro 56,757,043 dated 28/09/2018               |             |                            | 50,957             | 26.48              |
| Sell Sterling 51,172,268 dated 28/09/2018          |             |                            | (51,172)           | (26.59)            |
| Buy Euro 7,841,126 dated 28/09/2018                |             |                            | 7,039              | 3.66               |
| Sell Swiss Franc 8,894,917 dated 28/09/2018        |             |                            | (7,086)            | (3.68)             |
|                                                    |             |                            | <b>(298)</b>       | <b>(0.16)</b>      |
| <b>I accumulation GBP (Hedged) 0.03% ((0.02)%)</b> |             |                            |                    |                    |
| Buy Sterling 1,815,147 dated 28/09/2018            |             |                            | 1,815              | 0.94               |
| Sell Danish Krone 15,033,407 dated 28/09/2018      |             |                            | (1,810)            | (0.94)             |
| Buy Sterling 24,715,546 dated 28/09/2018           |             |                            | 24,716             | 12.85              |

| Investment                                           | Valuation<br>£'000 | % of net<br>assets |
|------------------------------------------------------|--------------------|--------------------|
| Sell Euro 27,433,904 dated 28/09/2018                | (24,631)           | (12.80)            |
| Buy Sterling 7,027,220 dated 28/09/2018              | 7,027              | 3.65               |
| Sell Norwegian Krone 76,254,053 dated 28/09/2018     | (7,035)            | (3.66)             |
| Buy Sterling 3,892,990 dated 28/09/2018              | 3,893              | 2.02               |
| Sell Swiss Franc 4,913,575 dated 28/09/2018          | (3,915)            | (2.03)             |
|                                                      | <b>60</b>          | <b>0.03</b>        |
| <b>I accumulation USD (Hedged) 0.01% (0.02%)</b>     |                    |                    |
| Buy US Dollar 269,538 dated 28/09/2018               | 207                | 0.11               |
| Sell Danish Krone 1,714,819 dated 28/09/2018         | (207)              | (0.11)             |
| Buy US Dollar 3,670,112 dated 28/09/2018             | 2,819              | 1.47               |
| Sell Euro 3,130,640 dated 28/09/2018                 | (2,811)            | (1.46)             |
| Buy US Dollar 1,043,468 dated 28/09/2018             | 802                | 0.42               |
| Sell Norwegian Krone 8,705,276 dated 28/09/2018      | (803)              | (0.42)             |
| Buy US Dollar 4,184,275 dated 28/09/2018             | 3,215              | 1.68               |
| Sell Sterling 3,213,901 dated 28/09/2018             | (3,214)            | (1.68)             |
| Buy US Dollar 578,068 dated 28/09/2018               | 444                | 0.23               |
| Sell Swiss Franc 560,737 dated 28/09/2018            | (447)              | (0.23)             |
|                                                      | <b>5</b>           | <b>0.01</b>        |
| <b>R accumulation EUR (Hedged) 0.00% (0.00%)</b>     |                    |                    |
| Buy Euro 9,793 dated 28/09/2018                      | 9                  | -                  |
| Sell Danish Krone 73,023 dated 28/09/2018            | (9)                | -                  |
| Buy Euro 37,909 dated 28/09/2018                     | 34                 | 0.02               |
| Sell Norwegian Krone 369,930 dated 28/09/2018        | (34)               | (0.02)             |
| Buy Euro 152,012 dated 28/09/2018                    | 137                | 0.07               |
| Sell Sterling 137,059 dated 28/09/2018               | (137)              | (0.07)             |
| Buy Euro 21,001 dated 28/09/2018                     | 10                 | 0.01               |
| Sell Swiss Franc 23,824 dated 28/09/2018             | (10)               | (0.01)             |
|                                                      | -                  | -                  |
| <b>Forward currency contracts total</b>              | <b>(233)</b>       | <b>(0.12)</b>      |
| Investment assets (including investment liabilities) | 149,262            | 77.57              |
| Net other assets                                     | 43,166             | 22.43              |
| <b>Net assets attributable to shareholders</b>       | <b>192,428</b>     | <b>100.00</b>      |

The comparative percentage figures in brackets are as at 28 February 2018.

^ Unlisted, suspended or delisted security.

\* 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.

## Artemis Pan-European Absolute Return Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |              | 31 August 2017 |              |
|------------------------------------------------------------------------------|----------------|--------------|----------------|--------------|
|                                                                              | £'000          | £'000        | £'000          | £'000        |
| <b>Income</b>                                                                |                |              |                |              |
| Net capital (losses)/gains                                                   |                | (1,249)      |                | 5,782        |
| Revenue                                                                      | 4,308          |              | 2,786          |              |
| Expenses                                                                     | (971)          |              | (728)          |              |
| Interest payable and similar charges                                         | (2,154)        |              | (1,498)        |              |
| Net revenue before taxation                                                  | 1,183          |              | 560            |              |
| Taxation                                                                     | (257)          |              | (147)          |              |
| Net revenue after taxation                                                   |                | 926          |                | 413          |
| <b>Total return before distribution</b>                                      |                | <b>(323)</b> |                | <b>6,195</b> |
| Distribution                                                                 |                | (174)        |                | 112          |
| Change in net assets attributable to shareholders from investment activities |                | (497)        |                | 6,307        |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |          | 31 August 2017 |         |
|------------------------------------------------------------------------------|----------------|----------|----------------|---------|
|                                                                              | £'000          | £'000    | £'000          | £'000   |
| Opening net assets attributable to shareholders                              |                | 216,557  |                | 97,171  |
| Amounts receivable on issue of shares                                        | 30,804         |          | 83,462         |         |
| Amounts payable on cancellation of shares                                    | (54,467)       |          | (31,503)       |         |
|                                                                              |                | (23,663) |                | 51,959  |
| Dilution adjustment                                                          |                | 31       |                | 115     |
| Change in net assets attributable to shareholders from investment activities |                | (497)    |                | 6,307   |
| Closing net assets attributable to shareholders                              |                | 192,428  |                | 155,552 |

### Balance sheet as at 31 August 2018

|                                         | 31 August 2018 | 28 February 2018 |
|-----------------------------------------|----------------|------------------|
|                                         | £'000          | £'000            |
| <b>Assets</b>                           |                |                  |
| <b>Fixed assets</b>                     |                |                  |
| Investments                             | 149,780        | 150,463          |
| <b>Current assets</b>                   |                |                  |
| Debtors                                 | 3,040          | 1,057            |
| Cash and bank balances                  | 41,374         | 74,021           |
| <b>Total current assets</b>             | <b>44,414</b>  | <b>75,078</b>    |
| <b>Total assets</b>                     | <b>194,194</b> | <b>225,541</b>   |
| <b>Liabilities</b>                      |                |                  |
| Investment liabilities                  | 518            | 4,681            |
| <b>Creditors</b>                        |                |                  |
| Other creditors                         | 1,248          | 4,303            |
| <b>Total creditors</b>                  | <b>1,248</b>   | <b>4,303</b>     |
| <b>Total liabilities</b>                | <b>1,766</b>   | <b>8,984</b>     |
| Net assets attributable to shareholders | 192,428        | 216,557          |

## Artemis Pan-European Absolute Return Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                             | Net asset value per share |                | % Movement |
|-----------------------------|---------------------------|----------------|------------|
|                             | 25 October 2018           | 31 August 2018 |            |
| I accumulation EUR (Hedged) | 119.94c                   | 119.92c        | 0.0%       |
| I accumulation GBP (Hedged) | 122.50p                   | 122.23p        | 0.2%       |
| I accumulation USD (Hedged) | 127.43c                   | 126.94c        | 0.4%       |
| R accumulation EUR (Hedged) | 105.06c                   | 105.14c        | -0.1%      |



## Artemis Pan-European Absolute Return Fund – Comparative tables

### Fund sizes & net asset values

| Date                        | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|-----------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b>     | 34,592,349                      |                           |                 |
| I accumulation EUR (Hedged) |                                 | 109.95c                   | 1,479,061       |
| I accumulation GBP (Hedged) |                                 | 110.52p                   | 30,003,104      |
| I accumulation USD (Hedged) |                                 | 111.20c                   | 194,912         |
| <b>28 February 2017</b>     | 97,170,996                      |                           |                 |
| I accumulation EUR (Hedged) |                                 | 117.36c                   | 50,015,907      |
| I accumulation GBP (Hedged) |                                 | 118.23p                   | 39,057,256      |
| I accumulation USD (Hedged) |                                 | 119.72c                   | 1,006,245       |
| R accumulation EUR (Hedged) |                                 | 103.80c                   | 10,000          |
| <b>28 February 2018</b>     | 216,556,738                     |                           |                 |
| I accumulation EUR (Hedged) |                                 | 121.84c                   | 128,901,514     |
| I accumulation GBP (Hedged) |                                 | 123.48p                   | 55,857,065      |
| I accumulation USD (Hedged) |                                 | 127.22c                   | 9,409,431       |
| R accumulation EUR (Hedged) |                                 | 107.23c                   | 365,326         |
| <b>31 August 2018</b>       | 192,427,725                     |                           |                 |
| I accumulation EUR (Hedged) |                                 | 119.92c                   | 110,765,012     |
| I accumulation GBP (Hedged) |                                 | 122.23p                   | 53,519,565      |
| I accumulation USD (Hedged) |                                 | 126.94c                   | 7,714,825       |
| R accumulation EUR (Hedged) |                                 | 105.14c                   | 338,369         |

### Fund performance

|                                           | Since launch* | 3 year | 1 year | 6 months |
|-------------------------------------------|---------------|--------|--------|----------|
| Artemis Pan European Absolute Return Fund | 22.4          | 11.2   | 2.3    | (1.0)    |
| LIBOR GBP 3 Months                        | 2.1           | 1.5    | 0.5    | 0.3      |
| Sector average                            | 8.9           | 4.3    | (0.3)  | (0.5)    |
| Position in sector                        | 6/48          | 13/61  | 16/73  | 51/75    |
| Quartile                                  | 1             | 1      | 1      | 3        |

\* Data from 14 July 2014. Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return. Performance details for each share class is shown on page 88.

### Ongoing charges

| Class                       | 31 August 2018 |
|-----------------------------|----------------|
| I accumulation EUR (Hedged) | 0.89%          |
| I accumulation GBP (Hedged) | 0.89%          |
| I accumulation USD (Hedged) | 0.89%          |
| R accumulation EUR (Hedged) | 1.64%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

## Artemis US Absolute Return Fund

### Investment objective and policy

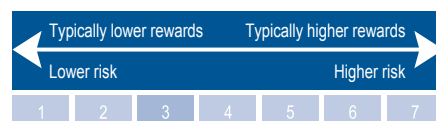
The objective of the Artemis US Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

There is no guarantee that the sub-fund will achieve a positive return over the longer term or any other time period and your capital is at risk.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company or by industry. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time. When market conditions are less favourable, a higher proportion of the sub-fund may be invested in cash and near cash.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

## Artemis US Absolute Return Fund – Investment review

- The fund returns 0.6%\*.
- Long positions in stocks exposed to domestic demand perform well.
- The steady withdrawal of liquidity by the Fed dictates our caution.

### Performance – Helped by long positions in domestic stocks ...

The period under review began in the aftermath of February's sharp sell-off in the US market. The worry had been that a sudden rise in inflation would push interest rates higher, thus rendering some 'carry trades' (taking advantage of low borrowing costs to invest in a currency or strategy thought likely to provide a higher return) less profitable. The effect on 'short volatility' strategies (bets that market volatility would remain becalmed) was particularly dramatic. March, however, saw the US market resuming its upward trajectory.

Economic data remained strong, confirming that the economic cycle has been extended and pushing back fears of imminent recession. Strong household spending, supported by the administration's drive to lower taxes and increase government spending, was one of the main reasons for the acceleration in economic growth. The Federal Reserve continued raising rates, with two more likely this year. Employment data is particularly strong at the moment with new jobs being created at an average rate of 200,000 per month, up from 185,000 per month last year. Unemployment rates are low and continuing to fall. Low-income workers, meanwhile, are finally seeing their wages growing.

In the meantime, corporate earnings have been growing rapidly, helped both by tax cuts and the buoyant US economy. Earnings for the S&P 500 are on course to grow by around 20% in 2018. The last six months have also been characterised by the particularly good returns from companies focused on the domestic US economy.

Not only are they sheltered from the negative effects of tariffs and from the risks in emerging markets, they are also benefiting disproportionately from Trump's tax cuts.

The fund returned 0.6% in sterling terms over the six-month period, with long positions in domestically exposed stocks such as Cintas and Norfolk Southern among the top contributors to returns. Cintas, which supplies and launders uniforms, is the leader in its industry. It is benefiting both from its higher route density (which makes it more profitable) and from its use of digital tools, which give it an operational advantage and increased potential for cross selling following a recent merger. Railway operator Norfolk Southern, meanwhile, is a direct beneficiary of the US economy. We added to our long position on the basis that both pricing and volumes are improving. An increase in pricing for transportation by truck (the US is experiencing a shortage of drivers) is helping to shift some goods off the road and onto the railways.

### Review – Software stocks do well as semiconductors struggle ...

Over the last six months, stock selection and sector allocation were both positive. Set against that, however, returns from our technology exposure was mixed. Long positions in software and services contributed positively. Microsoft, for example, returned 28% in sterling terms, making it one of the biggest contributors to performance. But the fund's exposure to semiconductors – and specifically long positions in Applied Materials and Lam Research – impaired returns. They were hurt by the generalised sell-off across the sector as the market became increasingly sceptical of the industry's improved dynamics. Not all the news here was negative, however: at a stock-specific level, a long position in Micron Technology made a positive

contribution. We closed the position after a period of strong performance.

More helpful was our negative stance on banks. A flattening of the yield curve (the shrinking gap between short and long-term borrowing costs) was detrimental to the sector's performance.

Other purchases over the period included the initiation of a long position in Planet Fitness, which operates gyms. This a large network of gym franchises, targeting less enthusiastic gym goers by offering basic gym equipment in exchange for low membership fees. We believe that the company will continue to grow strongly and so benefit from economies of scale.

In the technology sector, we further reduced our exposure to semiconductors and added to software and services through long positions in Microsoft and Alphabet. We reduced our negative stance on 'bond proxies' (shares whose reliable dividend payments make them a substitute for bonds) as the stocks have already been punished quite severely, particularly in the consumer staples area. We increased our exposure to energy, taking a long position in Marathon Petroleum, a refiner. We are more positive on refiners generally as the lack of pipeline capacity to transport the oil away from the Permian Basin in Texas has put downward pressure on the oil price in the region. Refineries can benefit from buying this cheaper crude oil locally while selling their products at 'normal' market prices.

### Outlook – Anticipating slower growth in earnings...

Despite a relatively disappointing performance so far this year, we have maintained our exposure to industrials. We have added to long positions in the defence industry where we continue to see positive

\* Source: Lipper Limited, class I accumulation (GBP NAV hedged) shares, mid to mid basis, in sterling with dividends reinvested to 31 August 2018. Benchmark is LIBOR GBP 3 months.

dynamics. We still have exposure to the consumer discretionary sector.

After a period of strong growth in earnings (boosted by tax cuts) third-quarter earnings are likely to mark the peak. Next year's earnings will also be impacted by the implementation of tariffs. That has not yet been reflected in analysts' forecasts – and we have had little guidance from companies. So after two years of strong growth in corporate earnings, we should expect growth to be more subdued from here.

US economic data continues to be supportive and, for now, earnings growth is solid. But higher interest rates, higher bond yields and the withdrawal of liquidity ('quantitative tightening') will have an impact. We expect momentum stocks and financials to suffer most from the withdrawal of liquidity. That market breadth has also continued to narrow, with gains being supported by an increasingly small group of growth stocks, is typical of later stages of market cycles. So we remain cautious – and invest accordingly.

**Stephen Moore**  
**Fund manager**

## Artemis US Absolute Return Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018 \*

| Purchases        | Cost<br>£'000 | Sales               | Proceeds<br>£'000 |
|------------------|---------------|---------------------|-------------------|
| Microsoft        | 14,552        | Micron Technology   | 14,155            |
| Anthem           | 11,868        | Applied Materials   | 12,171            |
| Lam Research     | 8,348         | Facebook A shares   | 10,089            |
| Comcast A shares | 8,063         | Oracle              | 9,320             |
| Electronic Arts  | 7,863         | Rockwell Automation | 8,932             |

\* Excluding US Treasury Bills traded for liquidity management purposes.

### Portfolio statement as at 31 August 2018

| Investment                                         | Holding | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------------|---------|--------------------|--------------------|
| <b>Collective investment schemes 0.95% (0.00%)</b> |         |                    |                    |
| Invesco DB US Dollar Index Bullish Fund            | 352,903 | 6,806              | 0.95               |
| <b>Collective investment schemes total</b>         |         | <b>6,806</b>       | <b>0.95</b>        |
| <b>Equities 45.69% (39.95%)</b>                    |         |                    |                    |
| <b>Consumer Discretionary 8.46% (6.32%)</b>        |         |                    |                    |
| Amazon.com                                         | 1,971   | 3,035              | 0.42               |
| Best Buy                                           | 68,450  | 4,106              | 0.57               |
| Bright Horizons Family Solutions                   | 29,212  | 2,678              | 0.37               |
| Burlington Stores                                  | 39,234  | 5,005              | 0.70               |
| Caesars Entertainment                              | 364,227 | 2,885              | 0.40               |
| Churchill Downs                                    | 30,520  | 6,637              | 0.93               |
| Comcast A shares                                   | 292,908 | 8,261              | 1.15               |
| Liberty Broadband C shares                         | 62,962  | 3,909              | 0.55               |
| Liberty Expedia Holdings A shares                  | 155,260 | 5,559              | 0.78               |
| Lowe's                                             | 54,906  | 4,555              | 0.64               |
| Nike B shares                                      | 51,632  | 3,232              | 0.45               |
| Planet Fitness A shares                            | 132,178 | 5,168              | 0.72               |
| Strategic Education                                | 19,778  | 2,084              | 0.29               |
| Vail Resorts                                       | 15,442  | 3,499              | 0.49               |
|                                                    |         | <b>60,613</b>      | <b>8.46</b>        |
| <b>Consumer Staples 0.54% (1.06%)</b>              |         |                    |                    |
| Kroger                                             | 58,149  | 1,388              | 0.19               |
| Lamb Weston Holdings                               | 19,249  | 993                | 0.14               |
| Maple Leaf Foods                                   | 38,369  | 718                | 0.10               |
| Sysco                                              | 13,130  | 747                | 0.11               |
|                                                    |         | <b>3,846</b>       | <b>0.54</b>        |
| <b>Energy 2.04% (0.04%)</b>                        |         |                    |                    |
| ConocoPhillips                                     | 32,001  | 1,810              | 0.25               |
| Delek US Holdings                                  | 109,803 | 4,621              | 0.65               |
| Marathon Petroleum                                 | 107,363 | 6,861              | 0.96               |
| Pioneer Natural Resources                          | 9,817   | 1,319              | 0.18               |
|                                                    |         | <b>14,611</b>      | <b>2.04</b>        |
| <b>Financials 5.27% (5.10%)</b>                    |         |                    |                    |
| American Express                                   | 31,515  | 2,574              | 0.36               |
| Berkshire Hathaway B shares                        | 66,479  | 10,722             | 1.50               |
| Discover Financial Services                        | 60,949  | 3,648              | 0.51               |
| Fairfax Financial Holdings                         | 3,502   | 1,477              | 0.21               |
| Fifth Third Bancorp                                | 76,439  | 1,720              | 0.24               |
| Jefferies Financial Services                       | 120,406 | 2,167              | 0.30               |
| MSCI                                               | 32,587  | 4,451              | 0.62               |
| S&P Global                                         | 29,649  | 4,689              | 0.65               |

| Investment                                    | Holding | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|---------|--------------------|--------------------|
| Synchrony Financial                           | 103,507 | 2,516              | 0.35               |
| Wells Fargo                                   | 84,455  | 3,796              | 0.53               |
|                                               |         | <b>37,760</b>      | <b>5.27</b>        |
| <b>Health Care 6.61% (2.73%)</b>              |         |                    |                    |
| AbbVie                                        | 29,916  | 2,226              | 0.31               |
| Agilent Technologies                          | 40,992  | 2,120              | 0.30               |
| Amgen                                         | 6,909   | 1,064              | 0.15               |
| Anthem                                        | 57,905  | 11,800             | 1.65               |
| Becton Dickinson                              | 15,111  | 3,025              | 0.42               |
| Bioexcel Therapeutics                         | 142,541 | 1,008              | 0.14               |
| Celgene                                       | 20,045  | 1,453              | 0.20               |
| Eli Lilly                                     | 15,048  | 1,220              | 0.17               |
| Gilead Sciences                               | 5,715   | 335                | 0.05               |
| Humana                                        | 8,520   | 2,178              | 0.30               |
| UnitedHealth Group                            | 60,153  | 12,415             | 1.73               |
| Zoetis                                        | 123,265 | 8,511              | 1.19               |
|                                               |         | <b>47,355</b>      | <b>6.61</b>        |
| <b>Industrials 7.99% (7.25%)</b>              |         |                    |                    |
| Boeing                                        | 22,329  | 5,957              | 0.83               |
| Cintas                                        | 93,227  | 15,291             | 2.13               |
| Huntington Ingalls Industries                 | 28,246  | 5,234              | 0.73               |
| Lockheed Martin                               | 8,399   | 2,078              | 0.29               |
| Norfolk Southern                              | 85,899  | 11,506             | 1.61               |
| Northrop Grumman                              | 19,728  | 4,530              | 0.63               |
| Raytheon                                      | 34,291  | 5,251              | 0.73               |
| United Rentals                                | 27,161  | 3,273              | 0.46               |
| WW Grainger                                   | 15,310  | 4,173              | 0.58               |
|                                               |         | <b>57,293</b>      | <b>7.99</b>        |
| <b>Information Technology 11.84% (13.57%)</b> |         |                    |                    |
| Alphabet C shares                             | 15,193  | 14,474             | 2.02               |
| Applied Materials                             | 69,880  | 2,318              | 0.32               |
| Booz Allen Hamilton Holding                   | 121,314 | 4,767              | 0.67               |
| Broadcom                                      | 18,458  | 3,074              | 0.43               |
| CoStar Group                                  | 19,549  | 6,625              | 0.92               |
| Electronic Arts                               | 35,964  | 3,206              | 0.45               |
| Glu Mobile                                    | 201,071 | 1,169              | 0.16               |
| GoDaddy A shares                              | 29,730  | 1,835              | 0.26               |
| Lam Research                                  | 61,568  | 8,165              | 1.14               |
| Micron Technology                             | 129,063 | 5,236              | 0.73               |
| Microsoft                                     | 174,434 | 15,016             | 2.10               |
| NeoPhotonics                                  | 99,658  | 674                | 0.09               |
| Oracle                                        | 93,729  | 3,487              | 0.49               |
| PayPal Holdings                               | 90,163  | 6,384              | 0.89               |
| salesforce.com                                | 14,933  | 1,747              | 0.24               |
| Xilinx                                        | 112,227 | 6,664              | 0.93               |
|                                               |         | <b>84,841</b>      | <b>11.84</b>       |
| <b>Materials 0.99% (3.16%)</b>                |         |                    |                    |
| DowDuPont                                     | 33,010  | 1,782              | 0.25               |
| Franco-Nevada                                 | 50,091  | 2,527              | 0.35               |
| LyondellBasell Industries A shares            | 31,885  | 2,786              | 0.39               |
|                                               |         | <b>7,095</b>       | <b>0.99</b>        |
| <b>Real Estate 0.75% (0.51%)</b>              |         |                    |                    |
| Crown Castle International, REIT              | 45,589  | 3,988              | 0.55               |

