PROFIT *hunters*

ARTEMIS Income *Fund*

Manager's Report
and Financial Statements
for the year ended 30 April 2018

ARTEMIS
The PROFIT Hunter

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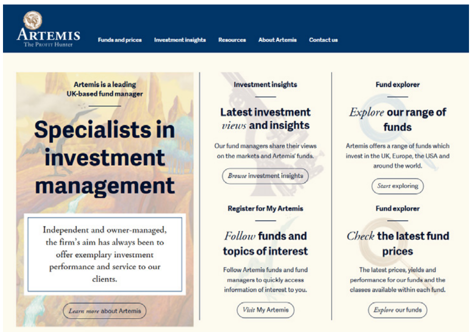

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- Artemis *Filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemisfunds.com

General information

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 £29.1 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

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

* Source: Artemis as at 31 May 2018.

Fund status

Artemis Income Fund was constituted by a Trust Deed dated 28 April and 4 May 2000 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The objective of the fund is to achieve a rising income combined with capital growth from a portfolio primarily made up of investments in the United Kingdom.

Investment policy

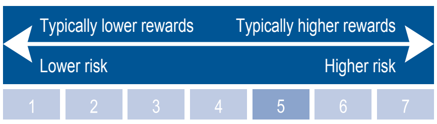
The manager actively manages the portfolio in order to achieve the objective with exposure to ordinary shares, preference shares, convertibles and fixed interest securities. The manager will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

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

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website **artemisfunds.com**. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



■ This indicator is based on historical data and may not be a reliable indication of the future risk profile of the fund.

■ The risk category shown is not guaranteed and may change over time.

■ A risk indicator of '1' does not mean that the investment is 'risk free'.

■ The indicator is not a measure of the possibility of losing your investment.

The risk indicator for the fund is as above because:

■ The price of units, and the income from them, can fall and rise because of stock market and currency movements.

■ Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.

■ A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.

■ 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 fund can invest in higher-yielding bonds, which may increase the risk to your capital due to a higher likelihood of the company issuing the bonds failing to pay returns on investments. Changes to market conditions and interest rates can have a larger effect on the values of higher-yielding bonds than other bonds.

Prospectus

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

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose, in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year.

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

General information (continued)

Artemis' website **artemisfunds.com**. Remuneration levels are set to attract, retain and motivate talented partners and staff and align long-term interests of partners and staff with those of our clients.

The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Compliance and Risk functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary. The Artemis remuneration period runs from 1 January to 31 December, therefore, the first full performance period subject to the UCITS Remuneration Code started on 1 January 2017 and ended on 31 December 2017. As a consequence, for certain partners and staff who are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm, the payment of some of the variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to Identified Staff, before the end of the vesting period.

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 171 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund for the year ended 31 December 2017 is £1,254,507, of which £327,834 is fixed remuneration and £926,673 is variable remuneration. No amount of remuneration, including any performance fees, was paid directly by the fund.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2017 is £307,248. AFML Remuneration Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of UCITS Remuneration Code the AFML Remuneration Code staff are the members of Artemis' Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

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

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

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

Removal of initial charge

The fund's prospectus includes the ability for Artemis to apply an initial charge on investments into the fund. The prospectus also sets out the maximum amount of this charge for different unit classes in the fund, although in almost all cases the initial charge has been waived in its entirety for a number of years. From 6 June 2018 the prospectus will be updated to make it clear that no initial charge will be levied in respect of the existing unit classes. For further information please contact our client services team on 0800 092 2051.

Manager

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

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

Investment adviser

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

Trustee and Depositary

(to 15 January 2018)
National Westminster Bank Plc †
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

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

Registrar

DST Financial Services International Limited (formerly International Financial Data Services (UK) Limited) *
DST House
St Nicholas Lane
Basildon Essex
SS15 5FS

Auditor

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

* Authorised and regulated by the FCA, 25 The North Colonnade, Canary Wharf, London E14 5HS.

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

Statement of the trustee's responsibilities for the period from 1 May 2017 to 15 January 2018

The trustee must ensure that the Artemis Income Fund (the 'scheme') is managed in accordance with COLL, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the scheme and its investors. The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the scheme in accordance with the Regulations.

The trustee must ensure that:

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

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

Report of the trustee to the unitholders of Artemis Income Fund for the period from 1 May 2017 to 15 January 2018

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

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

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

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
15 January 2018

Statement of the trustee's responsibilities in respect of the scheme and report of the trustee to the unitholders of Artemis Income Fund ('the Trust') for the period from 15 January 2018 to 30 April 2018

The trustee of Artemis Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors. The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The trustee must ensure that:

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

General information (continued)

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

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

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

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

J.P. Morgan Europe Limited
London
26 June 2018

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year.

In preparing the financial statements the manager is required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');

(iii) follow applicable accounting standards;

(iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL.

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

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Income Fund for the year ended 30 April 2018 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
R J Turpin — Director
Artemis Fund Managers Limited
London
26 June 2018

Independent auditor's report to the unitholders of the Artemis Income Fund

Opinion

We have audited the financial statements of the Artemis Income Fund ('the Fund') for the year ended 30 April 2018 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 April 2018 and of the net revenue and the net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 4, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

General information (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
26 June 2018

Notes:

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

- Fund returned 10.2%* versus the benchmark's 8.2%*; distribution up 6.5%.
- We stick to picking stocks.
- The effects of 'disruption' and technology increasingly important.

