

ARTEMIS European Growth *Fund*

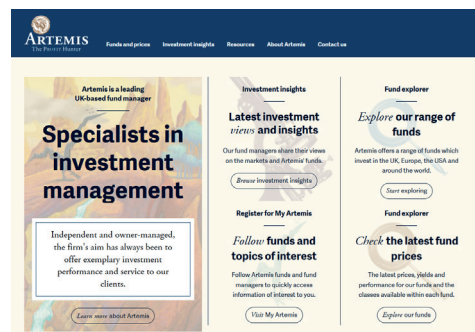
Half-Yearly Report (unaudited)
for the six months ended
30 September 2017



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General information

Company profile

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe. Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £27.2 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 October 2017.

Fund status

Artemis European Growth 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 long-term capital growth through investment principally in companies in Europe (excluding the United Kingdom).

Investment policy

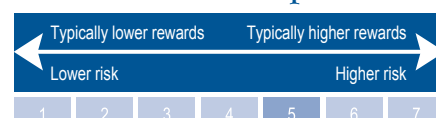
The manager actively manages the portfolio in order to achieve the objective and will not be restricted in the choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

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.

On 11 September 2017 the indicator changed from 6 to 5.

Prospectus

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

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.

General information (continued)

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis European Growth Fund for the six months ended 30 September 2017 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray
Director

R J Turpin
Director

Artemis Fund Managers Limited
London
24 November 2017

Manager

Artemis Fund Managers Limited *
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London SW1A 1LD

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Registrar

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Limited * (formerly International
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DST House
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Auditor

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Ten George Street
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* 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.

Investment review

- A good return over the six months.
- Strong outperformance since inception.
- Valuations still attractive.

Performance – Good returns over six months ...

Over the six months to 30 September 2017, the fund returned 12.5%* versus 9.0%* for the FTSE Europe ex-UK index. Since launch, the fund is up 297.8%* compared to the benchmark's 179.0%*. On behalf of our unitholders, we are gratified by these returns and expect our process to continue to generate outperformance.

Review – Our process proves rewarding ...

We launched the Artemis European Growth Fund on 7 March 2001. At the time, investors looking at the Europe ex-UK universe had plenty of funds from which to choose. There were eight index-tracking funds and 107 actively managed funds on offer. Since then, three of the trackers and more than 60 of the active funds have either closed or merged with another fund. On average, funds that disappear tend to be poor performers. The Artemis European Growth Fund has been a survivor. According to Lipper, since inception (y)our fund is ranked fifth in performance of the forty survivors. In reality, the fund is fifth of 115 starters.

We performed an exercise to see how an investment in European funds would have grown over the past sixteen-and-a-half years. We took account of the performance of both the funds that survived and those that did not and assumed that an investor spread their money across all the funds available each month. No investor would actually do this, of course, but it gives us a rough idea of what an average investor might have

seen their investment grow by had they simply chosen a fund at random.

In this exercise we used the oldest share class (typically the bundled share class, where charges are higher). If we had used all share classes or weighted the returns by assets under management, the net returns would have been a bit higher – but the overall ordering of results would not have been materially different. As an example, if someone had switched into our lowest-cost share class the returns in the table below would have risen from 8.4% per annum to 9.0% per annum.

Table 1: Artemis European Growth Fund outperforms the index, active funds and passive funds

	Invested in 31/3/01	Value 30/9/17	% per annum
Index	£100	£304	7.0%
Index Fund	£100	£255	5.8%
Active Fund	£100	£287	6.6%
Artemis European Growth Fund	£100	£379	8.4%

Source: Lipper

A few points are worth noting. In general, active managers have underperformed the index but (slightly) outperformed index funds (otherwise known as passive funds). The likelihood is that if we weighted returns by assets under management and share class (the data for this is not fully available), then active and passive managers would in aggregate have underperformed the index by a little less and by about the same amount as each other.