## Artemis US Absolute Return Fund – Investment information (continued)

| Investment                                      | Holding       | Global exposure*<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|---------------|---------------------------|--------------------|--------------------|
| SL Green Realty, REIT                           | 17,827        |                           | 1,424              | 0.20               |
|                                                 |               |                           | <b>5,412</b>       | <b>0.75</b>        |
| <b>Telecommunication Services 0.60% (0.00%)</b> |               |                           |                    |                    |
| T-Mobile US                                     | 85,016        |                           | 4,315              | 0.60               |
|                                                 |               |                           | <b>4,315</b>       | <b>0.60</b>        |
| <b>Utilities 0.60% (0.21%)</b>                  |               |                           |                    |                    |
| Vistra Energy                                   | 238,009       |                           | 4,283              | 0.60               |
|                                                 |               |                           | <b>4,283</b>       | <b>0.60</b>        |
| <b>Equities total</b>                           |               |                           | <b>327,424</b>     | <b>45.69</b>       |
| <b>Government bonds 29.49% (33.51%)</b>         |               |                           |                    |                    |
| US Treasury 2.75% 15/02/2028                    | \$7,300,000   |                           | 5,567              | 0.78               |
| US Treasury Bill 0.00% 20/06/2019               | \$130,000,000 |                           | 98,080             | 13.69              |
| US Treasury Bill 0.00% 18/07/2019               | \$143,000,000 |                           | 107,668            | 15.02              |
| <b>Government bonds total</b>                   |               |                           | <b>211,315</b>     | <b>29.49</b>       |
| <b>Contracts for difference 0.21% (1.01%)</b>   |               |                           |                    |                    |
| <b>Consumer Discretionary 0.01% (0.17%)</b>     |               |                           |                    |                    |
| Acushnet Holdings                               | (60,033)      | (1,230)                   | 26                 | -                  |
| Adidas                                          | (6,306)       | (1,217)                   | 3                  | -                  |
| Aramark                                         | (105,510)     | (3,323)                   | 20                 | -                  |
| CBS, (Non-Voting) B shares                      | (25,271)      | (1,030)                   | 7                  | -                  |
| Dave & Buster's Entertainment                   | (56,900)      | (2,528)                   | (43)               | (0.01)             |
| Discovery A shares                              | (65,648)      | (1,423)                   | 5                  | -                  |
| Dollar General                                  | (36,485)      | (2,964)                   | 31                 | -                  |
| Domino's Pizza                                  | (6,455)       | (1,492)                   | (6)                | -                  |
| Expedia Group                                   | (52,434)      | (5,300)                   | 4                  | -                  |
| Genuine Parts                                   | (14,627)      | (1,114)                   | 6                  | -                  |
| G-III Apparel Group                             | (22,131)      | (742)                     | 31                 | -                  |
| Hanesbrands                                     | (147,442)     | (1,986)                   | (1)                | -                  |
| LG Electronics                                  | (13,525)      | (717)                     | (26)               | -                  |
| Lululemon Athletica                             | (6,665)       | (702)                     | 9                  | -                  |
| MakeMyTrip                                      | (53,035)      | (1,266)                   | (4)                | -                  |
| Netflix                                         | (8,180)       | (2,334)                   | (16)               | -                  |
| Newell Brands                                   | (100,843)     | (1,696)                   | 46                 | 0.01               |
| News A shares                                   | (317,373)     | (3,229)                   | (4)                | -                  |
| Ollie's Bargain Outlet Holdings                 | (61,264)      | (4,028)                   | (116)              | (0.02)             |
| Papa John's International                       | (66,539)      | (2,360)                   | (15)               | -                  |
| Restaurant Brands International                 | (40,689)      | (1,797)                   | 41                 | 0.01               |
| Sears Holdings                                  | (115,605)     | (112)                     | (1)                | -                  |
| Tesla Motors                                    | (12,389)      | (2,888)                   | 83                 | 0.01               |
| Under Armour C shares                           | (177,688)     | (2,601)                   | 34                 | 0.01               |
|                                                 |               | <b>(48,079)</b>           | <b>114</b>         | <b>0.01</b>        |
| <b>Consumer Staples (0.03%) (0.40%)</b>         |               |                           |                    |                    |
| Constellation Brands                            | (6,565)       | (1,054)                   | (8)                | -                  |
| Diageo, ADR                                     | (12,125)      | (1,316)                   | (2)                | -                  |
| Estee Lauder A shares                           | (23,049)      | (2,473)                   | 10                 | -                  |
| General Mills                                   | (36,552)      | (1,283)                   | (8)                | -                  |
| Hain Celestial Group                            | (95,893)      | (2,090)                   | (116)              | (0.02)             |
| Hershey                                         | (40,966)      | (3,147)                   | (37)               | -                  |
| Hormel Foods                                    | (90,068)      | (2,670)                   | (44)               | (0.01)             |
| Kellogg                                         | (28,945)      | (1,597)                   | (6)                | -                  |
| Kraft Heinz                                     | (61,294)      | (2,744)                   | 27                 | -                  |
| Molson Coors Brewing B shares                   | (20,305)      | (1,045)                   | 1                  | -                  |



| Investment                                    | Holding     | Global exposure*<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|-------------|---------------------------|--------------------|--------------------|
| Monster Beverage                              | (55,782)    | (2,609)                   | (1)                | -                  |
| Walmart                                       | (39,431)    | (2,914)                   | (4)                | -                  |
|                                               |             | <b>(24,942)</b>           | <b>(188)</b>       | <b>(0.03)</b>      |
| <b>Energy 0.00% (0.05%)</b>                   |             |                           |                    |                    |
| Exxon Mobil                                   | (40,707)    | (2,520)                   | (7)                | -                  |
| Imperial Oil                                  | (68,369)    | (1,674)                   | (13)               | -                  |
|                                               |             | <b>(4,194)</b>            | <b>(20)</b>        | <b>-</b>           |
| <b>Financials 0.07% (0.16%)</b>               |             |                           |                    |                    |
| Ameriprise Financial                          | (12,703)    | (1,388)                   | 19                 | -                  |
| Banco Bilbao Vizcaya Argentaria, ADR          | (576,378)   | (2,766)                   | 60                 | 0.01               |
| Bank OZK                                      | (32,578)    | (1,008)                   | 3                  | -                  |
| Barclays                                      | (855,241)   | (1,514)                   | 57                 | 0.01               |
| BlackRock                                     | (6,829)     | (2,496)                   | 42                 | 0.01               |
| Commonwealth Bank of Australia                | (22,481)    | (891)                     | 5                  | -                  |
| Deutsche Bank                                 | (244,795)   | (2,150)                   | 25                 | -                  |
| Eaton Vance                                   | (95,403)    | (3,887)                   | 72                 | 0.01               |
| Federated Investors B shares                  | (92,830)    | (1,631)                   | -                  | -                  |
| HSBC Holdings, ADR                            | (75,287)    | (2,567)                   | 32                 | 0.01               |
| Intesa Sanpaolo                               | (895,092)   | (1,725)                   | 25                 | -                  |
| Janus Henderson Group                         | (80,570)    | (1,756)                   | 21                 | -                  |
| JPMorgan Chase                                | (26,591)    | (2,355)                   | 19                 | -                  |
| Pinnacle Financial Partners                   | (43,450)    | (2,153)                   | (8)                | -                  |
| Scottish Mortgage Investment Trust            | (1,116,750) | (6,202)                   | 85                 | 0.01               |
| Societe Generale                              | (76,065)    | (2,410)                   | 44                 | 0.01               |
| Waddell & Reed Financial                      | (111,243)   | (1,723)                   | 24                 | -                  |
| Westpac Banking, ADR                          | (172,536)   | (2,749)                   | (22)               | -                  |
|                                               |             | <b>(41,371)</b>           | <b>503</b>         | <b>0.07</b>        |
| <b>Health Care 0.01% ((0.05)%)</b>            |             |                           |                    |                    |
| Cooper                                        | (12,180)    | (2,471)                   | (3)                | -                  |
| Dentsply Sirona                               | (31,640)    | (965)                     | (12)               | -                  |
| Henry Schein                                  | (25,759)    | (1,525)                   | 74                 | 0.01               |
|                                               |             | <b>(4,961)</b>            | <b>59</b>          | <b>0.01</b>        |
| <b>Industrials 0.04% (0.25%)</b>              |             |                           |                    |                    |
| Avis Budget Group                             | (30,188)    | (747)                     | 41                 | 0.01               |
| Caterpillar                                   | (19,579)    | (2,094)                   | 44                 | 0.01               |
| Colfax                                        | (64,912)    | (1,749)                   | (11)               | -                  |
| Deere                                         | (25,490)    | (2,809)                   | 60                 | 0.01               |
| Fastenal                                      | (22,942)    | (1,026)                   | 10                 | -                  |
| FedEx                                         | (11,644)    | (2,209)                   | 8                  | -                  |
| GATX                                          | (20,817)    | (1,363)                   | 6                  | -                  |
| General Dynamics                              | (22,568)    | (3,341)                   | 54                 | 0.01               |
| General Electric                              | (364,908)   | (3,583)                   | 3                  | -                  |
| Kennametal                                    | (68,263)    | (2,133)                   | 18                 | -                  |
| MSC Industrial Direct A shares                | (29,292)    | (1,927)                   | 12                 | -                  |
| Pentair                                       | (41,026)    | (1,368)                   | 3                  | -                  |
| Ritchie Bros Auctioneers                      | (75,018)    | (2,203)                   | (14)               | -                  |
| Snap-on                                       | (19,689)    | (2,702)                   | (10)               | -                  |
| Terex                                         | (63,714)    | (1,900)                   | 30                 | -                  |
| Wabtec                                        | (26,301)    | (2,194)                   | 31                 | -                  |
|                                               |             | <b>(33,348)</b>           | <b>285</b>         | <b>0.04</b>        |
| <b>Information Technology 0.05% ((0.09)%)</b> |             |                           |                    |                    |
| Advanced Micro Devices                        | (62,376)    | (1,194)                   | (3)                | -                  |

Artemis US Absolute Return Fund – Investment information (continued)

| Investment                                      | Holding     | Global exposure*<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|-------------|---------------------------|--------------------|--------------------|
| Alibaba Group Holding, ADR                      | (12,460)    | (1,673)                   | 34                 | 0.01               |
| ams                                             | (39,423)    | (2,389)                   | (70)               | (0.01)             |
| Analog Devices                                  | (51,089)    | (3,873)                   | 72                 | 0.01               |
| ARRIS International                             | (53,138)    | (1,068)                   | (28)               | -                  |
| ASML Holding, NYRS                              | (57,358)    | (9,053)                   | 63                 | 0.01               |
| AU Optronics, ADR                               | (685,309)   | (2,287)                   | (53)               | (0.01)             |
| Baidu, ADR                                      | (6,217)     | (1,072)                   | 7                  | -                  |
| Ebix                                            | (66,770)    | (4,035)                   | (26)               | -                  |
| Gartner                                         | (25,878)    | (2,937)                   | 12                 | -                  |
| Infineon Technologies                           | (93,249)    | (1,838)                   | 11                 | -                  |
| Intel                                           | (133,226)   | (4,943)                   | 33                 | -                  |
| Largan Precision                                | (14,000)    | (1,648)                   | 22                 | -                  |
| LG Display, ADR                                 | (81,796)    | (593)                     | (1)                | -                  |
| MediaTek                                        | (302,000)   | (1,900)                   | 4                  | -                  |
| Microchip Technology                            | (26,383)    | (1,736)                   | 40                 | 0.01               |
| MKS Instruments                                 | (20,311)    | (1,445)                   | 18                 | -                  |
| Nanometrics                                     | (32,495)    | (1,100)                   | 19                 | -                  |
| Nokia, ADR                                      | (565,602)   | (2,444)                   | 48                 | 0.01               |
| Pandora Media                                   | (182,462)   | (1,289)                   | (140)              | (0.02)             |
| Proofpoint                                      | (29,799)    | (2,715)                   | (6)                | -                  |
| Samsung Electronics, GDR                        | (2,338)     | (1,936)                   | (47)               | (0.01)             |
| SAP, ADR                                        | (97,781)    | (9,120)                   | 55                 | 0.01               |
| Seagate Technology                              | (41,386)    | (1,691)                   | 105                | 0.02               |
| Shopify A shares                                | (12,450)    | (1,386)                   | 2                  | -                  |
| SK Hynix                                        | (31,045)    | (1,776)                   | (2)                | -                  |
| Splunk                                          | (17,119)    | (1,656)                   | 22                 | -                  |
| Taiwan Semiconductor Manufacturing, ADR         | (56,076)    | (1,874)                   | (48)               | (0.01)             |
| Texas Instruments                               | (76,896)    | (6,657)                   | 144                | 0.02               |
| United Microelectronics                         | (2,424,000) | (1,052)                   | 9                  | -                  |
| Western Digital                                 | (48,679)    | (2,369)                   | 52                 | 0.01               |
| Workday A shares                                | (17,170)    | (2,032)                   | (22)               | -                  |
| Xiaomi B shares                                 | (838,000)   | (1,379)                   | 26                 | -                  |
| Yelp                                            | (61,999)    | (2,232)                   | (4)                | -                  |
|                                                 |             | <b>(86,392)</b>           | <b>348</b>         | <b>0.05</b>        |
| <b>Investment Funds 0.00% (0.03%)</b>           |             |                           |                    |                    |
| <b>Materials 0.03% (0.02%)</b>                  |             |                           |                    |                    |
| Agnico Eagle Mines                              | (82,760)    | (2,218)                   | 72                 | 0.01               |
| Air Products & Chemicals                        | (22,917)    | (2,938)                   | 5                  | -                  |
| GCP Applied Technologies                        | (74,271)    | (1,468)                   | 20                 | -                  |
| Reliance Steel & Aluminum                       | (16,583)    | (1,118)                   | 14                 | -                  |
| Southern Copper                                 | (70,447)    | (2,368)                   | 108                | 0.02               |
|                                                 |             | <b>(10,110)</b>           | <b>219</b>         | <b>0.03</b>        |
| <b>Real Estate 0.01% (0.04%)</b>                |             |                           |                    |                    |
| Jones Lang LaSalle                              | (12,015)    | (1,404)                   | 22                 | -                  |
| Kimco Realty                                    | (149,804)   | (1,962)                   | 28                 | 0.01               |
| Regency Centers                                 | (40,343)    | (2,040)                   | 10                 | -                  |
| Seritage Growth Properties A shares             | (45,665)    | (1,809)                   | (12)               | -                  |
|                                                 |             | <b>(7,215)</b>            | <b>48</b>          | <b>0.01</b>        |
| <b>Telecommunication Services 0.02% (0.03%)</b> |             |                           |                    |                    |
| AT&T                                            | (223,767)   | (5,501)                   | 120                | 0.02               |
| SoftBank Group, ADR                             | (42,016)    | (1,464)                   | 26                 | -                  |

| Investment                                               | Holding   | Global exposure*<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------------------|-----------|---------------------------|--------------------|--------------------|
| Verizon Communications                                   | (112,129) | (4,721)                   | (9)                | -                  |
|                                                          |           | <b>(11,686)</b>           | <b>137</b>         | <b>0.02</b>        |
| <b>Contracts for difference total</b>                    |           | <b>(272,298)</b>          | <b>1,505</b>       | <b>0.21</b>        |
| <b>Forward currency contracts (0.15)% ((0.66)%)</b>      |           |                           |                    |                    |
| <b>I accumulation CHF (NAV hedged) 0.00% (0.00%)</b>     |           |                           |                    |                    |
| Buy Swiss Franc 10,294 dated 28/09/2018                  |           |                           | 8                  | -                  |
| Sell US Dollar 10,604 dated 28/09/2018                   |           |                           | (8)                | -                  |
|                                                          |           |                           | -                  | -                  |
| <b>I accumulation EUR (NAV hedged) (0.14)% ((0.33)%)</b> |           |                           |                    |                    |
| Buy Euro 373,336,072 dated 28/09/2018                    |           |                           | 335,187            | 46.78              |
| Sell US Dollar 437,669,344 dated 28/09/2018              |           |                           | (336,215)          | (46.92)            |
| Buy US Dollar 252,836 dated 28/09/2018                   |           |                           | 194                | 0.03               |
| Sell Euro 215,849 dated 28/09/2018                       |           |                           | (194)              | (0.03)             |
|                                                          |           |                           | <b>(1,028)</b>     | <b>(0.14)</b>      |
| <b>I accumulation GBP (NAV hedged) 0.00% ((0.29)%)</b>   |           |                           |                    |                    |
| Buy Sterling 349,025,203 dated 28/09/2018                |           |                           | 349,025            | 48.71              |
| Sell US Dollar 454,356,157 dated 28/09/2018              |           |                           | (349,033)          | (48.71)            |
|                                                          |           |                           | <b>(8)</b>         | <b>-</b>           |
| <b>R accumulation CHF (NAV hedged) 0.00% (0.00%)</b>     |           |                           |                    |                    |
| Buy Swiss Franc 10,139 dated 28/09/2018                  |           |                           | 8                  | -                  |
| Sell US Dollar 10,445 dated 28/09/2018                   |           |                           | (8)                | -                  |
|                                                          |           |                           | -                  | -                  |
| <b>R accumulation EUR (NAV hedged) (0.01)% ((0.04)%)</b> |           |                           |                    |                    |
| Buy Euro 13,305,968 dated 28/09/2018                     |           |                           | 11,947             | 1.66               |
| Sell US Dollar 15,598,851 dated 28/09/2018               |           |                           | (11,983)           | (1.67)             |
|                                                          |           |                           | <b>(36)</b>        | <b>(0.01)</b>      |
| <b>Forward currency contracts total</b>                  |           |                           | <b>(1,072)</b>     | <b>(0.15)</b>      |
| <b>Futures (0.02)% ((0.01)%)</b>                         |           |                           |                    |                    |
| S&P 500 Emini Index 21/09/2018                           | (102)     | (11,366)                  | (154)              | (0.02)             |
| <b>Futures total</b>                                     |           | <b>(11,366)</b>           | <b>(154)</b>       | <b>(0.02)</b>      |
| Investment assets (including investment liabilities)     |           |                           | 545,824            | 76.17              |
| Net other assets                                         |           |                           | 170,732            | 23.83              |
| Net assets attributable to shareholders                  |           |                           | 716,556            | 100.00             |

The comparative percentage figures in brackets are as at 28 February 2018.

\* 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.

