PROFIT *hunters*

ARTEMIS
Income *Fund*

Manager's Report
and Financial Statements
for the year ended 30 April 2019

ARTEMIS
The PROFIT Hunter

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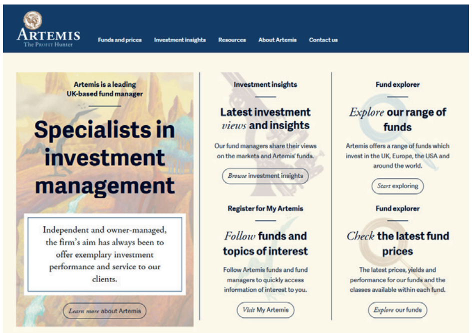

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artemisfunds.com

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 £27.4 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 2019.

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

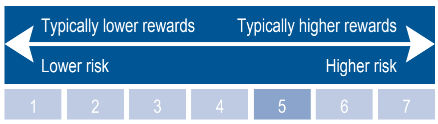
The manager actively manages the portfolio in order to achieve the objective with exposure to ordinary shares, preference shares, convertibles and fixed interest securities. The manager will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical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



- The fund is in the category shown due to its historic volatility (how much and how quickly the value of shares in the fund have risen and fallen in the past). It 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 risk indicator may not fully take into account the following risks and the following may affect fund performance:

- Market volatility risk: The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- Currency risk: Some or all of the fund's assets may be invested in a currency other than the fund's accounting currency. The value of the assets, and the income from them, may decrease if the currency falls in relation to the accounting currency.
- Bond liquidity risk: The fund can invest in bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
- Higher-yielding bonds risk: The fund can invest in higher-yielding bonds (also known as sub-investment grade bonds), which have a greater risk of default by the issuer. The value of these bonds is more sensitive to changes in market conditions and interest rates. As a result, the fund may be subject to greater swings in value.
- Credit risk: 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.

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

General information (continued)

Managers Limited ("AFML") as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com. Remuneration levels are set to attract, retain and motivate talented partners and staff and align 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. 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 197 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 within the fund for the year ended 31 December 2018 is £1,109,357 of which £289,903 is fixed remuneration and £819,454 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 2018 is £271,698. 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 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 previously set 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. The prospectus was updated on 6 June 2018 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.

Changes to Artemis' funds from February 2019

With effect from 1 February 2019, Artemis made changes to how its funds operate:

- the way in which fund charges are calculated, moving from variable expenses to an administration fee with a discount applied based on fund size.
- how our unit trust funds are priced, changing from 'bid price' and 'offer price' to a 'single price'.

The prospectus was updated on 4 February 2019 as a result of the changes.

Manager

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

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

Investment adviser

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

Trustee and Depositary

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

Registrar

DST Financial Services International 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, 12 Endeavour Square, London E20 1JN.

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

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 year ended 30 April 2019

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 are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

Having carried out such procedures as we considered necessary to discharge our responsibilities as trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Trust, acting through the 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 2019

General information (continued)

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 2019 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray	J L Berens
Director	Director

Artemis Fund Managers Limited
London
26 June 2019

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 2019 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 2019 and of the net revenue and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice 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 2019

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.

- The fund down 0.1%* for the year versus a 2.6%* return from the All-Share Index.
- Brexit continues to cast its shadow.
- We believe many stocks in the UK are notably undervalued.

Performance – Reflecting resources …

The FTSE All-Share Index rose by just 2.6%* over the year versus an 11.0% return from the MSCI AC World Index. Although the higher return from global indices was driven largely by the powerful performance of the US market, it is plain that the valuations of domestic stocks remain in the shadow of the uncertainty being cast by Brexit and British politics.

Because it suppresses the valuations of otherwise good companies, this uncertainty is frustrating for investors. But remember that the multiples applied to valuations can change quite rapidly. So spare a thought too for British companies, for whom uncertainty means deferred investment and, in some instances, the cancellation of plans that are not always easily restored.

If recent returns from the UK have been disappointing, the strength of other equity markets has been surprising. The sparring over trade, rising oil prices and a general move to more interventionist policies are not the usual ingredients for a rise in equity markets, particularly when their starting valuations are not obviously cheap. But it should be acknowledged that there was one clear positive this year: the 'threat' of higher interest rates diminished.

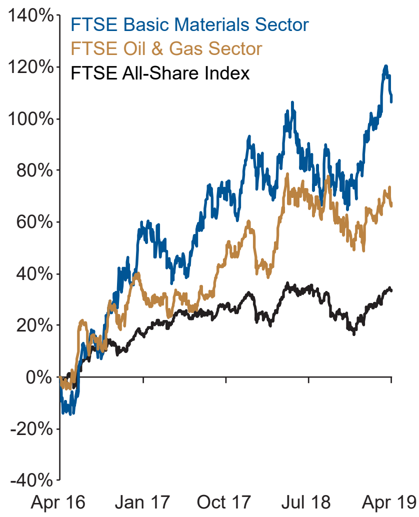
For its part, our fund lagged the index. In fact, its value is marginally (0.1%) lower than it was a year ago. All of this underperformance relative to the market occurred in the first six months of the year and so was documented in the interim report. To summarise, however, the very good returns from longstanding holdings such as Wolters Kluwer, 3i Group, Relx and Segro was more than offset by falls in Indivior, William Hill, Tui and Aviva.