Performance – Good and steady …

Who would have thought it? Notwithstanding the shadows being cast over the UK by Brexit and political uncertainty, the FTSE All-Share Index followed last year's 20.1%* return with a more moderate – but still entirely acceptable – rise of 8.2%. Your portfolio, meanwhile, managed to jog a little faster than that, returning 10.2%. This helps to make its longer-term numbers more palatable versus the benchmark: it is in the first quartile of its peer group over one, three, five and 10 years; and since launch.

Although the rise in the UK market was welcome, it was a subdued return compared with the US, Japanese and Far Eastern markets, which all made gains of well over 10%. So our schadenfreude was confined to European equities, which limped home with a gain of 5%.

The UK's performance had little to do with international investors looking beyond the troubled waters that presently surround these islands and abandoning their longstanding antipathy. Rather, it owed a lot to its status as the home of oil and mining shares in a period when rising commodity prices provided a roaring tailwind. When some 20% of the market by value is serving aces, it takes a lot of double faults from the remainder of the market to hold it back.

The macroeconomic background was broadly beneficial and, although the direction of travel for interest rates points north, there has – with the notable exception of the US – been more pointing than progress. For what it's worth, we don't view the move to higher interest rates as an insurmountable obstacle for markets: monetary tightening is likely to be gradual and not material.

Meanwhile, politics oscillated between the entertaining and the worrying. President Trump continued to make the occasional comment with which not everybody agreed. At the time of writing he seems both to have diffused some of the nuclear tension in North Korea while reigniting it in Iran – a balance of sorts. Nevertheless, stock markets remain sanguine about such matters.

The portfolio's distribution rose by 6.5% from last year despite the strength of sterling having slightly reduced the income from the part of our portfolio that pays its dividends in US dollars. For now, we expect the growth in income to hover about 5%, notwithstanding that it could be higher or lower than this over shorter periods. About 18 months ago, much was being made of the fact that the UK market appeared to have weak dividend cover. But this ignored the depressing impact from the oil and mining shares. Today, with earnings in these areas having recovered, the picture looks more comfortable. It is worth mentioning that the dividend cover on some of our holdings will look low on the basis that some are able to pay out nearly all of their earnings in dividends. Some banks and insurance companies, for instance, having reached a capital position in excess of regulatory requirements, are able to do this. Here, a low dividend cover is more a symptom of strength than of stress.

Review – Sticking to stocks …

While macroeconomics and politics do of course concern us, they have little influence on the shape or day-to-day running of the portfolio. Some of our clients ask us how we are positioned for: Brexit; trade wars; stronger sterling; weaker sterling; higher interest rates; a Labour government … the list goes on. Although we are flattered to be accorded such visionary status, we are (as our adverts suggest) 'profit hunters' rather than prophets. Not only do we lack a process or forecasting mechanism that would help us in such speculations but, if we were to have a view, positioning for these outcomes would incur significant effects on the portfolio. Instead, we concentrate on finding the stocks where we feel we have the knowledge and insight to postulate and predict. We then back these views with your capital.

In terms of the fund's performance, the strength of the commodity sector presented a headwind – as it did in 2017. These stocks are less well-represented in our portfolio than in the UK market. Having the same exposure to these areas as the FTSE All-Share Index would, in our opinion, mean that an uncomfortably high proportion (25%) of our income would depend on oil stocks and miners. Things look rosy here today but these areas are cyclical (at a conference just two years ago I was asked whether Royal Dutch Shell would go bust…); and we aim to provide a steady, growing income for our investors. For the record, we do have exposure here – the current combined weighting of oil and mining amounts to 12.7% of the portfolio.

In contrast to 2017, other parts of the portfolio provided a more-than-adequate offset against our underweight in commodities. Reassuringly, they tended to be the stocks that have been mentioned in previous annual reports, such as 3i Group, Segro and SSP Group. All continued to make progress (in some cases more than we expected) and, while valuations may precipitate sales at some juncture, they illustrate some themes common across the greater part of the portfolio.

First, like much of the portfolio, we can see the rationale for the underlying cashflows of these stocks proving sustainable, if we take a farsighted view. This is, if you will, 'horizon investing'. This is in contrast to what

* Source: Lipper Limited, class I distribution units, bid to bid in sterling with dividends reinvested to 30 April 2018. Benchmark is the FTSE All-Share Index. Sector is IA UK Equity Income.

Investment review (continued)

we might term 'lily pad' investing – hopping from one stock to the next as the long-term security of their underlying cashflows makes the notion of staying (afloat) on the lily pad questionable. But before we become too high-minded about these things, we should acknowledge that we are pragmatic: some lily pads are more robust than others, and so if we see a shorter-term opportunity where a company's cashflows are clearly being mispriced, we will contemplate acting.

Second, our investors seem, on occasion, a little dismayed by the fact that we are not bursting with new ideas. They believe that we should be rotating from stock to stock to generate performance. This ignores the basic tenet of why a company has management and what it gets paid for. Paying management teams to put their effort into delivering future share price performance while at the same time flitting from one lily pad to the next looks irrational to us.