## Artemis US Absolute Return Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |              | 31 August 2017 |               |
|------------------------------------------------------------------------------|----------------|--------------|----------------|---------------|
|                                                                              | £'000          | £'000        | £'000          | £'000         |
| <b>Income</b>                                                                |                |              |                |               |
| Net capital gains                                                            |                | 10,470       |                | 32,658        |
| Revenue                                                                      | 5,521          |              | 2,235          |               |
| Expenses                                                                     | (3,012)        |              | (3,567)        |               |
| Interest payable and similar charges                                         | (3,330)        |              | (2,303)        |               |
| Net expense before taxation                                                  | (821)          |              | (3,635)        |               |
| Taxation                                                                     | (304)          |              | (136)          |               |
| Net expense after taxation                                                   |                | (1,125)      |                | (3,771)       |
| <b>Total return before distributions</b>                                     |                | <b>9,345</b> |                | <b>28,887</b> |
| Distributions                                                                |                | -            |                | -             |
| Change in net assets attributable to shareholders from investment activities |                | 9,345        |                | 28,887        |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |         | 31 August 2017 |         |
|------------------------------------------------------------------------------|----------------|---------|----------------|---------|
|                                                                              | £'000          | £'000   | £'000          | £'000   |
| Opening net assets attributable to shareholders                              |                | 585,440 |                | 320,415 |
| Amounts receivable on issue of shares                                        | 243,807        |         | 195,078        |         |
| Amounts payable on cancellation of shares                                    | (122,044)      |         | (65,834)       |         |
|                                                                              |                | 121,763 |                | 129,244 |
| Dilution adjustment                                                          |                | 8       |                | 16      |
| Change in net assets attributable to shareholders from investment activities |                | 9,345   |                | 28,887  |
| Closing net assets attributable to shareholders                              |                | 716,556 |                | 478,562 |

### Balance sheet as at 31 August 2018

|                                         | 31 August 2018 | 28 February 2018 |
|-----------------------------------------|----------------|------------------|
|                                         | £'000          | £'000            |
| <b>Assets</b>                           |                |                  |
| <b>Fixed assets</b>                     |                |                  |
| Investments                             | 548,079        | 442,198          |
| <b>Current assets</b>                   |                |                  |
| Debtors                                 | 6,571          | 6,461            |
| Cash and bank balances                  | 175,100        | 156,955          |
| <b>Total current assets</b>             | <b>181,671</b> | <b>163,416</b>   |
| <b>Total assets</b>                     | <b>729,750</b> | <b>605,614</b>   |
| <b>Liabilities</b>                      |                |                  |
| Investment liabilities                  | 2,255          | 10,160           |
| <b>Creditors</b>                        |                |                  |
| Other creditors                         | 10,939         | 10,014           |
| <b>Total creditors</b>                  | <b>10,939</b>  | <b>10,014</b>    |
| <b>Total liabilities</b>                | <b>13,194</b>  | <b>20,174</b>    |
| Net assets attributable to shareholders | 716,556        | 585,440          |

## Artemis US Absolute Return Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                                 | Net asset value per share |                | Movement |
|---------------------------------|---------------------------|----------------|----------|
|                                 | 25 October 2018           | 31 August 2018 |          |
| I accumulation CHF (NAV hedged) | 102.57c                   | 102.99c        | -0.4%    |
| I accumulation EUR (NAV hedged) | 110.12c                   | 110.45c        | -0.3%    |
| I accumulation GBP (NAV hedged) | 113.60p                   | 113.67p        | -0.1%    |
| I accumulation USD              | 116.61c                   | 116.42c        | 0.2%     |
| R accumulation CHF (NAV hedged) | 100.90c                   | 101.44c        | -0.5%    |
| R accumulation EUR (NAV hedged) | 101.88c                   | 102.32c        | -0.4%    |
| R accumulation USD              | 107.12c                   | 107.14c        | 0.0%     |

## Artemis US Absolute Return Fund – Comparative tables

### Fund sizes & net asset values

| Date                             | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|----------------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b>          | 65,017,564                      |                           |                 |
| I accumulation EUR (NAV hedged)  |                                 | 106.98c                   | 24,692,097      |
| I accumulation GBP (NAV hedged)  |                                 | 107.76p                   | 37,354,892      |
| I accumulation USD               |                                 | 107.69c                   | 5,160,780       |
| <b>28 February 2017</b>          | 320,414,751                     |                           |                 |
| I accumulation CHF (NAV hedged)* |                                 | 100.73c                   | 10,000          |
| I accumulation EUR (NAV hedged)  |                                 | 107.32c                   | 177,169,279     |
| I accumulation GBP (NAV hedged)  |                                 | 109.04p                   | 111,314,526     |
| I accumulation USD               |                                 | 109.30c                   | 14,738,987      |
| R accumulation CHF (NAV hedged)* |                                 | 100.21c                   | 27,200          |
| R accumulation EUR (NAV hedged)* |                                 | 100.44c                   | 28,005,644      |
| R accumulation USD*              |                                 | 101.60c                   | 108,618         |
| <b>28 February 2018</b>          | 585,440,373                     |                           |                 |
| I accumulation CHF (NAV hedged)  |                                 | 103.20c                   | 10,000          |
| I accumulation EUR (NAV hedged)  |                                 | 110.33c                   | 311,877,092     |
| I accumulation GBP (NAV hedged)  |                                 | 112.96p                   | 204,198,754     |
| I accumulation USD               |                                 | 114.71c                   | 15,771,871      |
| R accumulation CHF (NAV hedged)  |                                 | 102.01c                   | 10,000          |
| R accumulation EUR (NAV hedged)  |                                 | 102.63c                   | 41,933,108      |
| R accumulation USD               |                                 | 105.90c                   | 108,618         |
| <b>31 August 2018</b>            | 716,555,745                     |                           |                 |
| I accumulation CHF (NAV hedged)  |                                 | 102.99c                   | 10,000          |
| I accumulation EUR (NAV hedged)  |                                 | 110.45c                   | 338,313,102     |
| I accumulation GBP (NAV hedged)  |                                 | 113.67p                   | 310,717,132     |
| I accumulation USD               |                                 | 116.42c                   | 17,080,075      |
| R accumulation CHF (NAV hedged)  |                                 | 101.44c                   | 10,000          |
| R accumulation EUR (NAV hedged)  |                                 | 102.32c                   | 13,005,323      |
| R accumulation USD               |                                 | 107.14c                   | 1,115,998       |

### Ongoing charges

| Class                           | 31 August 2018 |
|---------------------------------|----------------|
| I accumulation CHF (NAV hedged) | 0.83%          |
| I accumulation EUR (NAV hedged) | 0.83%          |
| I accumulation GBP (NAV hedged) | 0.83%          |
| I accumulation USD              | 0.83%          |
| R accumulation CHF (NAV hedged) | 1.58%          |
| R accumulation EUR (NAV hedged) | 1.58%          |
| R accumulation USD              | 1.58%          |

Ongoing charges shows the current operating expenses of each share class as a percentage of average net assets of that class for the preceding 12 months.

### Fund performance

|                                 | Since launch * | 1 year | 6 months |
|---------------------------------|----------------|--------|----------|
| Artemis US Absolute Return Fund | 13.7           | 1.8    | 0.6      |
| LIBOR GBP 3 months              | 2.0            | 0.5    | 0.3      |
| Sector average                  | 8.3            | (0.3)  | (0.5)    |
| Position in sector              | 15/51          | 19/73  | 27/75    |
| Quartile                        | 2              | 2      | 2        |

\* Data from 27 October 2014. Source: Lipper Limited, I accumulation GBP (NAV hedged) shares, mid to mid in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return. Performance details for each share class is shown on page 88.

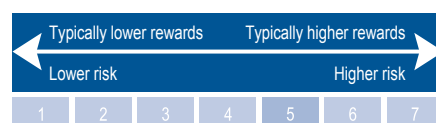
## Investment objective and policy

The objective of the Artemis US Equity Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. The sub-fund will primarily invest in medium and large companies. The ACD will not be restricted in respect of choice of investments either by company size or industry.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- The sub-fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains; however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this fund.
- 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.



## Artemis US Equity Fund – Investment review

- The fund returns 14.4%\* versus the benchmark's 14.5%\*.
- Good stock selection across a range of sectors.
- Corporate earnings are still growing rapidly.

### Performance – Helped by the dollar ...

The US market has experienced an increase in volatility this year. Concerns that inflation could trigger an unexpected increase in interest rates initially clouded the markets. That then gave way to worries about tariffs and trade wars. A sell-off at the start of the reporting period, however, was soon followed by a rebound.

Helped by the rise of the dollar, the S&P 500 Index returned 14.5% in sterling terms over the six months. The fund, meanwhile, made a return of 14.4%.

### Review – Good stock selection in a range of sectors ...

Stock selection was positive but sector allocation held back performance. Our holdings in software and services did particularly well. The best performers included Nutanix, a company with a compelling offering in technology infrastructure which is disrupting higher-priced alternatives. Intuit, a specialist in software for tax and accounting, also did well. Microsoft also featured amongst the top contributors as it continued to deliver positive results.

Semiconductor companies' share prices have been losing momentum. Guidance on future profits has been disappointing and investors are sceptical about the change of dynamics in the sector. Our holding in Applied Materials was affected. Nevertheless, Micron Technology, which makes memory chips, did well over the period and we decided

to reduce our exposure. While generally keeping our positive view on the semiconductor industry and its underlying drivers for growth, we have taken some profits. Elsewhere in the technology sector, not holding Apple held back performance: good results propelled its share price (and market cap) higher.

The fund's performance was helped by its exposure to more domestically focused stocks such as Cintas (supplier of uniforms) and Norfolk Southern (railways). We have added to Norfolk Southern – it is benefiting from the strength in the economy but also from increased volumes and higher prices. A shortage of truck drivers (and higher costs for road transport) is driving freight onto the railways.

Our healthcare stocks also did well. Centene was the top contributor to performance over the period. This is a healthcare insurance company specialising in the government-funded Medicaid market. Individual states that administer this healthcare spending are increasingly turning to companies like Centene to help them manage their costs.

Our holdings in industrial companies did not perform as well as we had expected. Boeing suffered on the back of the concerns about trade wars. We added to the stock, regarding the weakness as overdone in view of Boeing's robust order book. Other industrial stocks such as United Rentals (equipment rental), Huntington and Raytheon (both defence) were also among the detractors. We still think that continued growth in the US economy is supportive for these companies and that their valuations are undemanding.

In activity, we reduced our exposure to technology stocks and added to industrials, healthcare and some interesting consumer names. In healthcare, we increased our holding in Humana, a healthcare insurance company dealing primarily with Medicare patients (those over 65). The company stands to gain from the ageing

of the baby boomers and also the increased use of healthcare insurance within that population.

We increased our exposure to consumer-related companies. We bought Lowe's, a home-improvement retailer. Lowe's has new management and we think they will be able to improve profitability while trends are positive in the sector. We also bought Planet Fitness, a chain of gyms offering cheap membership by providing basic equipment to less enthusiastic gym-goers. We like its franchise model, the profitable returns it produces and the rapid expansion that will create economies of scale.

A developing theme in the portfolio has been to invest in domestically focused casino and gambling companies. Our main holding is Churchill Downs. To this, we have added Caesars Entertainment. In addition to having strong competitive positions in regional casinos we believe that both companies are positioned to benefit from a recent decision by the Supreme Court that allows individual states to licence sports gambling (if they wish). A number of large states, such as New Jersey and Pennsylvania, have already opted to do so. We believe that those companies that already have good connections with gaming regulators – such as Churchill Downs – are best-placed to benefit from this decision. While most sports gambling in the US is illegal and therefore hard to quantify it is estimated that the current market is worth around \$150 billion.

While the core of the portfolio is in companies with good prospects for growth, high profitability and/or stability, we have added to so-called 'value' stocks more recently. In August we bought Delta Air Lines, which had become extremely cheap.

### Outlook – An extended cycle ...

The US economy is still very healthy, showing better-than-expected growth. New jobs are being created, wages

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis in sterling with dividends reinvested to 31 August 2018. Benchmark is the S&P 500 Index (GBP).

are rising (albeit moderately) and capital expenditure is going up. We think that the effects of the tax cuts have barely begun to be recognised. To some extent this is also an expression of our confidence in the longevity of the economic cycle. We believe it has years, rather than months, to run yet.

As a counter to this positive dynamic for the corporate sector, President Trump continues to engage in trade skirmishes, principally with China. While at this point these issues fall short of a trade war, the market is likely to underperform should there be any significant escalation. That being said, it is possible that President Trump is merely engaging in anti-trade rhetoric with an eye on mid-term elections.

In economic data, indicators of confidence have reached new highs and the labour market is showing almost full employment. We still expect to see a shift in leadership in the market away from the mega-cap technology stocks (the FAANGs), with performance broadening to embrace different parts of the market. Because earnings have grown so quickly this year, valuation multiples have actually fallen. Inflation is rising but we do not think it will spike up. We expect to see capital expenditure rising and that should support economic growth further. Expecting to see better performance from more cyclical areas where share prices have not performed as well so far this year despite robust operating performance, we have reduced the fund's bias to 'growth' (stocks whose earnings should increase whatever the economic environment).

**Cormac Weldon**  
**Fund manager**

## Artemis US Equity Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases                        | Cost<br>£'000 | Sales                | Proceeds<br>£'000 |
|----------------------------------|---------------|----------------------|-------------------|
| Microsoft                        | 1,131         | Micron Technology    | 1,380             |
| Crown Castle International, REIT | 782           | Oracle               | 643               |
| SVB Financial Group              | 646           | Charles Schwab       | 610               |
| Evergy                           | 620           | Agilent Technologies | 563               |
| Lowe's                           | 598           | US Bancorp           | 558               |

### Portfolio statement as at 31 August 2018

| Investment                                    | Holding | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|---------|--------------------|--------------------|
| <b>Equities 97.17% (99.88%)</b>               |         |                    |                    |
| <b>Consumer Discretionary 12.24% (10.87%)</b> |         |                    |                    |
| Amazon.com                                    | 815     | 1,255              | 2.99               |
| Burlington Stores                             | 5,877   | 750                | 1.79               |
| Caesars Entertainment                         | 16,631  | 132                | 0.31               |
| Churchill Downs                               | 2,738   | 595                | 1.42               |
| Grand Canyon Education                        | 2,266   | 206                | 0.49               |
| Home Depot                                    | 2,287   | 351                | 0.83               |
| Lowe's                                        | 8,186   | 679                | 1.62               |
| McDonald's                                    | 2,608   | 327                | 0.78               |
| Planet Fitness A shares                       | 13,795  | 539                | 1.28               |
| Pool                                          | 2,430   | 304                | 0.73               |
|                                               |         | <b>5,138</b>       | <b>12.24</b>       |
| <b>Consumer Staples 3.04% (4.89%)</b>         |         |                    |                    |
| Altria Group                                  | 8,761   | 395                | 0.94               |
| Lamb Weston Holdings                          | 3,984   | 206                | 0.49               |
| PepsiCo                                       | 4,024   | 346                | 0.83               |
| Philip Morris International                   | 5,410   | 327                | 0.78               |
|                                               |         | <b>1,274</b>       | <b>3.04</b>        |
| <b>Energy 6.13% (5.20%)</b>                   |         |                    |                    |
| Chevron                                       | 9,603   | 885                | 2.11               |
| Delek US Holdings                             | 10,299  | 433                | 1.03               |
| EOG Resources                                 | 6,153   | 563                | 1.34               |
| Pioneer Natural Resources                     | 2,731   | 367                | 0.87               |
| Schlumberger                                  | 6,598   | 326                | 0.78               |
|                                               |         | <b>2,574</b>       | <b>6.13</b>        |
| <b>Financials 10.44% (15.15%)</b>             |         |                    |                    |
| Bank of America                               | 37,191  | 886                | 2.11               |
| Huntington Bancshares                         | 55,662  | 697                | 1.66               |
| Intercontinental Exchange                     | 6,302   | 367                | 0.87               |
| S&P Global                                    | 4,713   | 745                | 1.78               |
| SVB Financial Group                           | 3,152   | 778                | 1.85               |
| Voya Financial                                | 8,486   | 328                | 0.78               |
| Wells Fargo                                   | 12,944  | 582                | 1.39               |
|                                               |         | <b>4,383</b>       | <b>10.44</b>       |
| <b>Health Care 17.51% (14.89%)</b>            |         |                    |                    |
| Abbott Laboratories                           | 19,370  | 998                | 2.38               |

| Investment                                    | Holding | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|---------|--------------------|--------------------|
| Amgen                                         | 2,572   | 396                | 0.94               |
| Anthem                                        | 5,349   | 1,090              | 2.60               |
| AxoGen                                        | 3,862   | 135                | 0.32               |
| Becton Dickinson                              | 2,047   | 410                | 0.98               |
| Biogen                                        | 1,393   | 378                | 0.90               |
| Canopy Growth                                 | 11,124  | 379                | 0.90               |
| Celgene                                       | 1,301   | 94                 | 0.23               |
| Centene                                       | 4,787   | 540                | 1.29               |
| Humana                                        | 2,025   | 518                | 1.23               |
| Pfizer                                        | 24,762  | 790                | 1.88               |
| UnitedHealth Group                            | 4,699   | 970                | 2.31               |
| Zoetis                                        | 9,426   | 651                | 1.55               |
|                                               |         | <b>7,349</b>       | <b>17.51</b>       |
| <b>Industrials 12.96% (15.74%)</b>            |         |                    |                    |
| Boeing                                        | 3,130   | 835                | 1.99               |
| Cintas                                        | 6,385   | 1,047              | 2.49               |
| Delta Air Lines                               | 5,572   | 251                | 0.60               |
| Huntington Ingalls Industries                 | 4,367   | 809                | 1.93               |
| Lockheed Martin                               | 1,924   | 476                | 1.13               |
| Norfolk Southern                              | 7,558   | 1,012              | 2.41               |
| Raytheon                                      | 3,077   | 471                | 1.12               |
| United Rentals                                | 4,487   | 541                | 1.29               |
|                                               |         | <b>5,442</b>       | <b>12.96</b>       |
| <b>Information Technology 27.65% (28.23%)</b> |         |                    |                    |
| Alphabet C shares                             | 1,869   | 1,780              | 4.24               |
| Apple                                         | 5,061   | 876                | 2.09               |
| Applied Materials                             | 5,315   | 176                | 0.42               |
| Autodesk                                      | 4,667   | 552                | 1.32               |
| Booz Allen Hamilton Holding                   | 15,759  | 619                | 1.47               |
| CoStar Group                                  | 1,213   | 411                | 0.98               |
| Electronic Arts                               | 2,736   | 244                | 0.58               |
| Facebook A shares                             | 2,391   | 327                | 0.78               |
| Fidelity National Information Services        | 8,980   | 744                | 1.77               |
| Intuit                                        | 1,598   | 269                | 0.64               |
| Lam Research                                  | 2,298   | 305                | 0.73               |
| Micron Technology                             | 4,980   | 202                | 0.48               |
| Microsoft                                     | 29,842  | 2,569              | 6.12               |
| PayPal Holdings                               | 8,776   | 621                | 1.48               |
| salesforce.com                                | 2,897   | 339                | 0.81               |
| Spotify Technology                            | 2,587   | 378                | 0.90               |
| Visa A shares                                 | 8,676   | 979                | 2.33               |
| Xilinx                                        | 3,626   | 215                | 0.51               |
|                                               |         | <b>11,606</b>      | <b>27.65</b>       |
| <b>Materials 1.85% (2.58%)</b>                |         |                    |                    |
| DowDuPont                                     | 5,849   | 316                | 0.75               |
| Franco-Nevada                                 | 4,766   | 240                | 0.57               |
| Trinseo                                       | 3,675   | 221                | 0.53               |
|                                               |         | <b>777</b>         | <b>1.85</b>        |

## Artemis US Equity Fund – Investment information (continued)

| Investment                                      | Holding | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|---------|--------------------|--------------------|
| <b>Real Estate 1.99% (0.00%)</b>                |         |                    |                    |
| Crown Castle International, REIT                | 9,539   | 834                | 1.99               |
|                                                 |         | <b>834</b>         | <b>1.99</b>        |
| <b>Telecommunication Services 0.41% (1.06%)</b> |         |                    |                    |
| T-Mobile US                                     | 3,425   | 174                | 0.41               |
|                                                 |         | <b>174</b>         | <b>0.41</b>        |
| <b>Utilities 2.95% (1.27%)</b>                  |         |                    |                    |
| Evergy                                          | 13,861  | 611                | 1.46               |
| NextEra Energy                                  | 4,766   | 626                | 1.49               |
|                                                 |         | <b>1,237</b>       | <b>2.95</b>        |
| Investment assets                               |         | 40,788             | 97.17              |
| Net other assets                                |         | 1,188              | 2.83               |
| Net assets attributable to shareholders         |         | 41,976             | 100.00             |

The comparative percentage figures in brackets are as at 28 February 2018.

## Artemis US Equity Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |              | 31 August 2017 |              |
|------------------------------------------------------------------------------|----------------|--------------|----------------|--------------|
|                                                                              | £'000          | £'000        | £'000          | £'000        |
| <b>Income</b>                                                                |                |              |                |              |
| Net capital gains                                                            |                | 4,820        |                | 1,092        |
| Revenue                                                                      | 263            |              | 202            |              |
| Expenses                                                                     | (197)          |              | (132)          |              |
| Net revenue before taxation                                                  | 66             |              | 70             |              |
| Taxation                                                                     | (33)           |              | (41)           |              |
| Net revenue after taxation                                                   |                | 33           |                | 29           |
| <b>Total return before distributions</b>                                     |                | <b>4,853</b> |                | <b>1,121</b> |
| Distributions                                                                |                | 2            |                | -            |
| Change in net assets attributable to shareholders from investment activities |                | 4,855        |                | 1,121        |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |        | 31 August 2017 |        |
|------------------------------------------------------------------------------|----------------|--------|----------------|--------|
|                                                                              | £'000          | £'000  | £'000          | £'000  |
| Opening net assets attributable to shareholders                              |                | 31,575 |                | 25,800 |
| Amounts receivable on issue of shares                                        | 6,438          |        | 2,524          |        |
| Amounts payable on cancellation of shares                                    | (893)          |        | (1,802)        |        |
|                                                                              |                | 5,545  |                | 722    |
| Dilution adjustment                                                          |                | 1      |                | -      |
| Change in net assets attributable to shareholders from investment activities |                | 4,855  |                | 1,121  |
| Closing net assets attributable to shareholders                              |                | 41,976 |                | 27,643 |

### Balance sheet as at 31 August 2018

|                                         | 31 August 2018 | 28 February 2018 |
|-----------------------------------------|----------------|------------------|
|                                         | £'000          | £'000            |
| <b>Assets</b>                           |                |                  |
| <b>Fixed assets</b>                     |                |                  |
| Investments                             | 40,788         | 31,536           |
| <b>Current assets</b>                   |                |                  |
| Debtors                                 | 179            | 368              |
| Cash and bank balances                  | 1,104          | 46               |
| <b>Total current assets</b>             | <b>1,283</b>   | <b>414</b>       |
| <b>Total assets</b>                     | <b>42,071</b>  | <b>31,950</b>    |
| <b>Liabilities</b>                      |                |                  |
| <b>Creditors</b>                        |                |                  |
| Other creditors                         | 95             | 375              |
| <b>Total creditors</b>                  | <b>95</b>      | <b>375</b>       |
| <b>Total liabilities</b>                | <b>95</b>      | <b>375</b>       |
| Net assets attributable to shareholders | 41,976         | 31,575           |

## Artemis US Equity Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                    | Net asset value per share |                | Movement |
|--------------------|---------------------------|----------------|----------|
|                    | 25 October 2018           | 31 August 2018 |          |
| I accumulation EUR | 165.83c                   | 176.54c        | -6.1%    |
| I accumulation GBP | 185.40p                   | 200.21p        | -7.4%    |
| I accumulation USD | 149.20c                   | 162.46c        | -8.2%    |



## Artemis US Equity Fund – Comparative tables

### Fund sizes & net asset values

| Date                    | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|-------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b> | 16,279,306                      |                           |                 |
| I accumulation EUR      |                                 | 118.74c                   | 10,000          |
| I accumulation GBP      |                                 | 117.89p                   | 13,755,782      |
| I accumulation USD      |                                 | 101.96c                   | 71,510          |
| <b>28 February 2017</b> | 25,799,719                      |                           |                 |
| I accumulation EUR      |                                 | 146.56c                   | 10,000          |
| I accumulation GBP      |                                 | 157.84p                   | 16,292,500      |
| I accumulation USD      |                                 | 122.58c                   | 71,510          |
| <b>28 February 2018</b> | 31,575,341                      |                           |                 |
| I accumulation EUR      |                                 | 156.96c                   | 43,112          |
| I accumulation GBP      |                                 | 175.08p                   | 17,994,295      |
| I accumulation USD      |                                 | 151.26c                   | 10,000          |
| <b>31 August 2018</b>   | 41,975,889                      |                           |                 |
| I accumulation EUR      |                                 | 176.54c                   | 61,042          |
| I accumulation GBP      |                                 | 200.21p                   | 20,911,017      |
| I accumulation USD      |                                 | 162.46c                   | 10,000          |

### Fund performance

|                        | Since launch* | 1 year | 6 months |
|------------------------|---------------|--------|----------|
| Artemis US Equity Fund | 100.2         | 21.6   | 14.4     |
| S&P 500 Index (GBP)    | 96.5          | 18.6   | 14.5     |
| Sector average         | 85.2          | 18.3   | 13.6     |
| Position in sector     | 14/79         | 16/93  | 27/94    |
| Quartile               | 1             | 1      | 2        |

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North America. Performance details for each share class is shown on page 88.