Indivior merits additional comment. It provides treatments for opioid addiction and came into the portfolio in 2014 as a result of its divestment by Reckitt Benckiser, which we held at that time. Reflecting the risks surrounding the patents on its existing treatments as well as the potential rewards of its pipeline of new drugs, it began as a modest holding. And while it subsequently enjoyed a period of exceptionally strong performance, the last year has seen the US Department of Justice adopting a much more aggressive stance regarding its historic marketing practices. This sent its earlier performance into sharp reverse. Suffice to say, Indivior's rise and fall has been accompanied by much due diligence on our part. While we anticipated the 'known' risks, we failed to foresee other factors. While this stock now accounts for less than 0.2% of the fund's assets, we continue to hold it with the realisation that, notwithstanding nearly 40 years in the industry, there are always lessons to be learnt.

Looking at performance over the longer term, the fund is in the first quartile of its peer group over three and five years. It has also fared modestly better than the index over five years. At the same time, we are conscious that returns have fallen short of the index over the past three years. This roughly covers the period since voters were asked that detailed question about Britain's continued involvement in Europe. So one might jump to the conclusion that our underperformance (and that of the 77% of active UK mangers who have also underperformed over this period) can be blamed on Brexit. In the 19 years in which we have run the fund, it has never been our style to blame external factors. And while this may seem like a golden opportunity for us to deflect blame onto politicians, it is not an opportunity we intend to take…

The lost opportunity over the last three years wasn't a result of the purgatory of Brexit. Nor was it a problem with our stock selection, which was positive. Instead, that the fund lagged the index was because we failed to fully participate in the strength of oil and resource stocks. While the All-Share Index rose by 33% over the last three years, these sectors have far outpaced the market.

Miners and oil stocks have outperformed.



Source: Refinitiv Datastream

More than that, the heavy weighting of these two sectors (together, they account for 22% of the FTSE All-Share's market cap) meant that holding less than the index had a marked drag on performance.

From a wider perspective, it is worth remembering that in the unfortunate event that you were to invest in UK equities via an index fund, you would be buying into returns from an index that is unusually sensitive to commodity prices. History shows that commodity prices – and returns from the companies who sell them – are cyclical and revert to the mean. So at some juncture, our underweights will benefit rather than obstruct our (relative) performance.

* Source: Lipper Limited, class I distribution units. All figures show total return with dividends and/or income reinvested, net of ongoing charges and portfolio costs to 30 April 2019. Benchmark is the FTSE All-Share Index. Sector is IA UK Equity Income.

Investment review (continued)

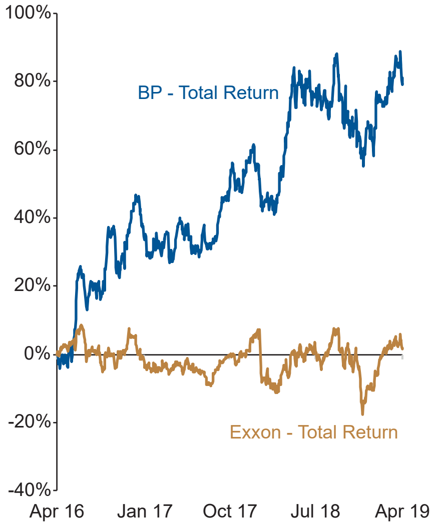
Review – A story of stocks, rather than sectors …

Understandably, many of our clients are currently asking us about Brexit (although they are starting to realise that we really don't have anything useful to add), interest rates, China and trade. We will reiterate here what we tell them: these factors ebb and flow. The real dispersion in share prices results from the opportunities or threats facing companies. The fund's longstanding and successful exposure to Wolters Kluwer, Relx and Informa is centred on the recognition of the value that data and services can provide to business. This looks sets to continue to grow for many years and is largely agnostic to 'big picture' issues.

A starker illustration of this is that the UK real estate sector has risen by just 9% over the last three years – far less than the wider market. Our three holdings in this area account for 7% of the portfolio. Yet collectively these holdings have returned 65% over the same period. Why? Because we don't invest in retail units or office property. Instead, our stocks have long leases on logistic depots, urban distribution hubs, GP surgeries, private hospitals and so on.

Even in areas that seem homogenous, significant divergence can occur. Witness the contrasting fortunes of a UK investor in BP versus a US investor in Exxon. They are both large oil companies, selling the same product into the same global market – but operationally they have produced entirely different outcomes for investors. Over the past three years, BP has returned 81% while Exxon has returned 2%. All this explains why our long-term focus is on the companies rather than on trying to gauge what the trend in, for example, oil prices or consumer spending will be over the next 12 months.