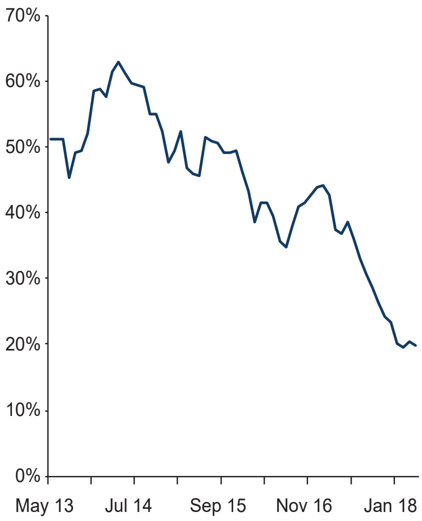
Returning to the stock-specifics of our three main outperformers: Segro has demonstrated the value of management being active to good effect. Since 2012 the company has sold £3.5 billion of property, replacing it with acquisitions, developments and land costing a similar amount. In doing so, Segro's management has moved the company from its stagnating legacy to a portfolio that is benefiting from the growing need for 'last-mile' delivery. Its facilities are not just sheds, but instead contain equipment for sorting, storing and sending the goods that consumers' habits now require. Segro is combining 'urban industrial' (sites from which consumer deliveries can be deployed) and 'big box' logistics; and has £9.3 billion of assets in in this area, mostly in and around London (for example, the main cargo facility at Heathrow) along with growing portfolios in the cities of France, Germany and Italy. In addition to positioning the company in this way, management has assembled a substantial land bank which will contribute to rents over the long-term.

3i Group's major asset is Action Group, the European discount store. Seven years ago it had 269 stores in the Low Countries. Today it has 1,095 stores, with major presences in France and Germany and a growing footprint in Austria and Poland. Over and above investments such as Action, 3i is successfully deploying over €500 million per annum in a variety of businesses.

At the time of its IPO in 2013, SSP Group, which operates concessions in airports and transport hubs (such as King's Cross, Stansted and JFK) was predominantly a European business. At that time 15% of sales were in the US and 'rest of world'. Fast forward to today and 15% has grown to over 30%, with plenty of runway ahead.

Turning to our activity, our turnover – and therefore our costs – remains low. The chart below shows our turnover as a percentage of the fund. The simplest message is that our average holding period is five years.

Turnover of stocks in Artemis Income Fund (%)



Souce: Artemis. Data from May 2013 until April 2018.

Among this year's transactions, the main purchase of note was Smiths Group. This has three main businesses: seals (supplying the oil and chemical sectors); medical devices; and detection (airport scanners: "just the one hip replacement, sir?"). The previous stewardship of the company, aided and abetted by its shareholders, aimed to maximise returns from these businesses. Today, however, the mantra is investment for growth, with a particular emphasis on innovative products. If successful, then not only does this represents a decent run of cashflow; but reinvesting some of this prodigious cashflow should ensure the longevity and growth of dividends.

We also made one 'lily pad' investment in resources, buying Anglo American. Here we saw a very high cashflow derived from the prevailing commodity prices at that time. Analysts following the sector were fairly unanimous in their belief that commodity prices would fall. To our mind, an annual cashflow equivalent to 13% of the value of the entity (particularly one with only modest borrowings) more than discounted this negative outlook. Since then, commodity prices have risen on balance and Anglo American (and companies like it) finds itself with torrents of cashflow and little debt. So long as it does not succumb to a corporate condition called acquisitionitus (early symptoms of which include a strong balance sheet and confident management redolent with ambition), then its dividends should continue to flow.

Our most significant sale was Saga, the insurer and travel agent to those of a certain vintage. Although we had signalled our ambivalence about this stock by selling some of our holding last year, we retained a smaller position. This then bore the full brunt of a profit warning and share-price fall in the closing months of 2017. We sold because we needed to fund other, better ideas. But it would be disingenuous to leave our comment at that. A large part of Saga's business is home and motor insurance and it was the latter – and some not previously articulated change in its accounting treatments – that led to the disappointment. We came to the view that to succeed and grow in home and motor insurance demands investment in technology and the management of data. So we think the prizes will go to the taller people in the class; and that Saga will do well to stem its losses of customers.

Outlook – Determining disruption …

For us, thinking about – and working on – the themes that will determine the future composition of the portfolio plays a much more significant role in our day-to-day work than hyperventilating over unpredictable macro and political events. Although of boundless interest, ultimately these will have less bearing on the long-term value that accrues to unitholders.

In recent reports we have discussed the importance of understanding the ramifications of 'disruption', particularly in those areas of the market where complacency meets high valuation. Latterly, it has been right to steer clear of these areas. For instance, Kraft Heinz's much-vaunted bid for Unilever briefly sent shares in the predator soaring to $95. Today, the same over-indebted company trades at $65 – and is struggling to stem the declining sales of its distinctly 'retro' portfolio of brands. We continue to monitor these trends: at some stage they will have either played out or will be reflected in equity valuations.

More pertinent are our views that technology will reap better returns for many companies as they are able to replace their ageing myriad of legacy systems with something sleeker and more modern, giving customers a better service while costing less to administer. For many companies with large numbers of customers, interfacing through apps and emails yields convenience. Today, many are navigating IT systems that are analogous to spaghetti junction. But, pushing the metaphor to its limit, they will in due course be cruising down the M6 toll road.