### Ongoing charges

| Class              | 31 August 2018 |
|--------------------|----------------|
| I accumulation EUR | 1.00%          |
| I accumulation GBP | 1.00%          |
| I accumulation USD | 1.00%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

## Artemis US Extended Alpha Fund

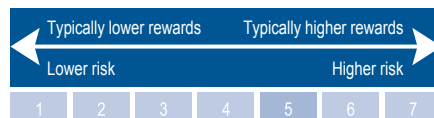
### Investment objective and policy

The objective of the Artemis US Extended Alpha Fund (the 'sub-fund') is to achieve long-term capital growth. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The ACD will not be restricted in respect of choice of investments either by company size or by industry. The sub-fund will use derivatives for investment purposes, including taking long and short positions, and may use leverage from time to time.

The sub-fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.

## Artemis US Extended Alpha Fund – Investment review

- The fund returns 13.4%\* versus a gain of 14.5%\* in the benchmarks.
- Corporate earnings have been boosted by tax cuts and strong growth.
- Higher interest rates and withdrawal of liquidity will likely have an impact on the market.

### Performance – Held back (slightly) by ‘late cycle’ worries ...

The fund lagged the sharp rise in the S&P 500 Index over the period, returning 13.4% in sterling terms versus a 14.5% gain in the Index. Returns over the year to the end of August, however, were in line with the market. The fund has outperformed the market over the last two years, three years – and since its launch in 2014.

Over the last six months, our good stock selection was offset by the negative impact of our sector allocation. Despite solid results confirming strong trends in their markets, returns from our industrial holdings proved disappointing. The market's perception that we are in the later stages of the business cycle weighed on their share prices: it worries that earnings might be near a cyclical peak.

Elsewhere, the performance of our technology stocks was mixed. Our software and services holdings contributed positively. Microsoft, for example, returned 28% in sterling terms, making it one of the biggest contributors to performance. Set against that, the fund's exposure to semiconductors – and specifically its holdings in Applied Materials and Lam Research – impaired returns. They were hurt by the generalised sell-off across the sector as the market became increasingly sceptical of the industry's improved dynamics. Not all the news here was negative, however: at a stock-specific level, our holding in Micron made a positive contribution. We sold the holding after a period of

strong performance. Our negative stance towards index heavyweight Apple, meanwhile, also weighed on returns. It posted strong returns over the period as its earnings continued to grow. We reduced our negative stance on it towards the end of the period.

More helpful was our negative stance on banks. A flattening of the yield curve (the shrinking gap between short and long-term borrowing costs) was detrimental to the sector's performance.

### Review – Lower taxes, more jobs and higher corporate earnings...

The period under review began in the aftermath of February's sharp sell-off in the US market. The worry had been that a sudden rise in inflation would push interest rates higher, thus rendering some 'carry trades' (taking advantage of low borrowing costs to invest in a currency or strategy thought likely to provide a higher return) less profitable. The effect on 'short volatility' strategies (bets that market volatility would remain becalmed) was particularly dramatic. March, however, saw the US market resuming its upward trajectory.

Economic data remained strong, confirming that the economic cycle has been extended and pushing back fears of imminent recession. Strong household spending, supported by the administration's drive to lower taxes and increase government spending, was one of the main reasons for the acceleration in economic growth. The Federal Reserve continued raising rates, with two more likely this year. Employment data is particularly strong at the moment with new jobs being created at an average rate of 200,000 per month, up from 185,000 per month last year. Unemployment rates are low and continuing to fall. Low-income workers, meanwhile, are finally seeing their wages growing.

In the meantime, corporate earnings have been growing rapidly, helped

both by tax cuts and the buoyant US economy. Earnings for the S&P 500 are on course to grow by around 20% in 2018. The last six months have also been characterised by the particularly good returns from companies focused on the domestic US economy. Not only are they sheltered from the negative effects of tariffs and from the risks in emerging markets, they are also benefiting disproportionately from Trump's tax cuts.

In the fund, domestically exposed holdings such as Cintas and Norfolk Southern were among the top contributors to performance. Cintas, which supplies and launders uniforms, is the leader in its industry. It is benefiting both from its higher route density (which makes it more profitable) and from its use of digital tools, which give it an operational advantage and increased potential for cross selling following a recent merger. Railway operator Norfolk Southern, meanwhile, is a direct beneficiary of the US economy. We added to our holding on the basis that both pricing and volumes are improving. An increase in pricing for transportation by truck (the US is experiencing a shortage of drivers) is helping to shift some goods off the road and onto the railways.

Other purchases over the period included Planet Fitness, which operates gyms. They are a large network of gym franchises, targeting less enthusiastic gym goers by offering basic gym equipment in exchange for low membership fees. We believe that the company will continue to grow strongly and so benefit from economies of scale.

In the technology sector, we further reduced our exposure to semiconductors and added to software and services by buying Microsoft and Alphabet. We reduced our negative stance on 'bond proxies' (shares whose reliable dividend payments make them a substitute for bonds) as the stocks have already been punished quite severely, particularly in the consumer staples

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis in sterling with dividends reinvested to 31 August 2018. Benchmark is the S&P 500 Index (GBP).

## Artemis US Extended Alpha Fund – Investment review (continued)

area. We increased our exposure to energy, buying Marathon Petroleum, a refiner. We are more positive on refiners generally as the lack of pipeline capacity to transport the oil away from the Permian Basin in Texas has put downward pressure on the oil price in the region. Refineries can benefit from buying this cheaper crude oil locally while selling their products at 'normal' market prices.

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### Outlook – Proceed with caution...

Despite a relatively disappointing performance so far this year, we have maintained our exposure to industrials. We have added to stocks in the defence industry where we continue to see positive dynamics. We have a small overweight in the consumer discretionary sector.

After a period of strong growth in earnings (boosted by tax cuts) third-quarter earnings are likely to mark the peak. Next year's earnings will also be impacted by the implementation of tariffs. That has not yet been reflected in analysts' forecasts – and we have had little guidance from companies. So after two years of strong growth in corporate earnings, we should expect growth to be more subdued from here.

US economic data continues to be supportive and, for now, earnings growth is solid. But higher interest rates, higher bond yields and the withdrawal of liquidity ('quantitative tightening') will have an impact. We expect momentum stocks and financials to suffer most from the withdrawal of liquidity. That market breadth has also continued to narrow, with gains being supported by an increasingly small group of growth stocks, is typical of later stages of market cycles. So we remain cautious – and invest accordingly.

**Stephen Moore**  
Fund manager

## Artemis US Extended Alpha Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018 \*

| Purchases          | Cost<br>£'000 | Sales               | Proceeds<br>£'000 |
|--------------------|---------------|---------------------|-------------------|
| Microsoft          | 70,314        | Facebook A shares   | 42,507            |
| Alphabet C shares  | 40,020        | Micron Technology   | 37,487            |
| Apple              | 39,735        | Applied Materials   | 34,605            |
| UnitedHealth Group | 26,046        | Rockwell Automation | 27,897            |
| Norfolk Southern   | 25,440        | O'Reilly Automotive | 24,804            |

\* Excluding US Treasury Bills traded for liquidity management purposes.

### Portfolio statement as at 31 August 2018

| Investment                                         | Holding   | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------------|-----------|--------------------|--------------------|
| <b>Collective investment schemes 0.77% (0.00%)</b> |           |                    |                    |
| Invesco DB US Dollar Index Bullish Fund            | 640,264   | 12,347             | 0.77               |
| <b>Collective investment schemes total</b>         |           | <b>12,347</b>      | <b>0.77</b>        |
| <b>Equities 92.32% (83.03%)</b>                    |           |                    |                    |
| <b>Consumer Discretionary 15.14% (13.43%)</b>      |           |                    |                    |
| Amazon.com                                         | 37,019    | 56,993             | 3.54               |
| Best Buy                                           | 204,455   | 12,264             | 0.76               |
| Bright Horizons Family Solutions                   | 114,962   | 10,541             | 0.66               |
| Burlington Stores                                  | 162,073   | 20,674             | 1.28               |
| Caesars Entertainment                              | 1,323,746 | 10,484             | 0.65               |
| Churchill Downs                                    | 93,405    | 20,311             | 1.26               |
| Liberty Broadband C shares                         | 227,873   | 14,149             | 0.88               |
| Liberty Expedia Holdings A shares                  | 375,115   | 13,430             | 0.83               |
| Lowe's                                             | 223,820   | 18,570             | 1.15               |
| Nike B shares                                      | 283,218   | 17,727             | 1.10               |
| Nordstrom                                          | 99,536    | 4,763              | 0.30               |
| Planet Fitness A shares                            | 509,354   | 19,916             | 1.24               |
| Strategic Education                                | 89,904    | 9,473              | 0.59               |
| Vail Resorts                                       | 63,641    | 14,420             | 0.90               |
|                                                    |           | <b>243,715</b>     | <b>15.14</b>       |
| <b>Consumer Staples 2.19% (2.38%)</b>              |           |                    |                    |
| Kroger                                             | 391,767   | 9,354              | 0.58               |
| Lamb Weston Holdings                               | 113,566   | 5,862              | 0.36               |
| PepsiCo                                            | 165,411   | 14,240             | 0.89               |
| Sysco                                              | 101,018   | 5,746              | 0.36               |
|                                                    |           | <b>35,202</b>      | <b>2.19</b>        |
| <b>Energy 4.31% (1.04%)</b>                        |           |                    |                    |
| ConocoPhillips                                     | 285,423   | 16,144             | 1.00               |
| Delek US Holdings                                  | 401,660   | 16,903             | 1.05               |
| Marathon Petroleum                                 | 428,389   | 27,377             | 1.70               |
| Pioneer Natural Resources                          | 32,659    | 4,388              | 0.27               |
| Transocean                                         | 488,655   | 4,573              | 0.29               |
|                                                    |           | <b>69,385</b>      | <b>4.31</b>        |
| <b>Financials 12.16% (13.11%)</b>                  |           |                    |                    |
| Aflac                                              | 198,967   | 7,114              | 0.44               |
| American Express                                   | 126,878   | 10,363             | 0.64               |
| Athene Holding A shares                            | 74,628    | 2,852              | 0.18               |
| Berkshire Hathaway B shares                        | 331,678   | 53,492             | 3.32               |

## Artemis US Extended Alpha Fund – Investment information (continued)

| Investment                                    | Holding | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|---------|--------------------|--------------------|
| Chubb                                         | 29,124  | 3,026              | 0.19               |
| East West Bancorp                             | 87,355  | 4,229              | 0.26               |
| Fairfax Financial Holdings                    | 18,973  | 8,001              | 0.50               |
| Fifth Third Bancorp                           | 482,062 | 10,850             | 0.67               |
| Jefferies Financial Services                  | 586,954 | 10,566             | 0.66               |
| MSCI                                          | 121,245 | 16,558             | 1.03               |
| S&P Global                                    | 142,285 | 22,502             | 1.40               |
| Synchrony Financial                           | 461,228 | 11,211             | 0.70               |
| US Bancorp                                    | 363,861 | 15,117             | 0.94               |
| Wells Fargo                                   | 439,275 | 19,746             | 1.23               |
|                                               |         | <b>195,627</b>     | <b>12.16</b>       |
| <b>Health Care 11.16% (7.04%)</b>             |         |                    |                    |
| AbbVie                                        | 153,769 | 11,444             | 0.71               |
| Agilent Technologies                          | 181,829 | 9,404              | 0.58               |
| Amgen                                         | 55,235  | 8,508              | 0.53               |
| Anthem                                        | 40,234  | 8,199              | 0.51               |
| Becton Dickinson                              | 32,950  | 6,595              | 0.41               |
| Biogen                                        | 15,114  | 4,099              | 0.26               |
| Bioxcel Therapeutics                          | 305,359 | 2,160              | 0.13               |
| Celgene                                       | 109,980 | 7,971              | 0.50               |
| Eli Lilly                                     | 118,660 | 9,624              | 0.60               |
| Gilead Sciences                               | 73,653  | 4,321              | 0.27               |
| Humana                                        | 64,251  | 16,421             | 1.02               |
| Pfizer                                        | 345,021 | 11,013             | 0.68               |
| UnitedHealth Group                            | 241,409 | 49,825             | 3.10               |
| Zoetis                                        | 433,716 | 29,945             | 1.86               |
|                                               |         | <b>179,529</b>     | <b>11.16</b>       |
| <b>Industrials 13.80% (13.21%)</b>            |         |                    |                    |
| Boeing                                        | 100,800 | 26,891             | 1.67               |
| Cintas                                        | 300,924 | 49,358             | 3.07               |
| Delta Air Lines                               | 180,648 | 8,119              | 0.51               |
| Huntington Ingalls Industries                 | 118,339 | 21,930             | 1.36               |
| Lockheed Martin                               | 57,840  | 14,312             | 0.89               |
| Norfolk Southern                              | 322,371 | 43,181             | 2.68               |
| Northrop Grumman                              | 45,157  | 10,369             | 0.64               |
| Raytheon                                      | 82,752  | 12,673             | 0.79               |
| Rockwell Automation                           | 41,433  | 5,677              | 0.35               |
| United Rentals                                | 134,529 | 16,209             | 1.01               |
| WW Grainger                                   | 49,115  | 13,386             | 0.83               |
|                                               |         | <b>222,105</b>     | <b>13.80</b>       |
| <b>Information Technology 28.29% (25.83%)</b> |         |                    |                    |
| Alphabet C shares                             | 101,676 | 96,865             | 6.02               |
| Apple                                         | 224,992 | 38,935             | 2.42               |
| Applied Materials                             | 312,564 | 10,368             | 0.65               |
| Booz Allen Hamilton Holding                   | 578,961 | 22,749             | 1.42               |
| Broadcom                                      | 80,161  | 13,351             | 0.83               |
| CoStar Group                                  | 77,087  | 26,126             | 1.62               |
| Electronic Arts                               | 130,308 | 11,616             | 0.72               |
| Facebook A shares                             | 51,936  | 7,094              | 0.44               |

| Investment                                      | Holding      | Global exposure * | Valuation        | % of net     |
|-------------------------------------------------|--------------|-------------------|------------------|--------------|
|                                                 |              | £'000             | £'000            | assets       |
| Glu Mobile                                      | 1,114,194    |                   | 6,477            | 0.40         |
| GoDaddy A shares                                | 118,687      |                   | 7,326            | 0.46         |
| Lam Research                                    | 71,573       |                   | 9,492            | 0.59         |
| Mastercard A shares                             | 94,293       |                   | 15,503           | 0.96         |
| Micron Technology                               | 424,417      |                   | 17,218           | 1.07         |
| Microsoft                                       | 837,854      |                   | 72,124           | 4.48         |
| NeoPhotonics                                    | 447,682      |                   | 3,029            | 0.19         |
| Nutanix A shares                                | 73,333       |                   | 3,428            | 0.21         |
| Oracle                                          | 519,446      |                   | 19,324           | 1.20         |
| PayPal Holdings                                 | 378,884      |                   | 26,829           | 1.67         |
| salesforce.com                                  | 87,923       |                   | 10,286           | 0.64         |
| Visa A shares                                   | 131,301      |                   | 14,819           | 0.92         |
| Xilinx                                          | 374,516      |                   | 22,238           | 1.38         |
|                                                 |              |                   | <b>455,197</b>   | <b>28.29</b> |
| <b>Materials 2.00% (5.38%)</b>                  |              |                   |                  |              |
| DowDuPont                                       | 146,441      |                   | 7,905            | 0.49         |
| Franco-Nevada                                   | 219,536      |                   | 11,077           | 0.69         |
| LyondellBaSelI Industries A shares              | 151,554      |                   | 13,243           | 0.82         |
|                                                 |              |                   | <b>32,225</b>    | <b>2.00</b>  |
| <b>Real Estate 2.05% (1.22%)</b>                |              |                   |                  |              |
| Crown Castle International, REIT                | 166,219      |                   | 14,539           | 0.90         |
| Prologis, REIT                                  | 159,630      |                   | 8,207            | 0.51         |
| SL Green Realty, REIT                           | 128,062      |                   | 10,232           | 0.64         |
|                                                 |              |                   | <b>32,978</b>    | <b>2.05</b>  |
| <b>Telecommunication Services 0.22% (0.00%)</b> |              |                   |                  |              |
| T-Mobile US                                     | 70,236       |                   | 3,564            | 0.22         |
|                                                 |              |                   | <b>3,564</b>     | <b>0.22</b>  |
| <b>Utilities 1.00% (0.39%)</b>                  |              |                   |                  |              |
| Vistra Energy                                   | 895,815      |                   | 16,119           | 1.00         |
|                                                 |              |                   | <b>16,119</b>    | <b>1.00</b>  |
| <b>Equities total</b>                           |              |                   | <b>1,485,646</b> | <b>92.32</b> |
| <b>Government bonds 4.11% (8.83%)</b>           |              |                   |                  |              |
| US Treasury 2.75% 15/02/2028                    | \$24,754,000 |                   | 18,876           | 1.17         |
| US Treasury Bill 0.00% 18/07/2019               | \$62,760,000 |                   | 47,254           | 2.94         |
| <b>Government bonds total</b>                   |              |                   | <b>66,130</b>    | <b>4.11</b>  |
| <b>Contracts for difference 0.13% (0.01%)</b>   |              |                   |                  |              |
| <b>Consumer Discretionary 0.02% ((0.11)%)</b>   |              |                   |                  |              |
| Acushnet Holdings                               | (57,401)     | (1,176)           | 25               | -            |
| Adidas                                          | (8,272)      | (1,596)           | 5                | -            |
| Aramark                                         | (182,321)    | (5,742)           | 35               | -            |
| CBS, (Non-Voting) B shares                      | (11,650)     | (475)             | 3                | -            |
| Comcast A shares                                | 1,128,397    | 31,830            | 286              | 0.02         |
| Dave & Buster's Entertainment                   | (94,414)     | (4,195)           | (71)             | -            |
| Discovery A shares                              | (99,637)     | (2,159)           | 8                | -            |
| Dollar General                                  | (56,149)     | (4,562)           | 48               | -            |
| Domino's Pizza                                  | (10,176)     | (2,352)           | (9)              | -            |
| Expedia Group                                   | (131,791)    | (13,320)          | 10               | -            |
| Genuine Parts                                   | (20,108)     | (1,532)           | 8                | -            |
| G-III Apparel Group                             | (21,300)     | (714)             | 30               | -            |