BP and Exxon – Same product, different outcomes for shareholders.



Source: Refinitiv Datastream

Activity within the fund during the year was modest. There may be unitholders who are surprised by this, thinking that we should try to counter uncertainties in UK politics and the world's economy by shifting constantly the composition of the portfolio. But we are more concerned about the scope of the opportunity in individual stocks, in the progress they are making and in their valuations than we are in short-term macro fluctuations. It is also easy to forget that the activity should reside with companies themselves: their managers are paid to be 'active'. Theoretically they are being paid to curate the future. When we meet companies, we ask ourselves whether their managers think and behave like hired hands or like long-term owners. Clearly, we want the latter – but while that mindset is desirable, all too often it is absent.

Obviously other factors also contribute to our investment decisions. Our most significant purchases during the past 12 months have been Smiths Group, ITV and William Hill. We bought all of these holdings in the first half of the year and discussed them in our interim report. ITV is, however, worthy of further comment given the recent weakness in its share price.

First, the fact that it remains a relatively modest position indicates that there is a degree of debate between ourselves: we acknowledge that the investment rationale is crisscrossed with positives and negatives. The valuation is very modest and don't forget ITV is not just a broadcaster, but a significant producer of content. If you were one of the nine million viewers who enjoyed the fifth series of Line of Duty and thought this was the BBC at its best, you may be interested to learn that it was actually made by… ITV. As for Netflix? Its burgeoning roster of subscribers has been acquired and retained by spending an eye-watering amount on content. This spending has often gone to external production companies such as… ITV. (It has also been financed by a debt market which, for now, is happy to receive an interest rate of just 3.5% on its Netflix bonds. Coincidentally, House of Cards is one of its most popular programmes.)

One of our less high-profile purchases was of Ebro Foods, a Spanish company that dominates the supply of rice and pasta in many countries. Its managers think like owners (they are owners) and are what we call 'domain experts': they know their markets inside out and will allocate investment accordingly to make sure that the company prospers. Alongside Ebro, we have bought into C&C, Origin and Corbion. While these are all non-UK companies and are smaller by market cap than our average holding they have interesting market positions and prospects.

Our most notable sale was Rentokil, which we had held for six years and on which we realised a threefold gain. The principal motive for our sale was valuation. Rentokil had become the most expensive company in the portfolio despite not being the holding we were most enthusiastic about. When we discuss our stocks, we always ask ourselves a very simple question: 'is the investment rationale getting hotter or colder?' In the case of Rentokil, it had grown a little cooler. Such growing ambivalence does not rest easy with a very high valuation.

We continued to reduce AstraZeneca. We are cognisant of its success – but so is its share price. Analysts, meanwhile, are rarely heard to utter anything but unaudited adulation about this stock. So a degree of caution seems merited.

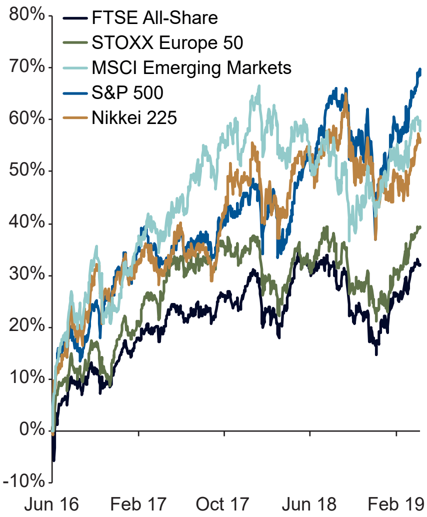
Having sold much of our holding in Bayer in earlier periods, we have now sold the rest. The litigation surrounding the alleged carcinogenic properties of glyphosate, a weed killer acquired as part of the Monsanto deal, continues. The costs may turn out to be less onerous than some think. For now, however, Bayer is saddled with significant debt (much of it issued to finance the purchase of Monsanto) which exacerbates what will be a long-running issue for shareholders.

Outlook – The stage is set …

As longstanding unitholders may already have guessed, this report won't tell you much about trade wars, Brexit, UK politics or the course of growth in the Chinese economy. We honestly don't know. To the extent that we do make any comment on these topics, we are simply indicating which of the many views on offer on these subjects we find, on balance, most plausible.

One clear view that we do hold is that circumstances have conspired to make the UK equity market notably undervalued. Over the past three years, the UK has been comfortably the worst performing of the world's major equity markets, delivering barely half of the 69% return posted by US equities.

The UK market has lagged its global peers since June 2016



Source: Refinitiv Datastream

This has not been caused by the underperformance of the companies themselves. Instead, it is due to the perception of risk surrounding the UK. It would be naïve to suppose that the risks facing the UK are inconsequential. But the magnitude of the recent underperformance and valuation gap must surely take some – or much – of this risk into account.