For some companies, the impact of technology is already being felt. For example, that BP could produce as much cashflow when oil prices at $60 per barrel as it could when they were $100 per barrel (despite having paid out $60 billion for the Macondo spill) is in no small part due to its use of technology, which is enabling some its wells to run at higher rates of production than would have otherwise been the case. Tui, the travel company with 20 million customers, told us it used to take 36 hours and no small amount of manual input (which is to say cost) to reset its flight schedules. Today, it takes just 90 seconds and costs £4. That looks like progress to us.

From the world of stocks to the wider world. Notwithstanding its recent rally, the UK is still seen as the hermit of global equity markets. Understandably, international investors continue to view a potion blending Brexit uncertainty with political stasis as more akin to hemlock than Horlicks. A drumroll followed by a sudden Brexit deal seems unlikely. Instead, a prolonged process that obliges the equity market to inch its way towards certainty seems more probable. In the meantime, while conventional investors hesitate, corporate buyers are more eager: by our calculation, some 13 of the top UK's top 350 companies have either succumbed to takeovers or received approaches in the year to date. Little did investment bankers realise that the Brexit uncertainty would lead to such a bonanza of M&A. We suspect that they, along with the sommeliers of most good West End restaurants, will have a spring in their step for a while yet.

If there is one change in the macro-environment that does concern us, it is labour costs in the US and UK. In both economies, employment is full and labour is in short supply which suggests that its price must rise. In addition, the UK government has stipulated rises in the living wage. Added to which is the realisation that for all its modernity the so-called 'gig economy' – delivery drivers, parcel companies, food delivery by Deliveroo and transportation by Uber – is a voracious user of labour. Governments are increasingly interested in the terms and conditions of contracts (holiday entitlement, employment rights and pensions) in these areas. Any subsequent legislation will likely add to the upward pressure on labour costs. For many companies, offsetting this through higher prices is not an option. This ultimately represents a threat to profits and makes us cautious about certain segments of the market.

Finally, unitholders should note that there are now three managers on your fund. Andy Marsh joined the Artemis Income team in February 2018. Having trained with Ernst & Young, Andy qualified as an accountant in 1997 before working as an analyst for ING Charterhouse and then for Merrill Lynch. In 2005 he moved to Investec Investment Bank as head of equity sales. Then from 2006 – 2017, Andy managed money at Polar Capital, where he was a partner.

Given his calibre and experience, we are delighted that Andy has joined us. The way he approaches both long-term fund management and stock-picking is complementary to ours. Nick and I are looking forward to working with Andy over the years ahead.

Adrian Frost, Nick Shenton & Andrew Marsh
Fund managers

Investment information

Five largest purchases and sales for the year ended 30 April 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Smiths Group	65,408	Bayer	83,765
Anglo American	54,860	Saga	82,543
William Hill	46,296	Tui	74,282
Royal Dutch Shell B shares	40,484	Centrica	60,755
Tesco	37,031	RELX	60,204

Portfolio statement as at 30 April 2018

Investment	Holding	Valuation £'000	% of net assets
Collective Investment Schemes 1.87% (1.71%)			
Artemis Global Income Fund class I accumulation units†	86,129,183	116,181	1.87
Collective Investment Schemes total		**116,181**	**1.87**
Equities 97.31% (96.94%)			
Basic Materials 3.90% (5.55%)			
Anglo American	3,683,422	63,848	1.03
Rio Tinto	4,470,383	178,637	2.87
		242,485	**3.90**
Consumer Goods 4.89% (7.36%)			
Berkeley Group Holdings	1,044,535	42,868	0.69
British American Tobacco	2,395,927	96,915	1.56
Corbion	510,058	11,892	0.19
Imperial Brands	5,798,767	152,305	2.45
		303,980	**4.89**
Consumer Services 17.64% (18.69%)			
Card Factory	20,757,227	47,285	0.76
Delivery Hero	1,441,893	50,390	0.81
Greene King	3,415,049	18,646	0.30
Informa	26,984,090	199,304	3.21
RELX	12,295,817	191,815	3.09
RELX NV	2,040,518	31,618	0.51
SSP Group	16,870,820	109,323	1.76
Tesco	67,925,377	161,527	2.60
TUI	5,545,909	92,339	1.48
Vivendi	1,700,000	32,611	0.52
William Hill	14,644,650	42,616	0.69
Wolters Kluwer	3,026,485	118,967	1.91
		1,096,441	**17.64**
Financials 37.64% (34.53%)			
3i Group	27,657,648	261,144	4.20
Assura, REIT	127,495,991	76,370	1.23
Aviva	41,109,494	217,798	3.50
Barclays	59,921,984	124,817	2.01
Direct Line Insurance Group	39,934,617	150,593	2.42
HSBC Holdings	22,763,576	166,038	2.67
IG Group Holdings	10,451,747	86,697	1.39
Legal & General Group	53,486,954	145,057	2.33