## Artemis US Extended Alpha Fund – Investment information (continued)

| Investment                              | Holding     | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------|-------------|----------------------------|--------------------|--------------------|
| Hanesbrands                             | (239,366)   | (3,224)                    | (2)                | -                  |
| Home Depot                              | 56,456      | 8,651                      | (117)              | (0.01)             |
| Las Vegas Sands                         | 55,400      | 2,799                      | (21)               | -                  |
| LG Electronics                          | (15,976)    | (846)                      | (31)               | -                  |
| Lululemon Athletica                     | (7,546)     | (795)                      | 10                 | -                  |
| MakeMyTrip                              | (82,347)    | (1,964)                    | (6)                | -                  |
| Netflix                                 | (12,150)    | (3,466)                    | (24)               | -                  |
| Newell Brands                           | (139,697)   | (2,349)                    | 63                 | 0.01               |
| News A shares                           | (418,223)   | (4,253)                    | (6)                | -                  |
| Ollie's Bargain Outlet Holdings         | (104,139)   | (6,844)                    | (196)              | (0.01)             |
| Papa John's International               | (108,409)   | (3,845)                    | (24)               | -                  |
| Restaurant Brands International         | (62,002)    | (2,737)                    | 62                 | -                  |
| Sears Holdings                          | (151,182)   | (146)                      | (1)                | -                  |
| Six Flags Entertainment                 | 77,897      | 3,910                      | (25)               | -                  |
| Tesla                                   | (19,272)    | (4,492)                    | 129                | 0.01               |
| Under Armour C shares                   | (287,563)   | (4,209)                    | 55                 | -                  |
|                                         |             | <b>(29,803)</b>            | <b>244</b>         | <b>0.02</b>        |
| <b>Consumer Staples (0.02)% (0.08%)</b> |             |                            |                    |                    |
| Altria Group                            | 120,347     | 5,431                      | 21                 | -                  |
| Constellation Brands                    | (9,911)     | (1,591)                    | (12)               | -                  |
| Diageo, ADR                             | (18,010)    | (1,955)                    | (3)                | -                  |
| Estee Lauder A shares                   | (35,791)    | (3,839)                    | 16                 | -                  |
| General Mills                           | (37,371)    | (1,312)                    | (8)                | -                  |
| Hain Celestial Group                    | (167,582)   | (3,653)                    | (203)              | (0.01)             |
| Hershey                                 | (53,816)    | (4,135)                    | (48)               | -                  |
| Hormel Foods                            | (142,293)   | (4,217)                    | (70)               | (0.01)             |
| Kellogg                                 | (43,513)    | (2,401)                    | (9)                | -                  |
| Kraft Heinz                             | (77,772)    | (3,481)                    | 34                 | -                  |
| Maple Leaf Foods                        | 213,283     | 3,992                      | 35                 | -                  |
| Molson Coors Brewing B shares           | (30,656)    | (1,577)                    | 2                  | -                  |
| Monster Beverage                        | (90,440)    | (4,229)                    | (2)                | -                  |
| Walmart                                 | (11,042)    | (816)                      | (3)                | -                  |
|                                         |             | <b>(23,783)</b>            | <b>(250)</b>       | <b>(0.02)</b>      |
| <b>Energy 0.00% ((0.07)%)</b>           |             |                            |                    |                    |
| Exxon Mobil                             | (23,511)    | (1,455)                    | (4)                | -                  |
| Imperial Oil                            | (52,656)    | (1,288)                    | (11)               | -                  |
|                                         |             | <b>(2,743)</b>             | <b>(15)</b>        | <b>-</b>           |
| <b>Financials 0.03% (0.08%)</b>         |             |                            |                    |                    |
| Ameriprise Financial                    | (1,390)     | (152)                      | 2                  | -                  |
| Banco Bilbao Vizcaya Argentaria, ADR    | (806,994)   | (3,869)                    | 86                 | 0.01               |
| Bank OZK                                | (47,713)    | (1,476)                    | 5                  | -                  |
| Barclays                                | (1,232,490) | (2,182)                    | 82                 | 0.01               |
| BlackRock                               | (10,410)    | (3,805)                    | 64                 | -                  |
| Commonwealth Bank of Australia          | (31,175)    | (1,236)                    | 8                  | -                  |
| Deutsche Bank                           | (293,755)   | (2,578)                    | 29                 | -                  |
| Discover Financial Services             | 320,637     | 19,193                     | (163)              | (0.01)             |
| Eaton Vance                             | (157,119)   | (6,401)                    | 111                | 0.01               |
| Federated Investors B shares            | (129,980)   | (2,283)                    | -                  | -                  |
| HSBC Holdings, ADR                      | (128,054)   | (4,366)                    | 55                 | -                  |



| Investment                                  | Holding     | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|---------------------------------------------|-------------|----------------------------|--------------------|--------------------|
| Intesa Sanpaolo                             | (1,135,130) | (2,187)                    | 32                 | -                  |
| Janus Henderson Group                       | (143,820)   | (3,133)                    | 37                 | -                  |
| JPMorgan Chase                              | (17,948)    | (1,590)                    | 13                 | -                  |
| Pinnacle Financial Partners                 | (46,601)    | (2,309)                    | (9)                | -                  |
| Scottish Mortgage Investment Trust          | (1,675,891) | (9,305)                    | 128                | 0.01               |
| Societe Generale                            | (123,040)   | (3,899)                    | 71                 | -                  |
| Waddell & Reed Financial                    | (131,300)   | (2,033)                    | 28                 | -                  |
| Westpac Banking, ADR                        | (243,289)   | (3,875)                    | (28)               | -                  |
|                                             |             | <b>(37,486)</b>            | <b>551</b>         | <b>0.03</b>        |
| <b>Health Care 0.00% ((0.22)%)</b>          |             |                            |                    |                    |
| Anthem                                      | 168,399     | 34,316                     | (220)              | (0.01)             |
| Becton Dickinson                            | 49,351      | 9,879                      | 101                | 0.01               |
| Cooper                                      | (21,590)    | (4,380)                    | (5)                | -                  |
| Dentsply Sirona                             | (46,420)    | (1,416)                    | (17)               | -                  |
| Henry Schein                                | (31,216)    | (1,848)                    | 89                 | -                  |
|                                             |             | <b>36,551</b>              | <b>(52)</b>        | <b>-</b>           |
| <b>Industrials 0.01% (0.28%)</b>            |             |                            |                    |                    |
| Avis Budget Group                           | (45,429)    | (1,124)                    | 62                 | -                  |
| Caterpillar                                 | (17,517)    | (1,873)                    | 39                 | -                  |
| Colfax                                      | (102,936)   | (2,773)                    | (17)               | -                  |
| Deere                                       | (35,847)    | (3,951)                    | 66                 | -                  |
| Fastenal                                    | (34,353)    | (1,536)                    | 15                 | -                  |
| FedEx                                       | (18,080)    | (3,430)                    | 12                 | -                  |
| GATX                                        | (28,750)    | (1,882)                    | 9                  | -                  |
| General Dynamics                            | (33,130)    | (4,904)                    | 79                 | 0.01               |
| General Electric                            | (390,464)   | (3,833)                    | (3)                | -                  |
| Kennametal                                  | (106,880)   | (3,339)                    | 28                 | -                  |
| MSC Industrial Direct A shares              | (43,689)    | (2,874)                    | 18                 | -                  |
| Northrop Grumman                            | 57,107      | 13,114                     | (78)               | -                  |
| Pentair                                     | (66,413)    | (2,214)                    | 5                  | -                  |
| Raytheon                                    | 84,811      | 12,988                     | (59)               | -                  |
| Ritchie Bros Auctioneers                    | (111,841)   | (3,284)                    | (22)               | -                  |
| Snap-on                                     | (32,315)    | (4,434)                    | (16)               | -                  |
| Terex                                       | (95,554)    | (2,849)                    | 44                 | -                  |
| Wabtec                                      | (40,861)    | (3,409)                    | 49                 | -                  |
|                                             |             | <b>(21,607)</b>            | <b>231</b>         | <b>0.01</b>        |
| <b>Information Technology 0.05% (0.00%)</b> |             |                            |                    |                    |
| Advanced Micro Devices                      | (91,396)    | (1,749)                    | (4)                | -                  |
| Alibaba Group Holding, ADR                  | (17,453)    | (2,343)                    | 48                 | -                  |
| ams                                         | (60,394)    | (3,658)                    | (108)              | (0.01)             |
| Analog Devices                              | (65,604)    | (4,973)                    | 93                 | 0.01               |
| ARRIS International                         | (79,081)    | (1,589)                    | (41)               | -                  |
| ASML Holding, NYRS                          | (69,942)    | (11,037)                   | 77                 | -                  |
| AU Optronics, ADR                           | (1,036,765) | (3,456)                    | (80)               | -                  |
| Baidu, ADR                                  | (7,327)     | (1,263)                    | 8                  | -                  |
| Ebix                                        | (95,900)    | (5,792)                    | (37)               | -                  |
| Gartner                                     | (40,259)    | (4,570)                    | 19                 | -                  |
| Infineon Technologies                       | (172,187)   | (3,393)                    | 20                 | -                  |
| Intel                                       | (107,751)   | (3,997)                    | 26                 | -                  |

Artemis US Extended Alpha Fund – Investment information (continued)

| Investment                                        | Holding     | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|---------------------------------------------------|-------------|----------------------------|--------------------|--------------------|
| Lam Research                                      | 154,429     | 20,481                     | (198)              | (0.01)             |
| Largan Precision                                  | (21,000)    | (2,471)                    | 32                 | -                  |
| LG Display, ADR                                   | (92,813)    | (673)                      | (1)                | -                  |
| MediaTek                                          | (503,000)   | (3,162)                    | 7                  | -                  |
| Microchip Technology                              | (29,157)    | (1,918)                    | 43                 | -                  |
| Microsoft                                         | 377,363     | 32,486                     | 490                | 0.03               |
| MKS Instruments                                   | (27,170)    | (1,932)                    | 24                 | -                  |
| Nanometrics                                       | (53,669)    | (1,816)                    | 31                 | -                  |
| Nokia, ADR                                        | (951,956)   | (4,110)                    | 80                 | 0.01               |
| Pandora Media                                     | (293,044)   | (2,070)                    | (225)              | (0.01)             |
| Proofpoint                                        | (51,083)    | (4,653)                    | (10)               | -                  |
| Samsung Electronics, GDR                          | (3,123)     | (2,584)                    | (62)               | -                  |
| SAP, ADR                                          | (137,016)   | (12,777)                   | 77                 | -                  |
| Seagate Technology                                | (73,828)    | (3,017)                    | 188                | 0.01               |
| Shopify A shares                                  | (17,950)    | (1,999)                    | 3                  | -                  |
| SK Hynix                                          | (47,291)    | (2,704)                    | (4)                | -                  |
| Splunk                                            | (28,629)    | (2,769)                    | 37                 | -                  |
| Taiwan Semiconductor Manufacturing, ADR           | (75,370)    | (2,519)                    | (65)               | -                  |
| Texas Instruments                                 | (111,455)   | (9,649)                    | 208                | 0.01               |
| United Microelectronics                           | (1,800,000) | (780)                      | 7                  | -                  |
| Western Digital                                   | (74,963)    | (3,648)                    | 80                 | 0.01               |
| Workday A shares                                  | (25,379)    | (3,002)                    | (32)               | -                  |
| Xiaomi B shares                                   | (1,018,800) | (1,676)                    | 32                 | -                  |
| Yelp                                              | (90,094)    | (3,243)                    | (6)                | -                  |
|                                                   |             | <b>(68,025)</b>            | <b>757</b>         | <b>0.05</b>        |
| <b>Investment Funds 0.00% (0.02%)</b>             |             |                            |                    |                    |
| <b>Materials 0.02% (0.01%)</b>                    |             |                            |                    |                    |
| Agnico Eagle Mines                                | (125,071)   | (3,352)                    | 109                | 0.01               |
| Air Products & Chemicals                          | (31,822)    | (4,080)                    | 7                  | -                  |
| GCP Applied Technologies                          | (113,267)   | (2,236)                    | 30                 | -                  |
| Reliance Steel & Aluminum                         | (10,546)    | (711)                      | 9                  | -                  |
| Southern Copper                                   | (107,320)   | (3,607)                    | 164                | 0.01               |
|                                                   |             | <b>(13,986)</b>            | <b>319</b>         | <b>0.02</b>        |
| <b>Real Estate 0.00% (0.02%)</b>                  |             |                            |                    |                    |
| Jones Lang LaSalle                                | (16,074)    | (1,878)                    | 29                 | -                  |
| Kimco Realty                                      | (233,227)   | (3,053)                    | 43                 | -                  |
| Regency Centers                                   | (56,032)    | (2,832)                    | 14                 | -                  |
| Seritage Growth Properties A shares               | (81,553)    | (3,231)                    | (21)               | -                  |
|                                                   |             | <b>(10,994)</b>            | <b>65</b>          | <b>-</b>           |
| <b>Telecommunication Services 0.02% ((0.08)%)</b> |             |                            |                    |                    |
| AT&T                                              | (221,545)   | (5,445)                    | 119                | 0.01               |
| SoftBank Group, ADR                               | (53,530)    | (1,865)                    | 33                 | -                  |
| T-Mobile US                                       | 334,198     | 16,963                     | 105                | 0.01               |
| Verizon Communications                            | (115,068)   | (4,844)                    | (9)                | -                  |
|                                                   |             | <b>4,809</b>               | <b>248</b>         | <b>0.02</b>        |
| <b>Contracts for difference total</b>             |             | <b>(167,067)</b>           | <b>2,098</b>       | <b>0.13</b>        |

| Investment                                               | Holding | Global exposure *<br>£'000 | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------------------|---------|----------------------------|--------------------|--------------------|
| <b>Forward currency contracts (0.02)% ((0.17)%)</b>      |         |                            |                    |                    |
| <b>I accumulation CHF (NAV hedged) 0.00% (0.00%)</b>     |         |                            |                    |                    |
| Buy Swiss Franc 11,451,938 dated 28/09/2018              |         |                            | 9,124              | 0.57               |
| Sell US Dollar 11,797,097 dated 28/09/2018               |         |                            | (9,063)            | (0.57)             |
|                                                          |         |                            | <b>61</b>          | <b>-</b>           |
| <b>I accumulation EUR (NAV hedged) (0.01)% ((0.01)%)</b> |         |                            |                    |                    |
| Buy Euro 58,999,769 dated 28/09/2018                     |         |                            | 52,971             | 3.29               |
| Sell US Dollar 69,166,137 dated 28/09/2018               |         |                            | (53,133)           | (3.30)             |
|                                                          |         |                            | <b>(162)</b>       | <b>(0.01)</b>      |
| <b>I accumulation GBP (NAV hedged) 0.00% ((0.14)%)</b>   |         |                            |                    |                    |
| Buy Sterling 214,489,465 dated 28/09/2018                |         |                            | 214,489            | 13.33              |
| Sell US Dollar 279,221,215 dated 28/09/2018              |         |                            | (214,496)          | (13.33)            |
|                                                          |         |                            | <b>(7)</b>         | <b>-</b>           |
| <b>R accumulation CHF (NAV hedged) 0.00% (0.00%)</b>     |         |                            |                    |                    |
| Buy Swiss Franc 112,309 dated 28/09/2018                 |         |                            | 89                 | 0.01               |
| Sell US Dollar 115,699 dated 28/09/2018                  |         |                            | (88)               | (0.01)             |
|                                                          |         |                            | <b>1</b>           | <b>-</b>           |
| <b>R accumulation EUR (NAV hedged) (0.01)% ((0.02)%)</b> |         |                            |                    |                    |
| Buy Euro 41,429,755 dated 28/09/2018                     |         |                            | 37,196             | 2.31               |
| Sell US Dollar 48,568,116 dated 28/09/2018               |         |                            | (37,309)           | (2.32)             |
|                                                          |         |                            | <b>(113)</b>       | <b>(0.01)</b>      |
| <b>Forward currency contracts total</b>                  |         |                            | <b>(220)</b>       | <b>(0.02)</b>      |
| <b>Futures 0.12% (0.12%)</b>                             |         |                            |                    |                    |
| S&P 500 Emini Index 21/09/2018                           | 864     | 96,278                     | 1,913              | 0.12               |
| <b>Futures total</b>                                     |         | <b>96,278</b>              | <b>1,913</b>       | <b>0.12</b>        |
| Investment assets (including investment liabilities)     |         |                            | 1,567,914          | 97.43              |
| Net other assets                                         |         |                            | 41,274             | 2.57               |
| Net assets attributable to shareholders                  |         |                            | 1,609,188          | 100.00             |

The comparative percentage figures in brackets are as at 28 February 2018.

\* 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.

## Artemis US Extended Alpha Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                                     | 31 August 2018 |                | 31 August 2017 |               |
|-------------------------------------------------------------------------------------|----------------|----------------|----------------|---------------|
|                                                                                     | £'000          | £'000          | £'000          | £'000         |
| <b>Income</b>                                                                       |                |                |                |               |
| Net capital gains                                                                   |                | 159,647        |                | 38,556        |
| Revenue                                                                             | 10,039         |                | 6,241          |               |
| Expenses                                                                            | (5,893)        |                | (7,041)        |               |
| Interest payable and similar charges                                                | (4,216)        |                | (3,994)        |               |
| Net expense before taxation                                                         | (70)           |                | (4,794)        |               |
| Taxation                                                                            | (1,493)        |                | (598)          |               |
| Net expense after taxation                                                          |                | (1,563)        |                | (5,392)       |
| <b>Total return before distributions</b>                                            |                | <b>158,084</b> |                | <b>33,164</b> |
| Distributions                                                                       |                | 2              |                | -             |
| <b>Change in net assets attributable to shareholders from investment activities</b> |                | <b>158,086</b> |                | <b>33,164</b> |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |                  | 31 August 2017 |                |
|------------------------------------------------------------------------------|----------------|------------------|----------------|----------------|
|                                                                              | £'000          | £'000            | £'000          | £'000          |
| Opening net assets attributable to shareholders                              |                | 1,203,410        |                | 623,448        |
| Amounts receivable on issue of shares                                        | 396,072        |                  | 304,068        |                |
| Amounts payable on cancellation of shares                                    | (148,380)      |                  | (77,796)       |                |
|                                                                              |                | 247,692          |                | 226,272        |
| Change in net assets attributable to shareholders from investment activities |                | 158,086          |                | 33,164         |
| <b>Closing net assets attributable to shareholders</b>                       |                | <b>1,609,188</b> |                | <b>882,884</b> |

### Balance sheet as at 31 August 2018

|                                                | 31 August 2018   | 28 February 2018 |
|------------------------------------------------|------------------|------------------|
|                                                | £'000            | £'000            |
| <b>Assets</b>                                  |                  |                  |
| <b>Fixed assets</b>                            |                  |                  |
| Investments                                    | 1,570,642        | 1,124,578        |
| <b>Current assets</b>                          |                  |                  |
| Debtors                                        | 14,684           | 5,765            |
| Cash and bank balances                         | 82,120           | 101,449          |
| <b>Total current assets</b>                    | <b>96,804</b>    | <b>107,214</b>   |
| <b>Total assets</b>                            | <b>1,667,446</b> | <b>1,231,792</b> |
| <b>Liabilities</b>                             |                  |                  |
| Investment liabilities                         | 2,728            | 19,611           |
| <b>Creditors</b>                               |                  |                  |
| Bank overdraft                                 | 38,555           | -                |
| Other creditors                                | 16,975           | 8,771            |
| <b>Total creditors</b>                         | <b>55,530</b>    | <b>8,771</b>     |
| <b>Total liabilities</b>                       | <b>58,258</b>    | <b>28,382</b>    |
| <b>Net assets attributable to shareholders</b> | <b>1,609,188</b> | <b>1,203,410</b> |

## Artemis US Extended Alpha Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                                 | Net asset value per share |                | Movement |
|---------------------------------|---------------------------|----------------|----------|
|                                 | 25 October 2018           | 31 August 2018 |          |
| I accumulation CHF (NAV hedged) | 131.91c                   | 143.77c        | -8.2%    |
| I accumulation EUR              | 179.83c                   | 190.6c         | -5.7%    |
| I accumulation EUR (NAV hedged) | 107.36c                   | 116.9c         | -8.2%    |
| I accumulation GBP              | 201.09p                   | 216.22p        | -7.0%    |
| I accumulation GBP (NAV hedged) | 135.94p                   | 147.68p        | -7.9%    |
| I accumulation USD              | 161.88c                   | 175.5c         | -7.8%    |
| R accumulation CHF              | 143.63c                   | 150.75c        | -4.7%    |
| R accumulation CHF (NAV hedged) | 129.81c                   | 141.57c        | -8.3%    |
| R accumulation EUR              | 138.09c                   | 146.53c        | -5.8%    |
| R accumulation EUR (NAV hedged) | 124.01c                   | 135.16c        | -8.2%    |
| R accumulation USD              | 137.94c                   | 149.71c        | -7.9%    |

## Artemis US Extended Alpha Fund – Comparative tables

### Fund sizes & net asset values

| Date                            | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|---------------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b>         | 267,876,831                     |                           |                 |
| I accumulation EUR              |                                 | 127.99c                   | 21,168,130      |
| I accumulation GBP              |                                 | 127.25p                   | 117,596,771     |
| I accumulation USD              |                                 | 110.05c                   | 122,053,885     |
| <b>28 February 2017</b>         | 623,447,810                     |                           |                 |
| I accumulation CHF (NAV Hedged) |                                 | 116.22c                   | 361,650         |
| I accumulation EUR              |                                 | 162.15c                   | 25,777,712      |
| I accumulation GBP              |                                 | 174.88p                   | 140,611,130     |
| I accumulation GBP (NAV Hedged) |                                 | 117.16p                   | 1,015,748       |
| I accumulation USD              |                                 | 135.78c                   | 294,748,645     |
| R accumulation CHF              |                                 | 122.94c                   | 10,000          |
| R accumulation CHF (NAV Hedged) |                                 | 115.50c                   | 10,000          |
| R accumulation EUR              |                                 | 126.26c                   | 12,323          |
| R accumulation EUR (NAV Hedged) |                                 | 109.88c                   | 19,203,956      |
| R accumulation USD              |                                 | 117.17c                   | 778,599         |
| <b>28 February 2018</b>         | 1,203,409,742                   |                           |                 |
| I accumulation CHF (NAV Hedged) |                                 | 137.36c                   | 4,323,616       |
| I accumulation EUR              |                                 | 170.93c                   | 77,680,589      |
| I accumulation EUR (NAV Hedged) |                                 | 111.46c                   | 29,185,813      |
| I accumulation GBP              |                                 | 190.72p                   | 173,984,626     |
| I accumulation GBP (NAV Hedged) |                                 | 139.97p                   | 153,859,274     |
| I accumulation USD              |                                 | 164.81c                   | 335,802,130     |
| R accumulation CHF              |                                 | 138.71c                   | 171,225         |
| R accumulation CHF (NAV Hedged) |                                 | 135.81c                   | 64,441          |
| R accumulation EUR              |                                 | 131.88c                   | 43,567,278      |
| R accumulation EUR (NAV Hedged) |                                 | 129.34c                   | 24,576,446      |
| R accumulation USD              |                                 | 141.15c                   | 26,532,851      |
| <b>31 August 2018</b>           | 1,609,188,118                   |                           |                 |
| I accumulation CHF (NAV Hedged) |                                 | 143.77c                   | 7,976,978       |
| I accumulation EUR              |                                 | 190.60c                   | 115,374,324     |
| I accumulation EUR (NAV hedged) |                                 | 116.90c                   | 50,747,244      |
| I accumulation GBP              |                                 | 216.22p                   | 203,602,779     |
| I accumulation GBP (NAV Hedged) |                                 | 147.68p                   | 145,577,245     |
| I accumulation USD              |                                 | 175.50c                   | 404,199,658     |
| R accumulation CHF              |                                 | 150.75c                   | 289,720         |
| R accumulation CHF (NAV Hedged) |                                 | 141.57c                   | 79,441          |
| R accumulation EUR              |                                 | 146.53c                   | 56,228,847      |
| R accumulation EUR (NAV Hedged) |                                 | 135.16c                   | 30,698,548      |
| R accumulation USD              |                                 | 149.71c                   | 32,408,636      |

### Ongoing charges

| Class                           | 31 August 2018 |
|---------------------------------|----------------|
| I accumulation CHF (NAV Hedged) | 0.80%          |
| I accumulation EUR              | 0.80%          |
| I accumulation EUR (NAV hedged) | 0.80%          |
| I accumulation GBP              | 0.80%          |
| I accumulation GBP (NAV Hedged) | 0.80%          |
| I accumulation USD              | 0.80%          |
| R accumulation CHF              | 1.55%          |
| R accumulation CHF (NAV Hedged) | 1.55%          |
| R accumulation EUR              | 1.55%          |
| R accumulation EUR (NAV Hedged) | 1.55%          |
| R accumulation USD              | 1.55%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

### Fund performance

|                                | Since launch* | 3 years | 1 year | 6 months |
|--------------------------------|---------------|---------|--------|----------|
| Artemis US Extended Alpha Fund | 116.3         | 91.0    | 18.6   | 13.4     |
| S&P 500 Index                  | 96.5          | 85.2    | 18.6   | 14.5     |
| Sector average                 | 85.2          | 74.9    | 18.3   | 13.6     |
| Position in sector             | 4/79          | 8/84    | 44/93  | 44/94    |
| Quartile                       | 1             | 1       | 2      | 2        |

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North America. Performance details for each share class is shown on page 89.