When we look at the multiples on which our holdings trade, we know that they would be materially higher if they were quoted in the US. We have talked before about the low exposure of most global funds to the UK. We would not be too surprised if the risks – or the perception of risk – facing the UK start to recede, prompting a sharp rise in the market. At that point, global funds, seeing the black-and-white stripes painted on the road and the Belisha beacons flashing, will likely feel safe to cross and start allocating money to the UK. In the meantime, we have just read an article in the FT telling us that private equity's interest in the UK is waning. This is contrary to our view: private equity has too much money to spend and nowhere to spend it. The UK would appear to be an obvious place to start. Similarly, we sense that corporates are interested in acquiring companies in the UK. Unlike private equity, their interest is long-term and strategic. For them, the stasis of Brexit and politics may be creating an opportunity.

If we were to speak at a conference of investors tomorrow and asked them which markets they favour, we would surmise that the UK would find few takers. Retail investors have withdrawn £17bn from UK equities since the referendum. That the almost universal consensus is that the UK is bordering upon un-investible is encouraging: the stage is set …

Moving to a longer-term perspective, the team's newest member, Andrew Marsh, has drawn our attention to a podcast from the eminent economist Thomas Friedman. Paraphrasing, he points out gently that in the middle of the financial crisis of 2008/9, when the world was behaving like a drunken drone, the previous year had witnessed:

- The launch of the first iPhone.
- The opening-up of Facebook, allowing software developers to access its platform.
- The arrival of Twitter.
- The IPO of VMware (cloud computing and 'virtualisation' software).
- The invention of Hadoop (uses a network of numerous computers to solve problems involving massive amounts of data and computation).
- The launch of IBM's cognitive computer Watson (the first machine to compete on the quiz show Jeopardy!).
- Netflix streamed video for the first time.
- The number of internet users topped one billion.
- Solar energy began to be commercialised.
- The beginning of the shale energy revolution.

The list goes on. We can only wish that we'd concentrated more of our attention here and less on the financial crisis. Were we to look back at our writings of a decade or so ago, there would be much mention of 'shareholder value' being the ultimate arbiter of a 'good' business. In a number of areas, however, the power of historical precedent is on the wane.

Veterans of the stock market, such as your fund's oldest manager, might,

Investment review (continued)

when faced with today's political interventions, be tempted to say 'they won't happen' or 'they can't do that'. Today, those mantras are being tested. There is a new willingness among the public and so among politicians to overturn precedents, to rip up conventions and to disregard established patterns. There is currently a debate over whether the UK's privatised industries should be returned to state ownership (NB. we have no exposure to these industries.) For markets, this would, until recently, have been unthinkable ('they can't do that') perhaps because one aspect of these companies' 'success' was the dividends shareholders received and the associated rise in their share prices. Today, there is a realisation that, whatever the merits of privatisation, things look different when viewed through a lens unclouded by 'shareholder value'. Even without the threat of the return to state ownership, the regulation of industries has become much tougher when seen from a shareholder's standpoint.

Allied with this is the continued rise in the importance of governance issues. This is increasingly a determinant of market price and of a company's cost of capital. For these authors, it used to be difficult to reconcile good governance with a company's long-term share-price prospects. Today, however, the two are becoming more closely correlated as society leads politicians (yes it does work that way around) to connect a company's conduct and activities with its long-term cash flows. This is making ESG easier to monitor and administer, although one suspects that this area is still at crawling – rather than walking – stage. The industry wants to measure ESG but it is doing so only crudely and with conflicting scores. One senses that there is much to learn and calibrate. Fallacies abound. For instance, onions imported to Britain from Spain actually have a lower carbon footprint than those grown in East Anglia as the latter must spend time in heated sheds acquiring the brown exterior gifted naturally by the Spanish sun. While exploring these factors is beyond the scope of this report, similar issues will have much greater bearing on long-term equity values than, for example, changes in interest rates over the next 18 months. As such, this is where we focus our attention.

An addition to the team…

Finally, readers should note that Nick Shenton and I, who have worked together for seven years, have been joined by Andrew Marsh. He brings a wealth of experience, common sense and good judgment to the team. In particular, he is helping us to assess the opportunities and threats that face companies in an environment where technology continues to transform and in which some of the traditional tenets of investing can no longer be taken as read.