Investment	Holding	Valuation £'000	% of net assets
Lloyds Banking Group	281,189,163	182,857	2.94
London Stock Exchange Group	2,693,525	116,226	1.87
NEX Group	6,212,077	60,940	0.98
NextEnergy Solar Fund	45,605,779	49,938	0.80
Nordea Bank	9,830,611	73,650	1.19
Phoenix Group Holdings	11,984,754	94,919	1.53
RSA Insurance Group	13,960,211	92,026	1.48
Secure Income, REIT #	36,465,003	141,484	2.28
Segro, REIT	31,974,169	208,024	3.35
Speymill Deutsche Immobilien, REIT ^	14,828,390	-	-
Standard Life Aberdeen	24,780,941	91,442	1.47
		2,340,020	**37.64**
Healthcare 8.91% (6.85%)			
AstraZeneca	2,727,500	139,785	2.25
Bayer	1,073,436	92,960	1.49
GlaxoSmithKline	15,918,954	235,059	3.78
Indivior	18,729,294	86,267	1.39
		554,071	**8.91**
Industrials 7.49% (8.19%)			
BBA Aviation	18,173,811	58,265	0.94
Cobham	47,494,626	54,856	0.88
Melrose Industries	40,342,280	91,577	1.47
Rentokil Initial	35,814,459	111,419	1.79
Royal Mail	13,934,469	81,740	1.32
Smiths Group	4,249,730	67,932	1.09
		465,789	**7.49**
Oil & Gas 8.80% (6.27%)			
BP	58,041,112	308,372	4.96
Royal Dutch Shell B shares	9,212,425	238,372	3.84
		546,744	**8.80**
Technology 1.97% (1.27%)			
Laird	54,333,918	106,875	1.72
Sage Group	2,446,622	15,609	0.25
		122,484	**1.97**
Telecommunications 5.46% (5.77%)			
BT Group	44,315,944	111,167	1.79
Inmarsat	16,403,136	61,413	0.99
Vodafone Group	78,262,781	166,543	2.68
		339,123	**5.46**
Utilities 0.61% (2.46%)			
Drax Group	11,949,057	37,831	0.61
		37,831	**0.61**
Equities total		**6,048,968**	**97.31**
Forward currency contracts 0.10% (0.25%)			
Buy Sterling 307,356,240 dated 08/06/2018		307,356	4.94
Sell Euro 344,190,000 dated 08/06/2018		(303,608)	(4.88)
Buy Sterling 69,676,269 dated 08/06/2018		69,676	1.12

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Sell Swedish Krona 796,300,000 dated 08/06/2018		(66,880)	(1.08)
Forward currency contracts total		**6,544**	**0.10**
Investment assets (including investment liabilities)		6,171,693	99.28
Net other assets		44,552	0.72
Net assets attributable to unitholders		6,216,245	100.00

The comparative percentage figures in brackets are as at 30 April 2017.
† Related party.
# Security traded on the Alternative Investment Market.
^ Unlisted, suspended or delisted security.

Statement of total return for the year ended 30 April 2018

	Note	30 April 2018 £'000	30 April 2018 £'000	30 April 2017 £'000	30 April 2017 £'000
Income					
Net capital gains	3		397,379		806,883
Revenue	5	264,158		274,641	
Expenses	6	(64,729)		(65,705)	
Interest payable and similar charges	7	(11)		(9)	
Net revenue before taxation		199,418		208,927	
Taxation	8	(1,504)		(3,241)	
Net revenue after taxation			197,914		205,686
Total return before distributions			**595,293**		**1,012,569**
Distributions	9		(260,646)		(269,190)
Change in net assets attributable to unitholders from investment activities			334,647		743,379

Statement of change in net assets attributable to unitholders for the year ended 30 April 2018

	30 April 2018 £'000	30 April 2018 £'000	30 April 2017 £'000	30 April 2017 £'000
Opening net assets attributable to unitholders		6,461,604		6,481,428
Amounts receivable on issue of units	106,117		186,545	
Amounts payable on cancellation of units	(789,499)		(1,052,642)	
		(683,382)		(866,097)
Change in net assets attributable to unitholders from investment activities		334,647		743,379
Retained distributions on accumulation units		103,370		102,892
Unclaimed distributions		6		2
Closing net assets attributable to unitholders		6,216,245		6,461,604

Balance sheet as at 30 April 2018

	Note	30 April 2018 £'000	30 April 2017 £'000
Assets			
Fixed assets			
Investments	10	6,171,693	6,390,681
Current assets			
Debtors	11	79,808	62,795
Cash and bank balances	12	70,204	146,361
Total current assets		**150,012**	**209,156**
Total assets		**6,321,705**	**6,599,837**
Liabilities			
Creditors			
Bank overdraft	13	11,111	15,094
Distribution payable		82,097	78,923
Other creditors	14	12,252	44,216
Total creditors		**105,460**	**138,233**
Total liabilities		**105,460**	**138,233**
Net assets attributable to unitholders		6,216,245	6,461,604

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with Financial Reporting Standard ('FRS') 102 and the SORP.

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

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the accounting period. Forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, ('REIT') are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Bank interest is recognised on an accruals basis.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis. Rebates are applied where management fees are incurred by the underlying investment. Costs arising from the filing of European withholding tax reclaims are charged to revenue but deducted from capital for the purpose of calculating the distribution.
On receipt of any withholding tax reclaims, the relevant costs will be transferred back to revenue and deducted from the distribution.