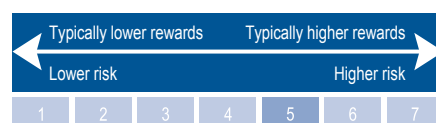
## Investment objective and policy

The objective of the Artemis US Select Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. To achieve the objective, the sub-fund will include investments in smaller companies and may seek to include special situations. The ACD will not be restricted in respect of choice of investments either by company size or industry. It is expected that the portfolio of the sub-fund will be invested in the shares of between 35 and 65 companies.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

## 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-fund is valued and priced.
- The sub-fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains; however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this sub-fund.
- 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.



## Artemis US Select Fund – Investment review

- The fund returns 16.2%\* versus the benchmark's 14.5%\*.
- Good stock selection across a range of sectors.
- Corporate earnings are still growing rapidly.

### Performance – Through the volatility ...

The US market has experienced an increase in volatility this year. Concerns that inflation could trigger an unexpected increase in interest rates initially clouded the markets. That then gave way to worries about tariffs and trade wars. A sell-off at the start of the reporting period, however, was soon followed by a rebound.

Helped by the rise of the dollar, the S&P 500 returned 14.5% in sterling terms over the six months. The fund, meanwhile, posted a healthy return of 16.2%.

### Review – Broad-based performance ...

The fund's performance stemmed from good stock selection. Our holdings in software and services did particularly well. The best performers included Nutanix, a company with a compelling offering in technology infrastructure which is disrupting higher-priced alternatives. Intuit, a specialist in software for tax and accounting, also did well. Microsoft also featured amongst the top contributors as it continued to deliver positive results.

Semiconductor companies' share prices have been losing momentum. Guidance on future profits has been disappointing and investors are sceptical about the change of dynamics in the sector. Our holding in Applied Materials was affected. Nevertheless, Micron Technology, which makes memory chips, did well over the period and we decided to reduce our exposure. While generally keeping our positive view

on the semiconductor industry and its underlying drivers for growth, we have taken some profits. Elsewhere in the technology sector, not holding Apple held back performance: good results propelled its share price (and market cap) higher.

The fund's performance was helped by its exposure to more domestically focused stocks such as Cintas (supplier of uniforms) and Norfolk Southern (railways). We have added to Norfolk Southern – it is benefiting from the strength in the economy but also from increased volumes and higher prices. A shortage of truck drivers (and higher costs for road transport) is driving freight onto the railways.

Our healthcare stocks also did well. Centene was the top contributor to performance over the period. This is a healthcare insurance company specialising in the government-funded Medicaid market. Individual states that administer this healthcare spending are increasingly turning to companies like Centene to help them manage their costs.

Our holdings in industrial companies did not perform as well as we had expected. Boeing suffered on the back of the concerns about trade wars. We added to the stock, regarding the weakness as overdone in view of Boeing's robust order book. Other industrial stocks such as United Rentals (equipment rental), Huntington Ingalls Industries and Raytheon (both defence) were also among the detractors. We still think that continued growth in the US economy is supportive for these companies and that their valuations are undemanding.

In activity, we reduced our exposure to technology stocks and added to industrials, healthcare and some interesting consumer names. In healthcare, we bought Abbott Laboratories. We believe its new products will boost top-line growth. In addition, we increased our holding in Humana, a healthcare insurance

company dealing primarily with Medicare patients (those over 65). The company stands to gain from the ageing of the baby boomers and also the increased use of healthcare insurance within that population.

We increased our exposure to consumer-related companies. One was Burlington Stores, an 'off-price' retailer selling designer goods at low prices. Burlington is still performing well as it can profit from the continuing demise of traditional department stores. We have added further to our holding over the last six months. More recently, we bought Lowe's, a home-improvement retailer. Lowe's has new management and we think they will be able to improve profitability while trends are positive in the sector.

A developing theme in the portfolio has been to invest in domestically focused casino and gambling companies. Our main holding is Churchill Downs. To this, we have added Caesars Entertainment. In addition to having strong competitive positions in regional casinos we believe that both companies are positioned to benefit from a recent decision by the Supreme Court that allows individual states to licence sports gambling (if they wish). A number of large states, such as New Jersey and Pennsylvania, have already opted to do so. We believe that those companies that already have good connections with gaming regulators – such as Churchill Downs – are best-placed to benefit from this decision. While most sports gambling in the US is illegal and therefore hard to quantify it is estimated that the current market is worth around \$150 billion.

We have added a new holding in Fidelity National Information Services (FIS). We have identified investment in technology by banks as a major area of growth. Customers now expect to be able to access their banking services at all times, and need that information to be secure. So banks are significantly increasing their spending on technology to

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested to 31 August 2018. Benchmark is the S&P 500 Index (GBP).



create better experience for their customers while also reducing costs. While the largest banks are able to invest significantly, it is incumbent on smaller banks to keep pace as best they can. This is where FIS comes in. It can provide off-the-shelf solutions to the thousands of smaller banks and credit unions across the US to enable them to have a competitive offering. It seems to us that this theme will run and run.

While the core of the portfolio is in companies with good prospects for growth, high profitability and/or stability, we have added to so-called 'value' stocks more recently. In August we bought Delta Air Lines, which had become extremely cheap.

embrace different parts of the market. Because earnings have grown so quickly this year, valuation multiples have actually fallen. Inflation is rising but we do not think it will spike up. We expect to see capital expenditure rising and that should support economic growth further. Expecting to see better performance from more cyclical areas where share prices have not performed as well so far this year despite robust operating performance, we have reduced the fund's bias to 'growth' (stocks whose earnings should increase whatever the economic environment).

**Cormac Weldon**  
**Fund manager**

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## Outlook – The economic cycle has further to run ...

The US economy is still very healthy, showing better-than-expected growth. New jobs are being created, wages are rising (albeit moderately) and capital expenditure is going up. We think that the effects of the tax cuts have barely begun to be recognised. To some extent this is also an expression of our confidence in the longevity of the economic cycle. We believe it has years, rather than months, to run yet.

As a counter to this positive dynamic for the corporate sector, President Trump continues to engage in trade skirmishes, principally with China. While at this point these issues fall short of a trade war, the market is likely to underperform should there be any significant escalation. That being said, it is possible that President Trump is merely engaging in anti-trade rhetoric with an eye on mid-term elections.

In economic data, indicators of confidence have reached new highs and the labour market is showing almost full employment. We still expect to see a shift in leadership in the market away from the mega-cap technology stocks (the FAANGs), with performance broadening to

## Artemis US Select Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases                              | Cost<br>£'000 | Sales             | Proceeds<br>£'000 |
|----------------------------------------|---------------|-------------------|-------------------|
| Crown Castle International, REIT       | 41,313        | Micron Technology | 56,924            |
| Microsoft                              | 40,600        | Altria Group      | 28,201            |
| Autodesk                               | 28,598        | Electronic Arts   | 25,929            |
| Fidelity National Information Services | 25,872        | Bank of America   | 25,122            |
| Boeing                                 | 25,808        | Charles Schwab    | 24,702            |

### Portfolio statement as at 31 August 2018

| Investment                                   | Holding | Valuation<br>£'000 | % of net<br>assets |
|----------------------------------------------|---------|--------------------|--------------------|
| <b>Equities 98.76% (99.62%)</b>              |         |                    |                    |
| <b>Consumer Discretionary 15.03% (9.21%)</b> |         |                    |                    |
| Amazon.com                                   | 29,959  | 46,124             | 4.04               |
| Burlington Stores                            | 248,515 | 31,700             | 2.78               |
| Caesars Entertainment                        | 709,254 | 5,617              | 0.49               |
| Churchill Downs                              | 89,902  | 19,550             | 1.72               |
| Grand Canyon Education                       | 101,859 | 9,276              | 0.81               |
| Lowe's                                       | 304,788 | 25,288             | 2.22               |
| Planet Fitness A shares                      | 498,360 | 19,486             | 1.71               |
| Pool                                         | 115,079 | 14,413             | 1.26               |
|                                              |         | <b>171,454</b>     | <b>15.03</b>       |
| <b>Consumer Staples 0.49% (4.29%)</b>        |         |                    |                    |
| Lamb Weston Holdings                         | 107,645 | 5,556              | 0.49               |
|                                              |         | <b>5,556</b>       | <b>0.49</b>        |
| <b>Energy 4.48% (2.82%)</b>                  |         |                    |                    |
| Delek US Holdings                            | 486,175 | 20,460             | 1.79               |
| EOG Resources                                | 153,018 | 13,991             | 1.23               |
| Schlumberger                                 | 217,713 | 10,769             | 0.95               |
| Transocean                                   | 620,960 | 5,811              | 0.51               |
|                                              |         | <b>51,031</b>      | <b>4.48</b>        |
| <b>Financials 10.53% (15.05%)</b>            |         |                    |                    |
| Bank of America                              | 936,516 | 22,316             | 1.96               |
| Intercontinental Exchange                    | 261,769 | 15,245             | 1.34               |
| MarketAxess Holdings                         | 38,558  | 5,631              | 0.49               |
| S&P Global                                   | 132,406 | 20,940             | 1.83               |
| SVB Financial Group                          | 88,814  | 21,914             | 1.92               |
| Voya Financial                               | 454,092 | 17,549             | 1.54               |
| Wells Fargo                                  | 368,140 | 16,549             | 1.45               |
|                                              |         | <b>120,144</b>     | <b>10.53</b>       |
| <b>Health Care 17.82% (12.19%)</b>           |         |                    |                    |
| Abbott Laboratories                          | 667,025 | 34,374             | 3.01               |
| Anthem                                       | 165,430 | 33,711             | 2.96               |
| Aphria                                       | 788,210 | 7,435              | 0.65               |
| AxoGen                                       | 144,282 | 5,059              | 0.44               |
| Bioxcel Therapeutics                         | 433,479 | 3,067              | 0.27               |
| Canopy Growth                                | 342,516 | 11,660             | 1.02               |

| Investment                                      | Holding | Valuation<br>£'000 | % of net<br>assets |
|-------------------------------------------------|---------|--------------------|--------------------|
| Centene                                         | 273,644 | 30,864             | 2.71               |
| Humana                                          | 87,914  | 22,469             | 1.97               |
| UnitedHealth Group                              | 167,220 | 34,512             | 3.03               |
| Zoetis                                          | 290,287 | 20,042             | 1.76               |
|                                                 |         | <b>203,193</b>     | <b>17.82</b>       |
| <b>Industrials 14.35% (19.77%)</b>              |         |                    |                    |
| Boeing                                          | 97,647  | 26,050             | 2.28               |
| Cintas                                          | 209,773 | 34,407             | 3.02               |
| Delta Air Lines                                 | 176,441 | 7,930              | 0.70               |
| Huntington Ingalls Industries                   | 134,471 | 24,919             | 2.18               |
| Norfolk Southern                                | 250,424 | 33,544             | 2.94               |
| Raytheon                                        | 108,050 | 16,547             | 1.45               |
| United Rentals                                  | 168,565 | 20,310             | 1.78               |
|                                                 |         | <b>163,707</b>     | <b>14.35</b>       |
| <b>Information Technology 28.19% (32.55%)</b>   |         |                    |                    |
| Alphabet C shares                               | 62,578  | 59,617             | 5.23               |
| Applied Materials                               | 149,264 | 4,951              | 0.43               |
| Autodesk                                        | 155,105 | 18,350             | 1.61               |
| Booz Allen Hamilton Holding                     | 435,019 | 17,093             | 1.50               |
| CoStar Group                                    | 63,087  | 21,381             | 1.88               |
| DocuSign                                        | 179,464 | 8,968              | 0.79               |
| Fidelity National Information Services          | 268,977 | 22,273             | 1.95               |
| Intuit                                          | 63,344  | 10,649             | 0.93               |
| Lam Research                                    | 64,543  | 8,560              | 0.75               |
| Micron Technology                               | 139,864 | 5,674              | 0.50               |
| Microsoft                                       | 837,525 | 72,096             | 6.32               |
| Nutanix A shares                                | 197,533 | 9,235              | 0.81               |
| PayPal Holdings                                 | 214,312 | 15,176             | 1.33               |
| Spotify Technology                              | 60,487  | 8,830              | 0.77               |
| Visa A shares                                   | 265,002 | 29,909             | 2.62               |
| Xilinx                                          | 147,790 | 8,775              | 0.77               |
|                                                 |         | <b>321,537</b>     | <b>28.19</b>       |
| <b>Materials 2.02% (2.83%)</b>                  |         |                    |                    |
| DowDuPont                                       | 309,978 | 16,732             | 1.47               |
| Trinseo                                         | 105,594 | 6,350              | 0.55               |
|                                                 |         | <b>23,082</b>      | <b>2.02</b>        |
| <b>Real Estate 2.48% (0.00%)</b>                |         |                    |                    |
| Crown Castle International, REIT                | 323,419 | 28,288             | 2.48               |
|                                                 |         | <b>28,288</b>      | <b>2.48</b>        |
| <b>Telecommunication Services 0.00% (0.91%)</b> |         |                    |                    |
| <b>Utilities 3.37% (0.00%)</b>                  |         |                    |                    |
| Evergy                                          | 376,024 | 16,582             | 1.45               |
| NextEra Energy                                  | 166,623 | 21,887             | 1.92               |
|                                                 |         | <b>38,469</b>      | <b>3.37</b>        |
| <b>Equities total</b>                           |         | <b>1,126,461</b>   | <b>98.76</b>       |

Artemis US Select Fund – Investment information (continued)

| Investment                                           | Valuation<br>£'000 | % of net<br>assets |
|------------------------------------------------------|--------------------|--------------------|
| <b>Forward currency contracts 0.00% (0.00%)</b>      |                    |                    |
| <b>I accumulation CHF (NAV hedged) 0.00% (0.00%)</b> |                    |                    |
| Buy Swiss Franc 30,605 dated 28/09/2018              | 24                 | -                  |
| Sell US Dollar 31,529 dated 28/09/2018               | (24)               | -                  |
|                                                      | -                  | -                  |
| <b>I accumulation EUR (NAV hedged) 0.00% (0.00%)</b> |                    |                    |
| Buy Euro 2,418,484 dated 28/09/2018                  | 2,171              | 0.19               |
| Sell US Dollar 2,835,237 dated 28/09/2018            | (2,177)            | (0.19)             |
|                                                      | (6)                | -                  |
| <b>I accumulation GBP (NAV hedged) 0.00% (0.00%)</b> |                    |                    |
| Buy Sterling 2,678,656 dated 28/09/2018              | 2,679              | 0.23               |
| Sell US Dollar 3,487,061 dated 28/09/2018            | (2,679)            | (0.23)             |
|                                                      | -                  | -                  |
| <b>R accumulation CHF (NAV hedged) 0.00% (0.00%)</b> |                    |                    |
| Buy Swiss Franc 14,570 dated 28/09/2018              | 12                 | -                  |
| Sell US Dollar 15,009 dated 28/09/2018               | (12)               | -                  |
|                                                      | -                  | -                  |
| <b>R accumulation EUR (NAV hedged) 0.00% (0.00%)</b> |                    |                    |
| Buy Euro 2,059,399 dated 28/09/2018                  | 1,849              | 0.16               |
| Sell US Dollar 2,414,275 dated 28/09/2018            | (1,855)            | (0.16)             |
|                                                      | (6)                | -                  |
| <b>Forward currency contracts total</b>              | <b>(12)</b>        | <b>-</b>           |
| Investment assets (including investment liabilities) | 1,126,449          | 98.76              |
| Net other assets                                     | 14,124             | 1.24               |
| <b>Net assets attributable to shareholders</b>       | <b>1,140,573</b>   | <b>100.00</b>      |

The comparative percentage figures in brackets are as at 28 February 2018.

## Artemis US Select Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                                     | 31 August 2018 |                | 31 August 2017 |               |
|-------------------------------------------------------------------------------------|----------------|----------------|----------------|---------------|
|                                                                                     | £'000          | £'000          | £'000          | £'000         |
| <b>Income</b>                                                                       |                |                |                |               |
| Net capital gains                                                                   |                | 148,601        |                | 31,615        |
| Revenue                                                                             | 5,091          |                | 3,558          |               |
| Expenses                                                                            | (3,900)        |                | (2,497)        |               |
| Interest payable and similar charges                                                | (1)            |                | (2)            |               |
| Net revenue before taxation                                                         | 1,190          |                | 1,059          |               |
| Taxation                                                                            | (677)          |                | (778)          |               |
| Net revenue after taxation                                                          |                | 513            |                | 281           |
| <b>Total return before distributions</b>                                            |                | <b>149,114</b> |                | <b>31,896</b> |
| Distributions                                                                       |                | 34             |                | 16            |
| <b>Change in net assets attributable to shareholders from investment activities</b> |                | <b>149,148</b> |                | <b>31,912</b> |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |                  | 31 August 2017 |                |
|------------------------------------------------------------------------------|----------------|------------------|----------------|----------------|
|                                                                              | £'000          | £'000            | £'000          | £'000          |
| Opening net assets attributable to shareholders                              |                | 848,746          |                | 558,652        |
| Amounts receivable on issue of shares                                        | 187,303        |                  | 106,361        |                |
| Amounts payable on cancellation of shares                                    | (44,625)       |                  | (73,069)       |                |
|                                                                              |                | 142,678          |                | 33,292         |
| Dilution adjustment                                                          |                | 1                |                | 30             |
| Change in net assets attributable to shareholders from investment activities |                | 149,148          |                | 31,912         |
| <b>Closing net assets attributable to shareholders</b>                       |                | <b>1,140,573</b> |                | <b>623,886</b> |

### Balance sheet as at 31 August 2018

|                                                | 31 August 2018   | 28 February 2018 |
|------------------------------------------------|------------------|------------------|
|                                                | £'000            | £'000            |
| <b>Assets</b>                                  |                  |                  |
| <b>Fixed assets</b>                            |                  |                  |
| Investments                                    | 1,126,461        | 845,532          |
| <b>Current assets</b>                          |                  |                  |
| Debtors                                        | 4,394            | 12,004           |
| Cash and bank balances                         | 13,787           | 5,769            |
| <b>Total current assets</b>                    | <b>18,181</b>    | <b>17,773</b>    |
| <b>Total assets</b>                            | <b>1,144,642</b> | <b>863,305</b>   |
| <b>Liabilities</b>                             |                  |                  |
| Investment liabilities                         | 12               | 21               |
| <b>Creditors</b>                               |                  |                  |
| Distribution payable                           | -                | 88               |
| Other creditors                                | 4,057            | 14,450           |
| <b>Total creditors</b>                         | <b>4,057</b>     | <b>14,538</b>    |
| <b>Total liabilities</b>                       | <b>4,069</b>     | <b>14,559</b>    |
| <b>Net assets attributable to shareholders</b> | <b>1,140,573</b> | <b>848,746</b>   |

## Artemis US Select Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                                 | Net asset value per share |                | Movement |
|---------------------------------|---------------------------|----------------|----------|
|                                 | 25 October 2018           | 31 August 2018 |          |
| I accumulation CHF (NAV hedged) | 132.65c                   | 148.02c        | -10.4%   |
| I accumulation EUR              | 170.43c                   | 184.87c        | -7.8%    |
| I accumulation EUR (NAV hedged) | 134.13c                   | 149.46c        | -10.3%   |
| I distribution GBP              | 168.71p                   | 185.64p        | -9.1%    |
| I accumulation GBP              | 190.05p                   | 209.13p        | -9.1%    |
| I accumulation GBP (NAV hedged) | 137.38p                   | 152.74p        | -10.1%   |
| I accumulation USD              | 153.37c                   | 170.18c        | -9.9%    |
| R accumulation CHF (NAV hedged) | 130.62c                   | 145.86c        | -10.4%   |
| R accumulation EUR              | 139.11c                   | 151.08c        | -7.9%    |
| R accumulation EUR (NAV hedged) | 135.25c                   | 150.91c        | -10.4%   |
| R accumulation USD              | 139.07c                   | 154.49c        | -10.0%   |