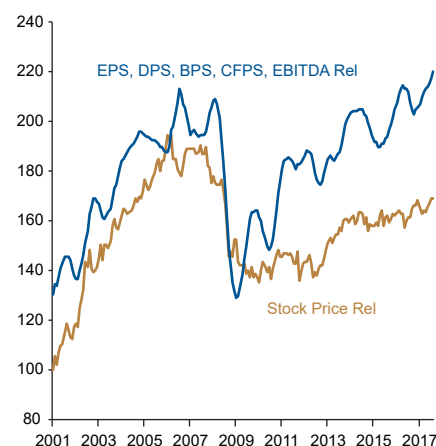
We are pleased to note that our fund has outperformed the index, active funds and passive funds. Of course some might argue that it could just be a random outcome. But we believe that this performance is down to the investment process we designed and use (SmartGARP), which increases our chance of success. Using this process, the fund's excess returns are not dominated by a few big winners

or the odd moment of inspiration, but rather rely on a systematic approach to find a number of small winners.

Our belief is that by picking stocks with good financial characteristics we increase the odds of owning companies with above-average growth rates. We look for companies with below-average valuations, above-average growth in earnings and with profits coming in above expectations. This may seem simple, but it is a strategy that has demonstrated its success over decades. Chart 1 illustrates the share-price performance of the companies that the fund has owned (compared to the market) and their profits, dividends, book value and cashflows (again relative to the market).

Our companies have delivered 3–4% higher growth than the market and – as expected – their share prices have outperformed the market. We managed to pick our share of losers during the financial crisis, but in aggregate the results have been good. We have consistently bought companies that have then grown faster than the average and this has been reflected in the performance of the fund. If anything, I would argue that our performance is understated since share prices have lagged the growth in profits that companies have delivered.

Chart 1: Buying cheap growth stocks has worked



Source: Factset.

The last six months have been a remarkably normal period. Our

* Source: Artemis/Lipper Limited, class I accumulation units, bid to bid basis in sterling with dividends reinvested to 30 September 2017. Benchmark is the FTSE World Europe (ex-UK) Index.

Investment review (continued)

stocks have tended to deliver positive surprises and then perform well. Examples of good contributors included Deutsche Lufthansa, Air France-KLM, Raiffeisen Bank International, Eurobank Ergasias, Fiat, Uniper, Enel and Atos. So, a broad range of companies, industries and countries contributed to the positive outcome. We lost money in our Russian oil stocks (Lukoil and Surgutneftegas), but the positive stocks outweighed the negatives.

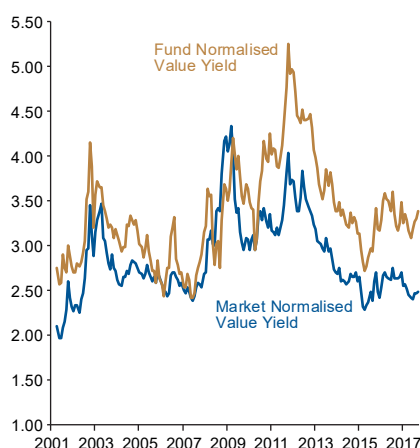
and-a-half years while the market's yield is below average. So while this might give concern that future market returns may be below average, no such concerns are evident for our fund. We therefore remain optimistic on the outlook.

Philip Wolstencroft
Fund manager

Outlook – Valuations remain attractive ...

A market's future return is largely driven by the valuation at which it is bought. If you buy when valuations are low (and the dividend yield is high), subsequent returns tend to be high. Currently, the dividend yield on the market is about 2.8% compared to an average of about 3.1% over the past 40 years or so. Other measures of value give a similar indication – namely that while value may not be great, it is certainly not terrible. This might suggest that the long-term return from European equities will be something like 5-6% per annum.

Chart 2: Valuations for our holdings and the market



Source: Factset.