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount. Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gains

	30 April 2018 £'000	30 April 2017 £'000
Non-derivative securities	408,432	848,423
Management fee rebate	862	747
Derivative contracts	-	19
Capital transaction charges	(6)	(9)
Currency (losses)/gains	(5,660)	153
Forward currency contracts	(6,249)	(42,450)
Net capital gains	397,379	806,883

4. Direct transaction costs

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

Bonds have no separately identifiable transaction costs; these costs form part of the dealing price.

	Year ended 30 April 2018					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	703,364	577	2,563	706,504	0.08	0.37
Sales						
Equities	1,329,058	1,154	1	1,327,903	0.09	0.00
Total		1,731	2,564			
Percentage of fund average net assets		0.03%	0.04%			

	Year ended 30 April 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	1,262,993	1,285	3,623	1,267,901	0.10	0.29
Sales						
Equities	2,108,787	2,359	8	2,106,420	0.11	-
Bonds	92,480	-	-	92,480	-	-
Derivative purchases and sales		-	13			
Total		3,644	3,644			
Percentage of fund average net assets		0.06%	0.06%			

During the year the fund incurred £6,000 (2017: £9,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.07% (2017: 0.08%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Notes to the financial statements (continued)

5. Revenue

	30 April 2018 £'000	30 April 2017 £'000
UK dividends	222,436	228,216
Overseas dividends	29,493	34,571
Revenue from UK REITs	8,021	6,278
Franked dividend distributions from collective investment schemes	4,026	3,190
Bank interest	182	364
Interest on debt securities	-	1,071
Underwriting commission	-	591
Option premiums	-	323
Interest on denkavit reclaims	-	37
Total revenue	264,158	274,641

6. Expenses

	30 April 2018 £'000	30 April 2017 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	62,719	63,490
Other expenses:		
Trustee fees	690	764
Registration fees	533	590
Administration fees	406	409
Safe custody fees	194	188
Operational fees	179	242
Auditor's remuneration: audit fees*	7	11
Price publication fees	1	1
Printing and postage fees	-	10
Total expenses	64,729	65,705

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amounts disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the year was £7,500 (2017: £9,000).

7. Interest payable and similar charges

	30 April 2018 £'000	30 April 2017 £'000
Interest payable	11	9
Total interest payable and similar charges	11	9

8. Taxation

	30 April 2018 £'000	30 April 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	1,504	3,069
Denkavit tax reclaims	-	172
Total taxation (note 8b)	1,504	3,241
b) Factors affecting the tax charge for the year		
Net revenue before taxation	199,418	208,927
Corporation tax at 20% (2017: 20%)	39,884	41,785
Effects of:		
Unutilised management expenses	11,135	11,261
Irrecoverable overseas tax	1,504	3,069
Tax on management fee rebate	172	150
Denkavit tax reclaims	-	172
Non-taxable overseas dividends	(5,898)	(6,915)
Non-taxable UK dividends	(45,293)	(46,281)
Tax charge for the year (note 8a)	1,504	3,241

c) Provision for deferred tax
No provision for deferred tax has been made in the current or prior accounting year.

d) Factors that may affect future tax charges
The fund has not recognised a deferred tax asset of £112,580,000 (2017: £101,445,000) arising as a result of having unutilised management expenses of £562,901,000 (2017: £507,226,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	30 April 2018 £'000	30 April 2017 £'000
Interim dividend distribution	116,836	131,343
Final dividend distribution	138,520	130,172
	255,356	261,515
Add: amounts deducted on cancellation of units	6,575	9,545
Deduct: amounts added on issue of units	(1,285)	(1,870)
Distributions	260,646	269,190
Movement between net revenue and distributions		
Net revenue after taxation	197,914	205,686
Annual management charge paid from capital	62,719	63,490
Expenses paid from capital	13	15
Undistributed revenue brought forward	1	1
Less: amounts deducted on conversion of units	-	(1)
Undistributed revenue carried forward	(1)	(1)
	260,646	269,190

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on page 22.

Notes to the financial statements (continued)

10. Fair value hierarchy

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

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

	30 April 2018	30 April 2017
	Assets £'000	Assets £'000
Level 1	6,048,968	6,264,247
Level 2	122,725	126,434
Total	6,171,693	6,390,681

11. Debtors

	30 April 2018 £'000	30 April 2017 £'000
Accrued revenue	62,420	55,288
Sales awaiting settlement	9,172	2,136
Overseas withholding tax recoverable	6,246	5,233
Amounts receivable for issue of units	1,899	-
Accrued management fee rebate	69	136
Prepaid expenses	2	2
Total debtors	79,808	62,795

12. Cash and bank balances

	30 April 2018 £'000	30 April 2017 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	63,181	146,361
Cash and bank balances	7,023	-
Total cash and bank balances	70,204	146,361

13. Bank overdraft

	30 April 2018 £'000	30 April 2017 £'000
Collateral pledged with UBS	11,111	15,094
Total bank overdraft	11,111	15,094

14. Other creditors

	30 April 2018 £'000	30 April 2017 £'000
Purchases awaiting settlement	5,021	9,729
Accrued annual management charge	4,777	4,774
Amounts payable for cancellation of units	1,874	29,375
Accrued other expenses	580	338
Total other creditors	12,252	44,216

15. Contingent liabilities and commitments

There were no contingent liabilities at the current year end (2017: The fund held an outstanding commitment to purchase additional shares in Cobham through a rights issue).