Adrian Frost, Andrew Marsh and Nick Shenton

Fund managers

Five largest purchases and sales for the year ended 30 April 2019

Purchases	Cost £'000	Sales	Proceeds £'000
Smiths Group	81,172	Rentokil Initial	124,429
ITV	80,062	Laird	108,668
Daily Mail & General Trust A shares	75,304	Bayer	75,296
SAP	62,279	NEX Group	62,872
William Hill	47,767	Segro, REIT	61,047

Portfolio statement as at 30 April 2019

Investment	Holding	Valuation £'000	% of net assets
Collective investment schemes 2.00% (1.87%)			
Artemis Global Income Fund class I accumulation units GBP †	86,129,183	114,671	2.00
Collective investment schemes total		**114,671**	**2.00**
Equities 93.95% (97.31%)			
Basic Materials 4.06% (3.90%)			
Anglo American	4,547,422	89,648	1.57
Rio Tinto	3,206,998	142,583	2.49
		232,231	**4.06**
Consumer Goods 6.51% (4.89%)			
British American Tobacco	2,395,927	71,303	1.25
C&C Group	6,084,690	17,306	0.30
Corbion	1,358,840	33,119	0.58
Ebro Foods	2,866,529	46,767	0.82
Imperial Brands	6,820,484	164,578	2.87
Origin Enterprises	8,319,124	39,650	0.69
		372,723	**6.51**
Consumer Services 20.09% (17.64%)			
Card Factory	20,757,227	42,967	0.75
Daily Mail & General Trust A shares	5,801,621	38,407	0.67
Informa	22,038,400	172,296	3.01
ITV	49,173,815	68,450	1.20
RELX (EUR)	2,040,518	35,806	0.63
RELX (GBP)	11,936,817	209,252	3.66
SSP Group	11,921,600	84,047	1.47
Tesco	73,949,877	183,618	3.21
Tui	5,209,779	44,252	0.77
Vivendi	2,655,421	59,252	1.03
William Hill	34,830,574	56,408	0.98
Wolters Kluwer	2,897,485	155,177	2.71
		1,149,932	**20.09**
Financials 36.91% (37.64%)			
3i Group	27,657,648	296,905	5.19
Assura, REIT	127,495,991	75,223	1.31
Aviva	36,505,494	157,339	2.75
Barclays	72,673,984	119,549	2.09
Direct Line Insurance Group	37,853,322	126,089	2.20
HSBC Holdings	18,521,337	123,185	2.15

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
IG Group Holdings	9,533,399	49,516	0.86
Legal & General Group	63,240,874	176,822	3.09
Lloyds Banking Group	254,870,533	161,868	2.83
London Stock Exchange Group	2,587,525	131,498	2.30
NextEnergy Solar Fund	45,605,779	53,587	0.93
Nordea Bank	6,689,611	40,530	0.71
Phoenix Group Holdings	21,164,338	153,844	2.69
RSA Insurance Group	12,838,999	69,844	1.22
Secure Income REIT #	36,465,003	149,871	2.62
Segro, REIT	25,010,909	169,624	2.96
Speymill Deutsche Immobilien ^	14,828,390	–	–
Standard Life Aberdeen	20,584,890	57,699	1.01
		2,112,993	**36.91**
Healthcare 5.64% (8.91%)			
AstraZeneca	1,731,500	100,964	1.76
GlaxoSmithKline	13,532,460	212,595	3.72
Indivior	24,297,039	9,233	0.16
		322,792	**5.64**
Industrials 6.36% (7.49%)			
BBA Aviation	21,350,811	57,733	1.01
Cobham	69,729,473	81,688	1.42
Melrose Industries	24,579,806	50,290	0.88
Royal Mail	10,317,261	26,185	0.46
Smiths Group	9,674,949	148,317	2.59
		364,213	**6.36**
Oil & Gas 9.28% (8.80%)			
BP	53,833,914	301,524	5.27
Royal Dutch Shell B shares	9,330,425	229,855	4.01
		531,379	**9.28**
Technology 0.81% (1.97%)			
Sage Group	6,414,691	46,391	0.81
		46,391	**0.81**
Telecommunications 3.83% (5.46%)			
BT Group	25,659,061	58,490	1.02
Inmarsat	13,952,756	75,456	1.32
Vodafone Group	60,003,392	85,181	1.49
		219,127	**3.83**
Utilities 0.46% (0.61%)			
Drax Group	7,706,057	26,339	0.46
		26,339	**0.46**
Equities total		**5,378,120**	**93.95**
Forward currency contracts (0.01)% (0.10%)			
Buy Sterling 346,729,846 sell Euro 402,690,000 dated 11/06/2019		(792)	(0.01)
Buy Sterling 42,436,295 sell Swedish Krona 521,100,000 dated 11/06/2019		153	–

Investment	Holding	Valuation £'000	% of net assets
Buy Swedish Krona 62,000,000 sell Sterling 5,104,684 dated 11/06/2019		(74)	–
Forward currency contracts total		**(713)**	**(0.01)**
Investment assets (including investment liabilities)		5,492,078	95.94
Net other assets		232,413	4.06
Net assets attributable to unitholders		5,724,491	100.00

The comparative percentage figures in brackets are as at 30 April 2018.
† Related party.
# Security listed on the Alternative Investment Market.
^ Unlisted, suspended or delisted security.