In Chart 2, we illustrate a blend of valuation measures (normalised to the dividend yield) for the market and our fund. Our fund's yield is exactly in line with the average of the past sixteen-

Investment information

Five largest purchases and sales for the six months ended 30 September 2017

Purchases	Cost £'000	Sales	Proceeds £'000
Deutsche Lufthansa	4,719	Societe Generale	4,776
Air France-KLM	3,870	Boliden	4,121
BE Semiconductor Industries	3,822	Valeo	3,746
Leoni	2,957	Atos	3,484
Uniper	2,852	Wirecard	2,931

Portfolio statement as at 30 September 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 99.62% (99.30%)			
Austria 3.56% (4.04%)			
Lenzing	4,600	499	0.25
Raiffeisen Bank International	267,300	6,624	3.31
		7,123	3.56
Belgium 2.56% (4.55%)			
Cie d'Entreprises CFE	5,000	558	0.28
KBC Group	61,600	3,884	1.95
Solvay	6,000	666	0.33
		5,108	2.56
Denmark 2.69% (3.58%)			
Danske Bank	84,900	2,525	1.26
H Lundbeck	42,600	1,829	0.92
Vestas Wind Systems	15,200	1,028	0.51
		5,382	2.69
Finland 1.39% (0.27%)			
Cargotec B shares	10,000	466	0.23
Cramo	25,000	488	0.24
Ramirent	240,000	1,833	0.92
		2,787	1.39
France 24.30% (22.53%)			
Air France-KLM	500,000	5,828	2.92
Amundi	55,615	3,443	1.72
Arkema	51,400	4,703	2.35
Atos	28,900	3,327	1.66
BNP Paribas	15,000	898	0.45
Bouygues	119,200	4,217	2.11
Cie de Saint-Gobain	27,600	1,215	0.61
Cie Generale des Etablissements Michelin	6,000	647	0.32
Credit Agricole	300,000	4,051	2.03
Elior Group	30,000	593	0.30
Europcar Groupe	178,400	2,016	1.01
Faurecia	30,000	1,538	0.77
Natixis	300,000	1,780	0.89
Peugeot	235,600	4,148	2.07
Renault	61,600	4,451	2.23
Trigano	6,000	694	0.35

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Vinci	70,400	5,026	2.51
		48,575	24.30
Germany 15.22% (9.20%)			
Allianz	10,500	1,745	0.87
Covestro	76,400	4,896	2.45
Deutsche Lufthansa	310,000	6,403	3.20
Hella KGaA Hueck	40,000	1,765	0.88
Leoni	66,000	3,249	1.63
MTU Aero Engines	33,100	3,936	1.97
Pfeiffer Vacuum Technology	10,000	1,175	0.59
Talanx	46,300	1,393	0.70
Uniper	225,300	4,598	2.30
Vonovia	40,000	1,265	0.63
		30,425	15.22
Greece 4.34% (6.14%)			
Eurobank Ergasias	3,304,000	2,246	1.12
FF Group	122,300	2,011	1.01
Motor Oil Hellas Corinth Refineries	65,805	1,133	0.57
Mytilineos Holdings	271,800	1,991	1.00
Piraeus Bank	510,000	1,288	0.64
		8,669	4.34
Hungary 1.04% (1.17%)			
MOL Hungarian Oil & Gas	110,400	949	0.48
OTP Bank	40,000	1,127	0.56
		2,076	1.04
Isle of Man 0.00% (0.46%)			
Italy 11.52% (12.21%)			
ACEA	62,000	718	0.36
Azimut Holding	35,000	565	0.28
Brembo	335,000	4,223	2.11
Enel	1,404,400	6,248	3.13
Iren	1,293,000	2,568	1.29
Maire Tecnimont	400,000	1,642	0.82
Reply	4,000	717	0.36
Telecom Italia	6,252,000	4,376	2.19
Terna Rete Elettrica Nazionale	453,000	1,960	0.98
		23,017	11.52
Netherlands 6.30% (3.77%)			
ASR Nederland	75,000	2,229	1.11
BE Semiconductor Industries	80,000	4,150	2.08
ING Groep	45,300	618	0.31
Philips Lighting	86,300	2,601	1.30
Randstad Holding	65,400	2,997	1.50
		12,595	6.30
Norway 0.92% (4.36%)			
Atea	110,300	1,082	0.54
DNB	50,000	754	0.38
		1,836	0.92