## Artemis US Select Fund – Comparative tables

### Fund sizes & net asset values

| Date                            | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|---------------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b>         | 403,888,714                     |                           |                 |
| I accumulation EUR              |                                 | 120.35c                   | 12,468,585      |
| I distribution GBP              |                                 | 106.29p                   | 24,364,005      |
| I accumulation GBP              |                                 | 119.22p                   | 261,276,283     |
| I accumulation USD              |                                 | 103.37c                   | 73,320,373      |
| <b>28 February 2017</b>         | 558,652,055                     |                           |                 |
| I accumulation CHF (NAV hedged) |                                 | 111.93c                   | 10,000          |
| I accumulation EUR              |                                 | 147.13c                   | 10,253,188      |
| I accumulation EUR (NAV hedged) |                                 | 112.26c                   | 11,133          |
| I distribution GBP              |                                 | 140.44p                   | 58,091,049      |
| I accumulation GBP              |                                 | 158.06p                   | 264,181,909     |
| I accumulation GBP (NAV hedged) |                                 | 113.09p                   | 134,877         |
| I accumulation USD              |                                 | 123.06c                   | 46,395,241      |
| R accumulation CHF (NAV hedged) |                                 | 111.22c                   | 10,000          |
| R accumulation EUR              |                                 | 121.62c                   | 8,732           |
| R accumulation EUR (NAV hedged) |                                 | 111.59c                   | 582,743         |
| R accumulation USD              |                                 | 113.00c                   | 9,093           |
| <b>28 February 2018</b>         | 848,746,258                     |                           |                 |
| I accumulation CHF (NAV hedged) |                                 | 138.30c                   | 51,000          |
| I accumulation EUR              |                                 | 161.69c                   | 192,255         |
| I accumulation EUR (NAV hedged) |                                 | 138.93c                   | 1,048,816       |
| I distribution GBP              |                                 | 159.74p                   | 70,902,592      |
| I accumulation GBP              |                                 | 179.92p                   | 380,784,959     |
| I accumulation GBP (NAV hedged) |                                 | 141.17p                   | 935,718         |
| I accumulation USD              |                                 | 155.88c                   | 41,653,832      |
| R accumulation CHF (NAV hedged) |                                 | 136.49c                   | 10,000          |
| R accumulation EUR              |                                 | 132.66c                   | 8,732           |
| R accumulation EUR (NAV hedged) |                                 | 140.76c                   | 402,499         |
| R accumulation USD              |                                 | 142.04c                   | 9,093           |

| Date                            | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|---------------------------------|---------------------------------|---------------------------|-----------------|
| <b>31 August 2018</b>           | 1,140,573,448                   |                           |                 |
| I accumulation CHF (NAV hedged) |                                 | 148.02c                   | 20,699          |
| I accumulation EUR              |                                 | 184.87c                   | 31,053,175      |
| I accumulation EUR (NAV hedged) |                                 | 149.46c                   | 1,620,240       |
| I distribution GBP              |                                 | 185.64p                   | 83,255,957      |
| I accumulation GBP              |                                 | 209.13p                   | 412,644,727     |
| I accumulation GBP (NAV hedged) |                                 | 152.74p                   | 1,756,425       |
| I accumulation USD              |                                 | 170.18c                   | 49,435,215      |
| R accumulation CHF (NAV hedged) |                                 | 145.86c                   | 10,000          |
| R accumulation EUR              |                                 | 151.08c                   | 8,732           |
| R accumulation EUR (NAV hedged) |                                 | 150.91c                   | 1,366,425       |
| R accumulation USD              |                                 | 154.49c                   | 97,180          |

### Ongoing charges

| Class                           | 31 August 2018 |
|---------------------------------|----------------|
| I accumulation CHF (NAV hedged) | 0.81%          |
| I accumulation EUR              | 0.81%          |
| I accumulation EUR (NAV hedged) | 0.81%          |
| I distribution GBP              | 0.81%          |
| I accumulation GBP              | 0.81%          |
| I accumulation GBP (NAV hedged) | 0.81%          |
| I accumulation USD              | 0.81%          |
| R accumulation CHF (NAV hedged) | 1.56%          |
| R accumulation EUR              | 1.56%          |
| R accumulation EUR (NAV hedged) | 1.56%          |
| R accumulation USD              | 1.56%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

### Fund performance

|                        | Since launch* | 1 year | 6 months |
|------------------------|---------------|--------|----------|
| Artemis US Select Fund | 109.2         | 25.8   | 16.2     |
| S&P 500 Index (GBP)    | 96.5          | 18.6   | 14.5     |
| Sector average         | 85.2          | 18.3   | 13.6     |
| Position in sector     | 6/79          | 9/93   | 15/94    |
| Quartile               | 1             | 1      | 1        |

\* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North America. Performance details for each share class is shown on page 89.



## Artemis US Smaller Companies Fund

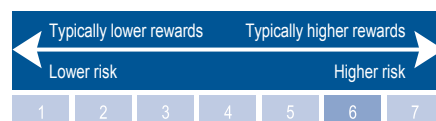
### Investment objective and policy

The objective of the Artemis US Smaller Companies Fund (the 'sub-fund') is to achieve long-term capital growth. The sub-fund invests principally in smaller companies listed, quoted and/or traded in the United States of America ('USA') and in companies which are headquartered or have a significant part of their activities in the USA which are quoted on a regulated market outside the USA.

The ACD actively manages the portfolio in order to achieve the objective. The ACD will not be restricted in respect of choice of investments by industrial sector. As the sub-fund invests in smaller companies, the ACD will mainly invest in shares of companies that have a market value of less than US\$10 billion.

The sub-fund may also invest in other transferable securities, fixed interest securities, units of collective investment schemes, money market instruments, warrants, cash and near cash. The sub-fund may also use derivatives and other techniques for efficient portfolio management.

### 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 sub-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 risks of investing in the sub-fund include:

- The price of shares, 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 sub-fund's assets may be invested in a currency other than the sub-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 sub-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.

## Artemis US Smaller Companies Fund – Investment review

- The fund returns 30.0%\* in six months, versus a rise of 22.8%\* in the benchmark.
- Tax cuts, strong economic growth and deregulation are helping smaller companies.
- The portfolio combines growth stocks with more economically sensitive holdings.

### Performance – Smaller companies outperform...

Not only are US smaller companies the biggest beneficiaries of the tax cuts introduced by Trump, they are also more responsive to the rapid growth in the domestic US economy than their larger peers (whose markets tend to be global rather than local). Indeed, the longer this period of economic growth lasts, the more favourable it will be for domestically oriented companies. Another positive arising from smaller companies' domestic bias is that they have been less affected by the strength of the dollar than larger companies which, as overseas earners, suffer when their non-US revenues are converted back into dollars.

Partly as a result of these factors, the Russell 2000 Index delivered very good returns over the last six months, rising 22.8% in sterling terms and outpacing the wider US market (the S&P 500 returned 14.5%). Good stock selection, meanwhile, saw the fund outperforming the benchmark by a wide margin: it returned 30.0% in sterling terms.

### Review – Finding the next generation of growth stocks...

The top contributor to returns was our holding in Nutanix, a technology company. It sells so-called 'hyper-converged infrastructure' which is best understood as using software to provide a much cheaper alternative to existing IT products sold to corporate

and large cloud companies. Its cost advantage means it is rapidly gaining market share. We have reduced our position following a period of strong performance.

Returns also benefited from relatively early investments in two marijuana stocks listed in Canada: Tilray and Canopy Growth. Canada has been an early mover in approving marijuana for medical and recreational use. As a result, Canadian companies are at the forefront of benefiting from a trend that is also unfolding in the US. Because of the threat (and the opportunity) that marijuana represents to existing businesses (the pharmaceutical industry for medical use; brewers and drinks companies for recreational use), companies in those industries are paying increased attention to – and sometimes investing in – Canadian marijuana companies. Canopy Growth benefited from a significant increase in investment from existing shareholder Constellation Brands (the maker of Corona beer). Tilray's share price was boosted by a spike in speculative activity after its recent IPO. After an exceptionally good performance (and welcome contribution to returns) over a relatively short period of time, we have taken profits.

Some of our holdings with exposure to US consumers also did well. Ski operator Vail Resorts, for instance, performed well on the back of strong sales of season passes. Meanwhile, Five Below, a fast-growing 'dollar store,' all of whose products are priced under \$5 and which targets teen and pre-teen customers, also performed well.

During the last six months, we have added to holdings in a number of exciting growth companies. DocuSign is a particularly good example. We think it may become the next company whose service is so ubiquitous that it becomes a verb – like Google ("I googled it"). Using e-signatures, DocuSign is looking to modernise the process

of signing and sharing agreements. The benefits, both in increased accuracy and greater security of the documents (they don't get lost in the post), produce significant savings for its clients.

We also bought Planet Fitness, a chain of gyms offering cheap membership by providing basic equipment to less enthusiastic gym-goers. We like its franchise model, the profitable returns it produces and the rapid expansion that will create economies of scale.

Despite producing good results, some of our industrial companies have underperformed recently. We believe those investors who are anticipating the end of the current economic cycle are moving much too early. Not only do we continue to hold these stocks, we are likely to increase our holdings further.

We sold Carvana, which is trying to disrupt the second-hand car market by selling exclusively online. We like its business model and believe it will become increasingly attractive, especially to a younger generation happy to buy cars 'sight unseen' so long as they come with the appropriate warranties. The company deviated from its business plan somewhat by increasing their investment aggressively even though it does not have a viable competitor. This has increased the risks facing the company so, for now, we are stepping aside while continuing to monitor its progress.

### Outlook – A balanced portfolio (but no 'bond proxies')...

Although it feels like a long time since we first identified a number of positive drivers to the US economy, the reality is that those favourable dynamics are still in their very early stages. Because they were formerly paying the higher headline rates of tax but weren't able to reduce them through their international operations

\* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the Russell 2000 Index.

## Artemis US Smaller Companies Fund – Investment review (continued)

(as larger, 'global' US businesses could), smaller companies are bigger beneficiaries of the tax cuts. They also benefit more from relaxation of the regulatory environment, as regulatory demands had placed disproportionate pressure on them. A less-strict regulatory environment should be supportive of increased M&A activity. Meanwhile, the potential threat of a trade war has been one of the most prominent concerns facing the US market this year. Again, as US smaller companies have more domestic exposure, they would be less impacted by the imposition of any tariffs or restrictions on trade.

It should be remembered that our fund invests in different types of companies. We have significant holdings in growth companies which we believe can continue to grow irrespective of the economic environment. A number of these companies are within technology and healthcare. These businesses tend to be protected by high barriers to entry. We want to invest in rapidly growing, innovative companies in their early stages, where any degradation of valuation multiples could be more than offset by their underlying earnings growth. Another part of the portfolio, including our holdings in industrial companies and banks, is more economically sensitive and should benefit from the continued strength of domestic demand.

Offsetting these overweight positions are our underweights in companies whose valuations tend to decline during periods of rising economic growth, namely 'bond proxies' (stocks with reliable dividends). The fund, for example, is significantly underweight in real estate investment trusts. Because bond yields tend to rise when economic growth accelerates, the valuation of these companies tends to fall in sympathy with bond prices.

We believe this economic cycle still has years, rather than months, to run. If we are right, then US companies still have the wherewithal to reinvest to grow their businesses and if they choose not to, to engage

in M&A activity, which would disproportionately benefit smaller companies.

**Cormac Weldon**  
Fund manager

## Artemis US Smaller Companies Fund – Investment information

### Five largest purchases and sales for the six months ended 31 August 2018

| Purchases                   | Cost<br>£'000 | Sales             | Proceeds<br>£'000 |
|-----------------------------|---------------|-------------------|-------------------|
| Pool                        | 12,655        | Nutanix A shares  | 12,285            |
| Caesars Entertainment       | 11,983        | Timken            | 9,264             |
| Exact Sciences              | 9,773         | Synovus Financial | 8,330             |
| Delek US Holdings           | 9,566         | 2U                | 8,030             |
| Booz Allen Hamilton Holding | 9,528         | Zions Bancorp     | 7,754             |

### Portfolio statement as at 31 August 2018

| Investment                                    | Holding   | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|-----------|--------------------|--------------------|
| <b>Equities 96.60% (99.36%)</b>               |           |                    |                    |
| <b>Consumer Discretionary 23.15% (19.69%)</b> |           |                    |                    |
| Adtalem Global Education                      | 100,509   | 3,694              | 0.74               |
| At Home Group                                 | 168,639   | 4,636              | 0.93               |
| Bright Horizons Family Solutions              | 127,043   | 11,648             | 2.33               |
| Burlington Stores                             | 28,864    | 3,682              | 0.74               |
| Caesars Entertainment                         | 1,041,498 | 8,249              | 1.65               |
| Canada Goose Holdings                         | 75,235    | 3,466              | 0.69               |
| Chegg                                         | 342,658   | 8,511              | 1.71               |
| Churchill Downs                               | 68,060    | 14,800             | 2.97               |
| Five Below                                    | 51,581    | 4,539              | 0.91               |
| Grand Canyon Education                        | 57,272    | 5,216              | 1.05               |
| Live Nation Entertainment                     | 234,755   | 8,914              | 1.79               |
| Planet Fitness A shares                       | 278,369   | 10,884             | 2.18               |
| Pool                                          | 105,371   | 13,197             | 2.65               |
| Strategic Education                           | 42,975    | 4,528              | 0.91               |
| Vail Resorts                                  | 41,746    | 9,459              | 1.90               |
|                                               |           | <b>115,423</b>     | <b>23.15</b>       |
| <b>Consumer Staples 2.73% (2.41%)</b>         |           |                    |                    |
| Lamb Weston Holdings                          | 160,021   | 8,260              | 1.66               |
| Post Holdings                                 | 71,498    | 5,334              | 1.07               |
|                                               |           | <b>13,594</b>      | <b>2.73</b>        |
| <b>Energy 5.15% (3.22%)</b>                   |           |                    |                    |
| Delek US Holdings                             | 234,222   | 9,857              | 1.98               |
| PBF Energy A shares                           | 202,086   | 8,094              | 1.62               |
| Transocean                                    | 828,515   | 7,753              | 1.55               |
|                                               |           | <b>25,704</b>      | <b>5.15</b>        |
| <b>Financials 13.86% (21.41%)</b>             |           |                    |                    |
| E-Trade Financial                             | 68,258    | 3,079              | 0.62               |
| Evercore A shares                             | 67,638    | 5,495              | 1.10               |
| MarketAxess Holdings                          | 47,126    | 6,882              | 1.38               |
| MSCI                                          | 32,128    | 4,388              | 0.88               |
| Santander Consumer USA Holdings               | 848,979   | 13,937             | 2.80               |
| ServisFirst Bancshares                        | 103,685   | 3,441              | 0.69               |
| SVB Financial Group                           | 13,218    | 3,261              | 0.65               |
| Voya Financial                                | 277,585   | 10,728             | 2.15               |
| Webster Financial                             | 172,303   | 8,587              | 1.72               |

Artemis US Smaller Companies Fund – Investment information (continued)

| Investment                                    | Holding   | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------------|-----------|--------------------|--------------------|
| Western Alliance Bancorp                      | 212,424   | 9,312              | 1.87               |
|                                               |           | <b>69,110</b>      | <b>13.86</b>       |
| <b>Health Care 19.78% (9.00%)</b>             |           |                    |                    |
| Abiomed                                       | 10,899    | 3,424              | 0.69               |
| Aphria                                        | 865,486   | 8,164              | 1.64               |
| AxoGen                                        | 259,873   | 9,112              | 1.83               |
| Bioxcel Therapeutics                          | 329,056   | 2,328              | 0.47               |
| Canopy Growth                                 | 202,948   | 6,909              | 1.39               |
| DexCom                                        | 57,644    | 6,400              | 1.28               |
| Exact Sciences                                | 193,488   | 11,223             | 2.25               |
| K2M Group Holdings                            | 343,175   | 7,254              | 1.45               |
| PerkinElmer                                   | 65,374    | 4,654              | 0.93               |
| PRA Health Sciences                           | 73,007    | 5,895              | 1.18               |
| STAAR Surgical                                | 164,110   | 6,000              | 1.20               |
| Teladoc Health                                | 156,629   | 9,141              | 1.83               |
| Tilray                                        | 99,617    | 4,519              | 0.91               |
| TransEnterix                                  | 1,100,837 | 4,833              | 0.97               |
| WellCare Health Plans                         | 37,988    | 8,771              | 1.76               |
|                                               |           | <b>98,627</b>      | <b>19.78</b>       |
| <b>Industrials 5.89% (13.51%)</b>             |           |                    |                    |
| Huntington Ingalls Industries                 | 20,316    | 3,765              | 0.75               |
| SiteOne Landscape Supply                      | 71,921    | 5,022              | 1.01               |
| Spirit AeroSystems Holdings A shares          | 162,591   | 10,685             | 2.14               |
| Timken                                        | 80,749    | 3,036              | 0.61               |
| Welbilt                                       | 406,595   | 6,875              | 1.38               |
|                                               |           | <b>29,383</b>      | <b>5.89</b>        |
| <b>Information Technology 20.53% (19.51%)</b> |           |                    |                    |
| Aspen Technology                              | 54,883    | 4,826              | 0.97               |
| Blackline                                     | 123,474   | 4,975              | 1.00               |
| Booz Allen Hamilton Holding                   | 407,416   | 16,008             | 3.21               |
| Carbon Black                                  | 321,831   | 6,085              | 1.22               |
| Cargurus                                      | 146,468   | 5,590              | 1.12               |
| Ceridian HCM Holding                          | 315,596   | 9,357              | 1.88               |
| Cognex                                        | 123,164   | 5,064              | 1.01               |
| DocuSign                                      | 216,997   | 10,844             | 2.17               |
| Dolby Laboratories A shares                   | 155,292   | 8,360              | 1.68               |
| Fair Isaac                                    | 22,770    | 3,983              | 0.80               |
| Glu Mobile                                    | 1,202,432 | 6,990              | 1.40               |
| Jack Henry & Associates                       | 71,753    | 8,724              | 1.75               |
| Nutanix A shares                              | 192,175   | 8,984              | 1.80               |
| Take-Two Interactive Software                 | 25,192    | 2,608              | 0.52               |
|                                               |           | <b>102,398</b>     | <b>20.53</b>       |
| <b>Materials 1.54% (7.66%)</b>                |           |                    |                    |
| Stelco Holdings                               | 318,097   | 4,809              | 0.96               |
| Trinseo                                       | 47,635    | 2,864              | 0.58               |
|                                               |           | <b>7,673</b>       | <b>1.54</b>        |

| Investment                              | Holding | Valuation<br>£'000 | % of net<br>assets |
|-----------------------------------------|---------|--------------------|--------------------|
| <b>Real Estate 0.00% (0.86%)</b>        |         |                    |                    |
| <b>Utilities 3.97% (2.09%)</b>          |         |                    |                    |
| NextEra Energy Partners                 | 280,919 | 10,455             | 2.09               |
| NiSource                                | 448,859 | 9,367              | 1.88               |
|                                         |         | <b>19,822</b>      | <b>3.97</b>        |
| Investment assets                       |         | 481,734            | 96.60              |
| Net other assets                        |         | 16,956             | 3.40               |
| Net assets attributable to shareholders |         | 498,690            | 100.00             |

The comparative percentage figures in brackets are as at 28 February 2018.

## Artemis US Smaller Companies Fund – Financial statements

### Statement of total return for the six months ended 31 August 2018

|                                                                                     | 31 August 2018 |               | 31 August 2017 |              |
|-------------------------------------------------------------------------------------|----------------|---------------|----------------|--------------|
|                                                                                     | £'000          | £'000         | £'000          | £'000        |
| <b>Income</b>                                                                       |                |               |                |              |
| Net capital gains                                                                   |                | 94,184        |                | 3,438        |
| Revenue                                                                             | 1,685          |               | 985            |              |
| Expenses                                                                            | (1,413)        |               | (795)          |              |
| Interest payable and similar charges                                                | (1)            |               | (1)            |              |
| Net revenue before taxation                                                         | 271            |               | 189            |              |
| Taxation                                                                            | (191)          |               | (90)           |              |
| Net revenue after taxation                                                          |                | 80            |                | 99           |
| <b>Total return before distributions</b>                                            |                | <b>94,264</b> |                | <b>3,537</b> |
| Distributions                                                                       |                | 15            |                | 5            |
| <b>Change in net assets attributable to shareholders from investment activities</b> |                | <b>94,279</b> |                | <b>3,542</b> |

### Statement of change in net assets attributable to shareholders for the six months ended 31 August 2018

|                                                                              | 31 August 2018 |                | 31 August 2017 |                |
|------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                              | £'000          | £'000          | £'000          | £'000          |
| Opening net assets attributable to shareholders                              |                | 232,603        |                | 163,531        |
| Amounts receivable on issue of shares                                        | 207,744        |                | 35,317         |                |
| Amounts payable on cancellation of shares                                    | (35,955)       |                | (19,291)       |                |
|                                                                              |                | 171,789        |                | 16,026         |
| Dilution adjustment                                                          |                | 19             |                | 16             |
| Change in net assets attributable to shareholders from investment activities |                | 94,279         |                | 3,542          |
| <b>Closing net assets attributable to shareholders</b>                       |                | <b>498,690</b> |                | <b>183,115</b> |

### Balance sheet as at 31 August 2018

|                                                | 31 August 2018 | 28 February 2018 |
|------------------------------------------------|----------------|------------------|
|                                                | £'000          | £'000            |
| <b>Assets</b>                                  |                |                  |
| <b>Fixed assets</b>                            |                |                  |
| Investments                                    | 481,734        | 231,116          |
| <b>Current assets</b>                          |                |                  |
| Debtors                                        | 11,716         | 4,741            |
| Cash and bank balances                         | 19,775         | 489              |
| <b>Total current assets</b>                    | <b>31,491</b>  | <b>5,230</b>     |
| <b>Total assets</b>                            | <b>513,225</b> | <b>236,346</b>   |
| <b>Liabilities</b>                             |                |                  |
| <b>Creditors</b>                               |                |                  |
| Other creditors                                | 14,535         | 3,743            |
| <b>Total creditors</b>                         | <b>14,535</b>  | <b>3,743</b>     |
| <b>Total liabilities</b>                       | <b>14,535</b>  | <b>3,743</b>     |
| <b>Net assets attributable to shareholders</b> | <b>498,690</b> | <b>232,603</b>   |

## Artemis US Smaller Companies Fund – Notes to the financial statements

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2018 as set out therein.