Financial statements

Statement of total return for the year ended 30 April 2019

	Note	30 April 2019 £'000	30 April 2019 £'000	30 April 2018 £'000	30 April 2018 £'000
Income					
Net capital (losses)/gains	3		(232,735)		397,379
Revenue	5	257,809		264,158	
Expenses	6	(59,783)		(64,729)	
Interest payable and similar charges	7	(27)		(11)	
Net revenue before taxation		197,999		199,418	
Taxation	8	(2,126)		(1,504)	
Net revenue after taxation			195,873		197,914
Total return before distributions			**(36,862)**		**595,293**
Distributions	9		(253,497)		(260,646)
Change in net assets attributable to unitholders from investment activities			(290,359)		334,647

Statement of change in net assets attributable to unitholders for the year ended 30 April 2019

	30 April 2019 £'000	30 April 2019 £'000	30 April 2018 £'000	30 April 2018 £'000
Opening net assets attributable to unitholders		6,216,245		6,461,604
Amounts receivable on issue of units	216,965		106,117	
Amounts payable on cancellation of units	(524,683)		(789,499)	
		(307,718)		(683,382)
Dilution adjustment		5		-
Change in net assets attributable to unitholders from investment activities		(290,359)		334,647
Retained distributions on accumulation units		106,317		103,370
Unclaimed distributions		1		6
Closing net assets attributable to unitholders		5,724,491		6,216,245

Balance sheet as at 30 April 2019

	Note	30 April 2019 £'000	30 April 2018 £'000
Assets			
Fixed assets			
Investments	10	5,493,032	6,171,693
Current assets			
Debtors	11	65,741	79,808
Cash and cash equivalents	12	252,963	70,204
Total current assets		**318,704**	**150,012**
Total assets		**5,811,736**	**6,321,705**
Liabilities			
Investment liabilities	10	954	-
Creditors			
Bank overdraft	13	-	11,111
Distribution payable		78,023	82,097
Other creditors	14	8,268	12,252
Total creditors		**86,291**	**105,460**
Total liabilities		**87,245**	**105,460**
Net assets attributable to unitholders		5,724,491	6,216,245

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, the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis.

(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. The last valuation point in the year has been used for the purposes of preparing the report and financial statements and in the Manager's opinion there have been no material movements in the fund between the last dealing point and close of business on the balance sheet date.

Open forward foreign exchange contracts are shown in the Portfolio Statement at market value and the net gains/(losses) are reflected within forward currency contracts under net capital gains/(losses) in the notes to the financial statements.

(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.

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

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue and taxation. 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

Notes to the financial statements (continued)

losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

For accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital (losses)/gains

	30 April 2019 £'000	30 April 2018 £'000
Forward currency contracts	6,366	(6,249)
Currency gains/(losses)	4,890	(5,660)
Management fee rebate	871	862
Capital transaction charges	(6)	(6)
Non-derivative securities	(244,856)	408,432
Net capital (losses)/gains	(232,735)	397,379

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.

	Year ended 30 April 2019					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	896,764	331	3,455	900,550	0.04	0.39
Sales						
Equities	1,332,481	411	-	1,332,070	0.03	-
Total		742	3,455			
Percentage of fund average net assets		0.01%	0.06%			

	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	-
Total		1,731	2,564			
Percentage of fund average net assets		0.03%	0.04%			

During the year the fund incurred £6,000 (2018: £6,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.08% (2018: 0.07%). 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 2019 £'000	30 April 2018 £'000
UK dividends	220,982	222,436
Overseas dividends	23,835	29,493
Revenue from UK REITs	8,637	8,021
Franked dividend distributions from collective investment schemes	3,680	4,026
Bank interest	675	182
Total revenue	257,809	264,158

6. Expenses

	30 April 2019 £'000	30 April 2018 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	57,616	62,719
Administration fees*	691	-
Other expenses:		
Registration fees	467	533
Trustee fees	457	690
Administration fees	289	406
Safe custody fees	132	194
Operational fees	121	179
Auditor's remuneration: audit fees**	9	7
Price publication fees	1	1
Total expenses	59,783	64,729

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above reflects the change from variable expenses to a fixed administration fee effective from 1 February 2019.
** The amount disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the year was £8,300 (2018: £7,500).

7. Interest payable and similar charges

	30 April 2019 £'000	30 April 2018 £'000
Interest payable	27	11
Total interest payable and similar charges	27	11

8. Taxation

	30 April 2019 £'000	30 April 2018 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	2,126	1,504
Total taxation (note 8b)	2,126	1,504
b) Factors affecting the tax charge for the year		
Net revenue before taxation	197,999	199,418
Corporation tax at 20% (2018: 20%)	39,600	39,884
Effects of:		
Unutilised management expenses	9,925	11,135
Irrecoverable overseas tax	2,126	1,504
Tax on management fee rebate	174	172
Non-taxable overseas dividends	(4,767)	(5,898)
Non-taxable UK dividends	(44,932)	(45,293)
Tax charge for the year (note 8a)	2,126	1,504

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 £122,505,000 (2018: £112,580,000) arising as a result of having unutilised management expenses of £612,527,000 (2018: £562,901,000). 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 2019 £'000	30 April 2018 £'000
Interim dividend distribution	111,977	116,836
Final dividend distribution	138,698	138,520
	250,675	**255,356**
Add: amounts deducted on cancellation of units	4,735	6,575
Deduct: amounts added on issue of units	(1,913)	(1,285)
Distributions	253,497	260,646
Movement between net revenue and distributions		
Net revenue after taxation	195,873	197,914
Annual management charge paid from capital	57,616	62,719
Expenses paid from capital	9	13
Undistributed revenue brought forward	1	1
Less: amounts deducted on conversion of units	(1)	-
Undistributed revenue carried forward	(1)	(1)
	253,497	260,646

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 24.