16. Contingent assets

Following the ruling on Denkavit's case with the European Court of Justice regarding taxation withheld on overseas dividends, the manager has taken steps to make claims with certain European tax authorities for repayment of taxation suffered by the fund on dividend revenue. Due to uncertainty regarding the likely success of claims made in other countries, it is not possible to estimate the potential amount of overseas tax that may be received by the fund, if any. Therefore, the financial statements presented for the year ended 30 April 2018 do not reflect any further amounts that may be received.

17. Reconciliation of unit movements

Class	Units in issue at 30 April 2017	Units issued	Units cancelled	Units converted	Units in issue at 30 April 2018
I distribution	1,213,551,217	20,390,135	(166,023,172)	10,548,514	1,078,466,694
I accumulation	342,788,027	3,047,907	(31,825,272)	4,372,711	318,383,373
R distribution	448,515,944	17,030,760	(55,997,324)	(8,794,356)	400,755,024
R accumulation	275,956,590	1,010,919	(28,169,128)	(6,160,774)	242,637,607

18. Risk disclosures

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

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk, arises mainly from uncertainty about future values of financial instruments in the fund's investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in equities and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. As the majority of the fund's financial assets are non-interest bearing, the fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. The manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £6,249,000 (2017: £42,450,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt. No hedging is undertaken with regard to managing the currency movement risk on accrued revenue.

Notes to the financial statements (continued)

The exposure to each currency is shown in the table below.

Currency	Investments £'000	Net other assets £'000	Forward currency contracts £'000	Total £'000
30 April 2018				
Sterling	5,753,061	36,235	377,032	6,166,328
Euro	338,438	6,382	(303,608)	41,212
Swedish Krona	73,650	-	(66,880)	6,770
Swiss Franc	-	1,823	-	1,823
Norwegian Krone	-	112	-	112
30 April 2017				
Sterling	5,826,036	62,755	488,707	6,377,498
Euro	444,801	5,471	(383,433)	66,839
Swedish Krona	81,541	-	(69,964)	11,577
Norwegian Krone	22,097	765	(19,104)	3,758
Swiss Franc	-	1,932	-	1,932

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £2,496,000 (2017: £4,205,000). A five per cent of decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £308,257,000 (2017: £319,534,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

The fund can use cash borrowing (subject to restrictions as set out in its Prospectus and COLL) and financial derivatives as sources of leverage. A result of 100% indicates that no leverage has been used.

As at 30 April 2018 and 30 April 2017 the leverage ratios of the fund were:

	2018 %	2017 %
Sum of the notionals	107.2	111.1
Commitment	100.0	100.0

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with J.P. Morgan Chase Bank N.A. ('JPMorgan'), the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments.

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

The derivatives held at the year end are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for the forward currency contracts (2017: UBS for the forward currency contracts). Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 30 April 2018 or 30 April 2017.

Counterparty and collateral exposure

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

Currency	Forward currency contracts £'000	Total gross exposure £'000	Net collateral pledged £'000
30 April 2018			
UBS	6,544	6,544	(11,111)
30 April 2017			
UBS	16,206	16,206	(15,094)

Only cash collateral is pledged or held by the fund.

(c) Liquidity risk

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

19. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 13 and notes 6, 9, 11 and 13 on pages 16 to 18 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 30 April 2018 in respect of these transactions was £4,683,000 (2017: £34,013,000).

20. Unit classes

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

I distribution: 0.75%
I accumulation: 0.75%
R distribution: 1.50%
R accumulation: 1.50%

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

21. Post balance sheet events

Since 30 April 2018, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	25 June 2018	30 April 2018	Movement
I distribution	255.35	252.6	1.1%
I accumulation	477.02	471.92	1.1%
R distribution	233.53	231.28	1.0%
R accumulation	442.18	437.96	1.0%

Distribution tables

Interim dividend distribution for the six months ended 31 October 2017 (paid on 29 December 2017) in pence per unit.

Group 1 - Units purchased prior to 1 May 2017.
Group 2 - Units purchased from 1 May 2017 to 31 October 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 December 2017	Distribution per unit (p) 30 December 2016
I distribution				
Group 1	4.6058	-	4.6058	4.7317
Group 2	1.9685	2.6373	4.6058	4.7317
I accumulation				
Group 1	8.2579	-	8.2579	8.1447
Group 2	4.0625	4.1954	8.2579	8.1447
R distribution				
Group 1	4.2419	-	4.2419	4.3908
Group 2	1.4438	2.7981	4.2419	4.3908
R accumulation				
Group 1	7.7082	-	7.7082	7.6595
Group 2	3.1866	4.5216	7.7082	7.6595

Corporate unitholders should note that:

1. 100.00% of the revenue distribution 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.

Final dividend distribution for the six months ended 30 April 2018 (payable on 29 June 2018) in pence per unit.