### 2. Post balance sheet events

Since 31 August 2018, the net asset values per share have changed as follows:

|                    | Net asset value per share |                | Movement |
|--------------------|---------------------------|----------------|----------|
|                    | 25 October 2018           | 31 August 2018 |          |
| I accumulation EUR | 190.54c                   | 213.22c        | -10.6%   |
| I accumulation GBP | 214.02p                   | 242.94p        | -11.9%   |
| I accumulation USD | 171.48c                   | 196.27c        | -12.6%   |



## Artemis US Smaller Companies Fund – Comparative tables

### Fund sizes & net asset values

| Date                    | Net asset value of sub-fund (£) | Net asset value per share | Shares in issue |
|-------------------------|---------------------------------|---------------------------|-----------------|
| <b>29 February 2016</b> | 60,549,544                      |                           |                 |
| I accumulation EUR      |                                 | 121.96c                   | 3,110,000       |
| I accumulation GBP      |                                 | 121.70p                   | 21,053,674      |
| I accumulation USD      |                                 | 104.74c                   | 42,256,255      |
| <b>28 February 2017</b> | 163,530,800                     |                           |                 |
| I accumulation EUR      |                                 | 165.87c                   | 6,700,000       |
| I accumulation GBP      |                                 | 179.50p                   | 34,887,983      |
| I accumulation USD      |                                 | 138.74c                   | 81,998,902      |
| <b>28 February 2018</b> | 232,603,369                     |                           |                 |
| I accumulation EUR      |                                 | 166.71c                   | 7,115,556       |
| I accumulation GBP      |                                 | 186.86p                   | 58,321,530      |
| I accumulation USD      |                                 | 160.71c                   | 97,479,460      |
| <b>31 August 2018</b>   | 498,690,170                     |                           |                 |
| I accumulation EUR      |                                 | 213.22c                   | 13,525,910      |
| I accumulation GBP      |                                 | 242.94p                   | 109,763,992     |
| I accumulation USD      |                                 | 196.27c                   | 136,595,738     |

### Fund performance

|                                   | Since launch* | 1 year | 6 months |
|-----------------------------------|---------------|--------|----------|
| Artemis US Smaller Companies Fund | 143.0         | 32.8   | 30.0     |
| Russell 2000 Index (GBP)          | 103.8         | 24.4   | 22.8     |
| Sector average                    | 100.5         | 27.2   | 22.4     |
| Position in sector                | 1/8           | 2/9    | 1/9      |
| Quartile                          | 1             | 1      | 1        |

\*Data from 27 October 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA North American Smaller Companies. Performance details for each share class is shown on page 89.

### Ongoing charges

| Class              | 31 August 2018 |
|--------------------|----------------|
| I accumulation EUR | 0.84%          |
| I accumulation GBP | 0.84%          |
| I accumulation USD | 0.84%          |

Ongoing charges shows the annual operating expenses of each share class as a percentage of the average net assets of that class for the preceding 12 months.

## Share class performance

|                                                  | Launch date       | Since launch | 1 year | 6 months |
|--------------------------------------------------|-------------------|--------------|--------|----------|
| <b>Artemis Global Emerging Markets Fund</b>      |                   |              |        |          |
| I accumulation EUR                               | 8 April 2015      | 10.3         | 1.7    | (6.9)    |
| MSCI Emerging Markets Index (EUR)                |                   | 4.3          | 1.5    | (5.8)    |
| I distribution GBP                               | 8 April 2015      | 36.0         | (1.1)  | (5.4)    |
| I accumulation GBP                               | 8 April 2015      | 36.4         | (0.9)  | (5.3)    |
| MSCI Emerging Markets Index (GBP)                |                   | 29.1         | (1.5)  | (4.8)    |
| I accumulation USD                               | 8 April 2015      | 18.4         | 0.0    | (11.1)   |
| MSCI Emerging Markets Index (USD)                |                   | 12.5         | (0.7)  | (10.2)   |
| <b>Artemis Global Equity Income Fund</b>         |                   |              |        |          |
| I accumulation EUR                               | 3 June 2015       | 9.9          | 11.7   | 4.1      |
| I distribution EUR                               | 3 June 2015       | 9.5          | 11.7   | 4.1      |
| MSCI All Country World Index (EUR)               |                   | 23.7         | 13.8   | 7.1      |
| I accumulation GBP                               | 3 June 2015       | 35.5         | 8.8    | 5.8      |
| I distribution GBP                               | 3 June 2015       | 35.1         | 8.8    | 5.8      |
| MSCI All Country World Index (GBP)               |                   | 50.7         | 10.5   | 8.3      |
| I accumulation USD                               | 3 June 2015       | 15.3         | 9.9    | (0.6)    |
| I distribution USD                               | 3 June 2015       | 15.0         | 9.9    | (0.6)    |
| MSCI All Country World Index (USD)               |                   | 27.8         | 11.4   | 2.1      |
| R accumulation EUR                               | 30 July 2015      | 10.0         | 10.9   | 3.7      |
| MSCI All Country World Index (EUR)               |                   | 22.8         | 13.8   | 7.1      |
| R accumulation USD                               | 30 July 2015      | 17.1         | 9.1    | (1.0)    |
| MSCI All Country World Index (USD)               |                   | 30.8         | 11.4   | 2.1      |
| <b>Artemis Pan European Absolute Return Fund</b> |                   |              |        |          |
| I accumulation GBP (Hedged)                      | 14 July 2014      | 22.4         | 2.3    | (1.0)    |
| LIBOR GBP 3 Months                               |                   | 2.1          | 0.5    | 0.3      |
| I accumulation EUR (Hedged)                      | 27 October 2014   | 20.0         | 1.3    | (1.6)    |
| LIBOR EUR 3 Month                                |                   | (0.7)        | (0.3)  | (0.2)    |
| I accumulation USD (Hedged)                      | 27 October 2014   | 6.3          | 4.0    | (0.2)    |
| LIBOR USD 3 Month                                |                   | 1.4          | 2.4    | 1.0      |
| R accumulation EUR (Hedged)                      | 31 August 2016    | 5.2          | 0.9    | (2.0)    |
| LIBOR EUR 3 Month                                |                   | (0.6)        | (0.3)  | (0.2)    |
| <b>Artemis US Absolute Return Fund</b>           |                   |              |        |          |
| I accumulation EUR (NAV Hedged)                  | 27 October 2014   | 10.5         | 0.9    | 0.1      |
| LIBOR EUR 3 Month                                |                   | (0.7)        | (0.3)  | (0.2)    |
| I accumulation GBP (NAV Hedged)                  | 27 October 2014   | 13.7         | 1.8    | 0.6      |
| LIBOR GBP 3 Months                               |                   | 2.0          | 0.5    | 0.3      |
| I accumulation USD                               | 27 October 2014   | 16.4         | 3.5    | 1.5      |
| LIBOR USD 3 Month                                |                   | 3.4          | 1.7    | 1.1      |
| I accumulation CHF (NAV Hedged)                  | 1 April 2016      | 3.0          | 0.4    | (0.2)    |
| LIBOR CHF 3 Month                                |                   | (1.8)        | (0.7)  | (0.4)    |
| R accumulation CHF (NAV hedged)                  | 1 April 2016      | 1.5          | (0.3)  | (0.6)    |
| LIBOR CHF 3 Month                                |                   | (1.8)        | (0.7)  | (0.4)    |
| R accumulation EUR (NAV hedged)                  | 1 April 2016      | 2.2          | 2.6    | -        |
| LIBOR EUR 3 Month                                |                   | (0.4)        | (0.7)  | -        |
| R accumulation USD                               | 1 April 2016      | 7.2          | 2.8    | 1.2      |
| LIBOR USD 3 Month                                |                   | 3.0          | 1.7    | 1.1      |
| <b>Artemis US Equity Fund</b>                    |                   |              |        |          |
| I accumulation GBP                               | 19 September 2014 | 100.2        | 21.6   | 14.4     |
| S&P 500 Index (GBP)                              |                   | 96.5         | 18.6   | 14.5     |
| I accumulation EUR                               | 27 October 2014   | 76.6         | 24.8   | 12.5     |
| S&P 500 Index (EUR)                              |                   | 75.1         | 22.3   | 13.2     |
| I accumulation USD                               | 27 October 2014   | 62.5         | 22.8   | 7.4      |
| S&P 500 Index (USD)                              |                   | 60.2         | 19.7   | 8.0      |

## Share class performance (continued)

|                                          | Launch date       | Since launch | 1 year | 6 months |
|------------------------------------------|-------------------|--------------|--------|----------|
| <b>Artemis US Extended Alpha Fund</b>    |                   |              |        |          |
| I accumulation GBP                       | 19 September 2014 | 116.3        | 18.6   | 13.4     |
| S&P 500 Index (GBP)                      |                   | 96.5         | 18.6   | 14.5     |
| I accumulation EUR                       | 27 October 2014   | 90.6         | 21.8   | 11.5     |
| S&P 500 Index (EUR)                      |                   | 75.1         | 22.3   | 13.2     |
| I accumulation USD                       | 27 October 2014   | 75.5         | 19.7   | 6.5      |
| S&P 500 Index (USD)                      |                   | 60.2         | 19.7   | 8.0      |
| I accumulation CHF (NAV hedged)          | 1 April 2016      | 43.8         | 16.1   | 4.7      |
| S&P 500 Index (CHF Hedged)               |                   | 38.2         | 15.8   | 6.1      |
| I accumulation GBP (NAV hedged)          | 1 April 2016      | 47.7         | 17.5   | 5.5      |
| S&P 500 Index (GBP)                      |                   | 42.7         | 17.6   | 7.3      |
| R accumulation CHF                       | 1 April 2016      | 50.8         | 18.9   | 8.7      |
| S&P 500 Index (CHF)                      |                   | 47.8         | 20.4   | 10.5     |
| R accumulation CHF (NAV hedged)          | 1 April 2016      | 41.6         | 15.3   | 4.2      |
| S&P 500 Index (CHF Hedged)               |                   | 38.2         | 15.8   | 6.1      |
| R accumulation EUR                       | 1 April 2016      | 46.6         | 20.9   | 11.1     |
| S&P 500 Index (EUR)                      |                   | 43.4         | 22.3   | 13.2     |
| R accumulation USD                       | 1 April 2016      | 49.8         | 18.8   | 6.1      |
| S&P 500 Index (USD)                      |                   | 47.0         | 19.7   | 8.0      |
| R accumulation EUR (NAV hedged)          | 15 August 2016    | 35.2         | 15.6   | 4.5      |
| S&P 500 Index (Hedged to EUR)            |                   | 32.0         | 16.6   | 6.6      |
| I accumulation EUR (NAV hedged)          | 2 August 2017     | 36.1         | 16.4   | 4.9      |
| S&P 500 Index (EUR)                      |                   | 32.0         | 16.6   | 6.6      |
| <b>Artemis US Select Fund</b>            |                   |              |        |          |
| I accumulation GBP                       | 19 September 2014 | 109.2        | 25.8   | 16.2     |
| S&P 500 Index (GBP)                      |                   | 96.5         | 18.6   | 14.5     |
| I accumulation EUR                       | 27 October 2014   | 84.9         | 29.1   | 14.3     |
| S&P 500 Index (EUR)                      |                   | 75.1         | 22.3   | 13.2     |
| I accumulation USD                       | 27 October 2014   | 70.2         | 27.0   | 9.2      |
| S&P 500 Index (USD)                      |                   | 60.2         | 19.7   | 8.0      |
| I distribution GBP                       | 6 May 2015        | 86.8         | 25.8   | 16.2     |
| S&P 500 Index (GBP)                      |                   | 75.4         | 18.6   | 14.5     |
| I accumulation CHF (NAV hedged)          | 1 April 2016      | 48.1         | 22.9   | 7.0      |
| S&P 500 Index (CHF Hedged)               |                   | 38.2         | 15.8   | 6.1      |
| I accumulation EUR (NAV hedged)          | 1 April 2016      | 49.5         | 23.5   | 7.6      |
| S&P 500 Index (Hedged to EUR)            |                   | 40.0         | 16.6   | 6.6      |
| I accumulation GBP (NAV hedged)          | 1 April 2016      | 52.8         | 24.7   | 8.2      |
| S&P 500 Index (Hedged to GBP)            |                   | 42.7         | 17.6   | 7.3      |
| R accumulation CHF (NAV hedged)          | 1 April 2016      | 45.9         | 22.3   | 6.9      |
| S&P 500 Index (CHF Hedged)               |                   | 38.2         | 15.8   | 6.1      |
| R accumulation EUR (NAV hedged)          | 1 April 2016      | 50.9         | 22.1   | 7.2      |
| S&P 500 Index (Hedged to EUR)            |                   | 40.0         | 16.6   | 6.6      |
| R accumulation EUR                       | 1 April 2016      | 51.1         | 28.2   | 13.9     |
| S&P 500 Index (EUR)                      |                   | 43.4         | 22.3   | 13.2     |
| R accumulation USD                       | 1 April 2016      | 54.5         | 26.1   | 8.8      |
| S&P 500 Index (USD)                      |                   | 47.0         | 19.7   | 8.0      |
| <b>Artemis US Smaller Companies Fund</b> |                   |              |        |          |
| I accumulation EUR                       | 27 October 2014   | 113.3        | 36.3   | 27.9     |
| Russell 2000 Index (EUR)                 |                   | 79.4         | 28.2   | 21.4     |
| I accumulation GBP                       | 27 October 2014   | 143.0        | 32.8   | 30.0     |
| Russell 2000 Index (GBP)                 |                   | 103.8        | 24.4   | 22.8     |
| I accumulation USD                       | 27 October 2014   | 96.3         | 34.1   | 22.1     |
| Russell 2000 Index (USD)                 |                   | 64.2         | 25.4   | 15.8     |

Source: Lipper Limited, mid to mid in share class currency to 31 August 2018. All performance figures show total returns with dividends reinvested, percentage growth.

## Information for Swiss Investors

### Total expense ratio

The total expense ratios below have been calculated as at 31 August 2018 in accordance with the guidelines issued by the Swiss Funds Association and are provided for each share class within the sub-funds. The total expense ratio shows the current operating expenses of each share class as a percentage of the net assets of the that class.

|                                                  | Operating expenses | Performance fees | 31 August 2018<br>Total expense ratio |
|--------------------------------------------------|--------------------|------------------|---------------------------------------|
| <b>Artemis Global Emerging Markets Fund</b>      |                    |                  |                                       |
| I accumulation EUR                               | 0.97%              | -                | 0.97%                                 |
| I distribution GBP                               | 0.97%              | -                | 0.97%                                 |
| I accumulation GBP                               | 0.97%              | -                | 0.97%                                 |
| I accumulation USD                               | 0.97%              | -                | 0.97%                                 |
| <b>Artemis Global Equity Income Fund</b>         |                    |                  |                                       |
| I distribution EUR                               | 0.92%              | -                | 0.92%                                 |
| I distribution GBP                               | 0.92%              | -                | 0.92%                                 |
| I distribution USD                               | 0.92%              | -                | 0.92%                                 |
| I accumulation EUR                               | 0.92%              | -                | 0.92%                                 |
| I accumulation GBP                               | 0.92%              | -                | 0.92%                                 |
| I accumulation USD                               | 0.92%              | -                | 0.92%                                 |
| R accumulation EUR                               | 1.67%              | -                | 1.67%                                 |
| R accumulation USD                               | 1.67%              | -                | 1.67%                                 |
| <b>Artemis Pan-European Absolute Return Fund</b> |                    |                  |                                       |
| I accumulation EUR (Hedged)                      | 0.89%              | 0.19%            | 1.08%                                 |
| I accumulation GBP (Hedged)                      | 0.89%              | 0.33%            | 1.22%                                 |
| I accumulation USD (Hedged)                      | 0.89%              | 0.02%            | 0.91%                                 |
| R accumulation EUR (Hedged)                      | 1.64%              | 0.06%            | 1.70%                                 |
| <b>Artemis US Absolute Return Fund</b>           |                    |                  |                                       |
| I accumulation CHF (NAV Hedged)                  | 0.83%              | 0.16%            | 0.99%                                 |
| I accumulation EUR (NAV Hedged)                  | 0.83%              | 0.18%            | 1.01%                                 |
| I accumulation GBP (NAV Hedged)                  | 0.83%              | 0.24%            | 1.07%                                 |
| I accumulation USD                               | 0.83%              | 0.04%            | 0.87%                                 |
| R accumulation CHF (NAV hedged)                  | 1.58%              | 0.08%            | 1.66%                                 |
| R accumulation EUR (NAV hedged)                  | 1.58%              | 0.05%            | 1.63%                                 |
| R accumulation USD                               | 1.58%              | 0.04%            | 1.62%                                 |
| <b>Artemis US Equity Fund</b>                    |                    |                  |                                       |
| I accumulation EUR                               | 1.00%              | -                | 1.00%                                 |
| I accumulation GBP                               | 1.00%              | -                | 1.00%                                 |
| I accumulation USD                               | 1.00%              | -                | 1.00%                                 |
| <b>Artemis US Extended Alpha Fund</b>            |                    |                  |                                       |
| I accumulation CHF (NAV hedged)                  | 0.80%              | 0.04%            | 0.84%                                 |
| I accumulation EUR                               | 0.80%              | 0.09%            | 0.89%                                 |
| I accumulation EUR (NAV Hedged)                  | 0.80%              | 0.06%            | 0.86%                                 |
| I accumulation GBP                               | 0.80%              | 0.05%            | 0.85%                                 |
| I accumulation GBP (NAV hedged)                  | 0.80%              | 0.03%            | 0.83%                                 |
| I accumulation USD                               | 0.80%              | 0.06%            | 0.86%                                 |
| R accumulation CHF                               | 1.55%              | 0.28%            | 1.83%                                 |
| R accumulation CHF (NAV hedged)                  | 1.55%              | 0.21%            | 1.76%                                 |
| R accumulation EUR                               | 1.55%              | 0.04%            | 1.59%                                 |
| R accumulation EUR (NAV hedged)                  | 1.55%              | 0.28%            | 1.83%                                 |
| R accumulation USD                               | 1.55%              | 0.04%            | 1.59%                                 |

## Information for Swiss Investors (continued)

|                                          | Operating expenses | Performance fees | 31 August 2018<br>Total expense ratio |
|------------------------------------------|--------------------|------------------|---------------------------------------|
| <b>Artemis US Select Fund</b>            |                    |                  |                                       |
| I accumulation EUR (NAV hedged)          | 0.81%              | -                | 0.84%                                 |
| I accumulation EUR                       | 0.81%              | -                | 0.84%                                 |
| I distribution GBP                       | 0.81%              | -                | 0.84%                                 |
| I accumulation CHF (NAV hedged)          | 0.81%              | -                | 0.84%                                 |
| I accumulation GBP (NAV hedged)          | 0.81%              | -                | 0.84%                                 |
| I accumulation GBP                       | 0.81%              | -                | 0.84%                                 |
| I accumulation USD                       | 0.81%              | -                | 0.84%                                 |
| R accumulation CHF (NAV hedged)          | 1.56%              | -                | 1.59%                                 |
| R accumulation EUR (NAV hedged)          | 1.56%              | -                | 1.59%                                 |
| R accumulation EUR                       | 1.56%              | -                | 1.59%                                 |
| R accumulation USD                       | 1.56%              | -                | 1.59%                                 |
| <b>Artemis US Smaller Companies Fund</b> |                    |                  |                                       |
| I accumulation EUR                       | 0.84%              | -                | 0.84%                                 |
| I accumulation GBP                       | 0.84%              | -                | 0.84%                                 |
| I accumulation USD                       | 0.84%              | -                | 0.84%                                 |

The total expense ratio shows the current operating expenses of each share class as a percentage of the net assets of the that class.

### ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND

The Fund's prospectus, KIIDs, fund rules / articles of association/statutes, annual and semi-annual report and accounts, also in paper form, the net asset value per share/unit and the issue and redemption or switch prices as well as a list of portfolio movements may be obtained, free of charge, from the Swiss Representative and Paying Agent, RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich.

## General information

### Investment in the company

Investments in the sub-funds of Artemis Investment Funds ICVC are intended to be medium to long term investments and should not be considered as a short term investment.

Investors are reminded that past performance is not a guarantee of performance in the future and that the price of shares and the revenue from them can fall as well as rise. Please refer to the Key Investor Information Document and Prospectus (which are available from the ACD on request) for a full description of the risks involved when investing in the sub-funds.

Shares may be bought and sold by contacting the ACD by telephone, at the address on this page or via the website [artemisfunds.com](http://artemisfunds.com) in the UK. Valuation of the sub-funds takes place each business day at 12 noon UK time on a forward pricing basis.

The information contained within this document should not be construed as a recommendation to purchase or sell stocks.

### Publication of prices

The most recent prices are published on the ACD's website [artemisfunds.com](http://artemisfunds.com), which is the primary method of price publication.

For further details and where to find such prices please contact the ACD. Shares are not quoted on any recognised investment exchange.

### Tax information reporting

UK tax legislation requires authorised corporate directors to provide information to HMRC on certain investors who purchase shares in ICVC sub-funds. Accordingly, the company may have to provide information annually to HMRC on the tax residencies of those shareholders 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 shareholders that invest in the fund must complete a certification form as part of the application form. Existing shareholders 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](http://gov.uk/government/publications/exchange-of-information-account-holders).

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## General information (continued)

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