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 2019		30 April 2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	5,378,120	-	6,048,968	-
Level 2	114,912	954	122,725	-
Total	5,493,032	954	6,171,693	-

11. Debtors

	30 April 2019 £'000	30 April 2018 £'000
Accrued revenue	59,705	62,420
Overseas withholding tax recoverable	4,641	6,246
Amounts receivable for issue of units	1,324	1,899
Accrued management fee rebate	71	69
Sales awaiting settlement	-	9,172
Prepaid expenses	-	2
Total debtors	65,741	79,808

12. Cash and cash equivalents

	30 April 2019 £'000	30 April 2018 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	244,296	63,181
Cash and bank balances	8,663	7,023
Amounts held at futures clearing houses and brokers	4	-
Total cash and cash equivalents	252,963	70,204

13. Bank overdraft

	30 April 2019 £'000	30 April 2018 £'000
Collateral pledged with UBS	-	11,111
Total bank overdraft	-	11,111

14. Other creditors

	30 April 2019 £'000	30 April 2018 £'000
Accrued annual management charge	4,479	4,777
Amounts payable for cancellation of units	3,422	1,874
Accrued administration fee payable to the manager	238	-
Accrued other expenses	129	580
Purchases awaiting settlement	-	5,021
Total other creditors	8,268	12,252

15. Contingent liabilities and commitments

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

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 2019 do not reflect any further amounts that may be received.

17. Reconciliation of unit movements

Class	Units in issue at 30 April 2018	Units issued	Units cancelled	Units converted	Units in issue at 30 April 2019
I distribution	1,078,466,694	23,286,699	(115,776,705)	11,144,793	997,121,481
I accumulation	318,383,373	26,573,551	(22,788,789)	20,550,492	342,718,627
R distribution	400,755,024	15,943,921	(18,458,183)	(43,839,223)	354,401,539
R accumulation	242,637,607	1,456,536	(25,218,840)	(6,379,195)	212,496,108

18. Risk disclosures

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

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

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

(a) Market risk

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

(i) Interest rate risk

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

(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

Notes to the financial statements (continued)

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 gain on forward currency contracts for the year was £6,366,000 (2018: loss of £6,429,000).

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.

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 2019				
Sterling	5,065,184	226,107	384,061	5,675,352
Euro	387,077	4,329	(347,522)	43,884
Swedish Krona	40,530	-	(37,252)	3,278
Swiss Franc	-	1,868	-	1,868
Norwegian Krone	-	109	-	109
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

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 £2,457,000 (2018: £2,496,000). 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 £274,604,000 (2018: £308,257,000). 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. The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. A result of 100% indicates that no leverage has been used.

As at 30 April 2019 and 30 April 2018 the leverage ratios of the fund were:

	30 April 2019 %	30 April 2018 %
Sum of the notionals	111.0	107.2
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 (2018: 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 2019 or 30 April 2018.

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 2019			
UBS	(713)	(713)	1,490
J.P.Morgan	-	-	4
30 April 2018			
UBS	6,544	6,544	(11,111)

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 14 and notes 6, 9, 11 and 13 on pages 18 to 20 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 30 April 2019 in respect of these transactions was £6,744,000 (2018: £4,683,000).

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 25.
The distributions per unit class are given in the distribution tables on page 24. All classes have the same rights on winding up.

21. Post balance sheet events

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

Distribution tables

Interim dividend distribution for the six months ended 31 October 2018 (paid on 31 December 2018) in pence per unit.

Group 1 - Units purchased prior to 1 May 2018.
Group 2 - Units purchased from 1 May 2018 to 31 October 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 December 2018	Distribution per unit (p) 29 December 2017
I distribution				
Group 1	4.6352	-	4.6352	4.6058
Group 2	2.0846	2.5506	4.6352	4.6058
I accumulation				
Group 1	8.6592	-	8.6592	8.2579
Group 2	4.2642	4.3950	8.6592	8.2579
R distribution				
Group 1	4.2367	-	4.2367	4.2419
Group 2	2.1259	2.1108	4.2367	4.2419
R accumulation				
Group 1	8.0221	-	8.0221	7.7082
Group 2	3.6176	4.4045	8.0221	7.7082

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 2019 (payable on 28 June 2019) in pence per unit.