Group 1 - Units purchased prior to 1 November 2017.
Group 2 - Units purchased from 1 November 2017 to 30 April 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 June 2018	Distribution per unit (p) 30 June 2017
I distribution				
Group 1	5.6780	-	5.6780	4.8481
Group 2	3.7581	1.9199	5.6780	4.8481
I accumulation				
Group 1	10.3746	-	10.3746	8.5246
Group 2	6.4602	3.9144	10.3746	8.5246
R distribution				
Group 1	5.2056	-	5.2056	4.4790
Group 2	1.6834	3.5222	5.2056	4.4790
R accumulation				
Group 1	9.6406	-	9.6406	7.9821
Group 2	6.0686	3.5720	9.6406	7.9821

Corporate unitholders should note that:

1. 100.00% of the revenue distribution received as franked investment income.

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

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

Comparative tables

	I distribution			I accumulation		
	2018	2017	2016	2018	2017	2016
Change in net assets per unit (p)						
Opening net asset value per unit	**238.86**	**211.42**	**226.02**	**428.51**	**364.00**	**373.78**
Return before operating charges *	25.96	38.83	(4.18)	46.93	67.65	(6.89)
Operating charges	(1.94)	(1.81)	(1.73)	(3.52)	(3.14)	(2.89)
Return after operating charges	24.02	37.02	(5.91)	43.41	64.51	(9.78)
Distributions	(10.28)	(9.58)	(8.69)	(18.63)	(16.67)	(14.52)
Retained distributions on accumulation units	-	-	-	18.63	16.67	14.52
Closing net asset value per unit	**252.60**	**238.86**	**211.42**	**471.92**	**428.51**	**364.00**
* after direct transaction costs of	(0.12)	(0.20)	(0.22)	(0.22)	(0.36)	(0.36)
Performance						
Return after charges	10.06%	17.51%	(2.61)%	10.13%	17.72%	(2.62)%
Other information						
Closing net asset value (£'000)	2,724,221	2,898,640	2,788,039	1,502,511	1,468,881	1,393,653
Closing number of units	1,078,466,694	1,213,551,217	1,318,711,997	318,383,373	342,788,027	382,872,627
Operating charges	0.78%	0.79%	0.79%	0.78%	0.79%	0.79%
Direct transaction costs	0.05%	0.09%	0.10%	0.05%	0.09%	0.10%
Prices						
Highest offer unit price (p)	258.42	247.59	227.20	472.18	435.34	382.32
Lowest bid unit price (p)	235.11	201.51	194.57	428.03	347.03	327.43

	R distribution			R accumulation		
	2018	2017	2016	2018	2017	2016
Change in net assets per unit (p)						
Opening net asset value per unit	**220.36**	**196.53**	**211.70**	**400.68**	**342.91**	**354.79**
Return before operating charges *	23.87	35.95	(3.91)	43.70	63.49	(6.57)
Operating charges	(3.50)	(3.25)	(3.15)	(6.42)	(5.72)	(5.31)
Return after operating charges	20.37	32.70	(7.06)	37.28	57.77	(11.88)
Distributions	(9.45)	(8.87)	(8.11)	(17.35)	(15.64)	(13.72)
Retained distributions on accumulation units	-	-	-	17.35	15.64	13.72
Closing net asset value per unit	**231.28**	**220.36**	**196.53**	**437.96**	**400.68**	**342.91**
* after direct transaction costs of	(0.11)	(0.19)	(0.20)	(0.21)	(0.33)	(0.35)
Performance						
Return after charges	9.24%	16.64%	(3.33)%	9.30%	16.85%	(3.35)%
Other information						
Closing net asset value (£'000)	926,862	988,369	1,219,427	1,062,651	1,105,714	1,080,309
Closing number of units	400,755,024	448,515,944	620,469,904	242,637,607	275,956,590	315,039,430
Operating charges	1.53%	1.54%	1.54%	1.53%	1.54%	1.54%
Direct transaction costs	0.05%	0.09%	0.10%	0.05%	0.09%	0.10%
Prices						
Highest offer unit price (p)	246.92	238.04	232.91	457.28	424.20	390.30
Lowest bid unit price (p)	215.62	187.09	181.17	399.32	326.53	308.95

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

Comparative tables (continued)

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Income Fund	434.7	55.1	26.3	10.2	4.4
FTSE All-Share Index	143.4	45.6	22.6	8.2	2.1
Sector average	192.5	48.0	19.4	5.3	1.3
Position in sector	1/25	18/76	10/79	8/84	9/86
Quartile	1	1	1	1	1

* Data from 6 June 2000. Source: Lipper Limited, data from 6 June 2000 to 7 March 2008 reflects class R distribution units and from 7 March 2008 reflects class I distribution units, bid to bid in sterling to 30 April 2018. All performance figures show total return with dividends reinvested, percentage growth. Sector is IA UK Equity Income.

Ongoing charges

Class	30 April 2018
I distribution	0.78%
I accumulation	0.78%
R distribution	1.53%
R accumulation	1.53%

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

Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Income Fund	396.5	49.4	23.5	9.4	4.0
FTSE All-Share Index	143.4	45.6	22.6	8.2	2.1

* Data from 6 June 2000. Source: Lipper Limited, class R distribution units, bid to bid in sterling to 30 April 2018. All performance figures show total return with dividends reinvested, percentage growth.

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