Group 1 - Units purchased prior to 1 November 2018.
Group 2 - Units purchased from 1 November 2018 to 30 April 2019.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 June 2019	Distribution per unit (p) 29 June 2018
I distribution				
Group 1	5.9126	-	5.9126	5.6780
Group 2	3.7177	2.1949	5.9126	5.6780
I accumulation				
Group 1	11.2630	-	11.2630	10.3746
Group 2	7.1433	4.1197	11.2630	10.3746
R distribution				
Group 1	5.3800	-	5.3800	5.2056
Group 2	3.4489	1.9311	5.3800	5.2056
R accumulation				
Group 1	10.3885	-	10.3885	9.6406
Group 2	6.2939	4.0946	10.3885	9.6406

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		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	**252.60**	**238.86**	**211.42**	**471.92**	**428.51**	**364.00**
Return before operating charges *	1.38	25.96	38.83	3.11	46.93	67.65
Operating charges	(1.91)	(1.94)	(1.81)	(3.59)	(3.52)	(3.14)
Return after operating charges	(0.53)	24.02	37.02	(0.48)	43.41	64.51
Distributions	(10.55)	(10.28)	(9.58)	(19.92)	(18.63)	(16.67)
Retained distributions on accumulation units	-	-	-	19.92	18.63	16.67
Closing net asset value per unit	**241.52**	**252.60**	**238.86**	**471.44**	**471.92**	**428.51**
* after direct transaction costs of	(0.15)	(0.12)	(0.20)	(0.27)	(0.22)	(0.36)
Performance						
Return after charges	(0.21)%	10.06%	17.51%	(0.10)%	10.13%	17.72%
Other information						
Closing net asset value (£'000)	2,408,257	2,724,221	2,898,640	1,615,707	1,502,511	1,468,881
Closing number of units	997,121,481	1,078,466,694	1,213,551,217	342,718,627	318,383,373	342,788,027
Operating charges	0.79%	0.78%	0.79%	0.79%	0.78%	0.79%
Direct transaction costs	0.06%	0.05%	0.09%	0.06%	0.05%	0.09%
Prices **						
Highest unit price (p)	265.98	258.42	247.59	496.87	472.18	435.34
Lowest unit price (p)	214.08	235.11	201.51	407.88	428.03	347.03

	R distribution			R accumulation		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	**231.28**	**220.36**	**196.53**	**437.96**	**400.68**	**342.91**
Return before operating charges *	1.20	23.87	35.95	2.78	43.70	63.49
Operating charges	(3.40)	(3.50)	(3.25)	(6.50)	(6.42)	(5.72)
Return after operating charges	(2.20)	20.37	32.70	(3.72)	37.28	57.77
Distributions	(9.62)	(9.45)	(8.87)	(18.41)	(17.35)	(15.64)
Retained distributions on accumulation units	-	-	-	18.41	17.35	15.64
Closing net asset value per unit	**219.46**	**231.28**	**220.36**	**434.24**	**437.96**	**400.68**
* after direct transaction costs of	(0.13)	(0.11)	(0.19)	(0.25)	(0.21)	(0.33)
Performance						
Return after charges	(0.95)%	9.24%	16.64%	(0.85)%	9.30%	16.85%
Other information						
Closing net asset value (£'000)	777,785	926,862	988,369	922,742	1,062,651	1,105,714
Closing number of units	354,401,539	400,755,024	448,515,944	212,496,108	242,637,607	275,956,590
Operating charges	1.54%	1.53%	1.54%	1.54%	1.53%	1.54%
Direct transaction costs	0.06%	0.05%	0.09%	0.06%	0.05%	0.09%
Prices **						
Highest unit price (p)	253.66	246.92	238.04	480.30	457.28	424.20
Lowest unit price (p)	195.03	215.62	187.09	376.66	399.32	326.53

* 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.

** With effect from 4 February 2019, the pricing basis of the Fund changed from bid price and offer price to a single mid price.

Comparative tables (continued)

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Income Fund	434.2	38.8	29.6	(0.1)	6.8
FTSE All-Share Index	149.7	35.2	33.3	2.6	6.4
Sector average	194.2	30.5	23.2	0.6	5.7
Position in sector	1/24	16/73	15/77	44/83	26/86
Quartile	1	1	1	3	2

* 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, mid to mid in sterling to 30 April 2019. All performance figures show total return with dividends reinvested, percentage growth. Sector is IA UK Equity Income

Ongoing charges

Class	30 April 2019
I distribution	0.79%
I accumulation	0.79%
R distribution	1.54%
R accumulation	1.54%

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	392.3	33.7	26.7	(0.8)	6.4
FTSE All-Share Index	149.7	35.2	33.3	2.6	6.4

* Data from 6 June 2000. Source: Lipper Limited, class R distribution units, mid to mid in sterling to 30 April 2019. All performance figures show total return with dividends reinvested, percentage growth.

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