Investment	Holding	Valuation £'000	% of net assets
Poland 1.09% (0.36%)			
PGE Polska Grupa Energetyczna	800,000	2,168	1.09
		2,168	1.09
Russia 2.79% (4.20%)			
Lukoil, ADR	72,124	2,852	1.43
Surgutneftegas, ADR	724,900	2,730	1.36
		5,582	2.79
Spain 4.83% (4.32%)			
Banco Bilbao Vizcaya Argentaria	325,000	2,142	1.07
Banco Santander	807,000	4,176	2.09
CIE Automotive	112,000	2,239	1.12
Sacyr	571,800	1,102	0.55
		9,659	4.83
Sweden 6.30% (9.08%)			
Electrolux	100,000	2,518	1.26
Hemfosa Fastigheter	70,000	660	0.33
JM	45,300	1,049	0.52
Sandvik	149,300	1,926	0.96
Scandi Standard	60,000	330	0.16
SSAB A shares	300,000	1,072	0.54
Tele2 B shares	60,000	510	0.26
Volvo B shares	315,400	4,531	2.27
		12,596	6.30
Switzerland 1.26% (2.95%)			
Swiss Life Holding	9,600	2,510	1.26
		2,510	1.26
Turkey 4.25% (1.17%)			
Eregli Demir ve Celik Fabrikalari	1,050,000	1,702	0.85
Tupras Turkiye Petrol Rafinerileri	25,000	625	0.32
Turk Telekomunikasyon	1,200,000	1,683	0.84
Turkcell Iletisim Hizmetleri	650,000	1,699	0.85
Turkiye Halk Bankasi	225,000	578	0.29
Turkiye Is Bankasi C shares	906,000	1,303	0.65
Turkiye Vakiflar Bankasi D shares	679,500	896	0.45
		8,486	4.25
United Kingdom 5.26% (4.94%)			
Fiat Chrysler Automobiles	299,700	3,945	1.97
International Consolidated Airlines Group	100,000	597	0.30
KAZ Minerals	135,900	1,036	0.52
Lloyds Banking Group	800,000	540	0.27
Man Group	800,000	1,333	0.67
OneSavings Bank	271,800	1,094	0.55
Royal Bank of Scotland Group	400,000	1,072	0.54
Unilever, CVA	20,121	886	0.44
		10,503	5.26
Investment assets		199,097	99.62
Net other assets		765	0.38
Net assets attributable to unitholders		199,862	100.00

The comparative percentage figures in brackets are as at 31 March 2017.

Financial statements

Statement of total return for the six months ended 30 September 2017

	30 September 2017		30 September 2016	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		19,734		17,629
Revenue	3,825		6,855	
Expenses	(1,162)		(1,328)	
Interest payable and similar charges	(4)		(7)	
Net revenue before taxation	2,659		5,520	
Taxation	(73)		(524)	
Net revenue after taxation		2,586		4,996
Total return before distributions		22,320		22,625
Distributions		(49)		(2,014)
Change in net assets attributable to unitholders from investment activities		22,271		20,611

Statement of change in net assets attributable to unitholders for the six months ended 30 September 2017

	30 September 2017		30 September 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		182,628		275,284
Amounts receivable on issue of units	1,580		75	
Amounts payable on cancellation of units	(6,617)		(110,028)	
		(5,037)		(109,953)
Change in net assets attributable to unitholders from investment activities		22,271		20,611
Closing net assets attributable to unitholders		199,862		185,942

Balance sheet as at 30 September 2017

	30 September 2017	31 March 2017
	£'000	£'000
Assets		
Fixed assets		
Investments	199,097	181,345
Current assets		
Debtors	1,152	19,549
Cash and bank balances	57	-
Total current assets	1,209	19,549
Total assets	200,306	200,894
Liabilities		
Creditors		
Bank overdraft	-	1,859
Other creditors	444	16,407
Total creditors	444	18,266
Total liabilities	444	18,266
Net assets attributable to unitholders	199,862	182,628

Notes to the financial statements

1. Basis of preparation

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017 as set out therein.

2. Post balance sheet event

Since 30 September 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		Movement
	23 November 2017	30 September 2017	
I accumulation	382.87	378.19	1.2%
R accumulation	356.10	352.14	1.1%

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 March 2015	263,895,051		
I accumulation		272.38	37,534,302
R accumulation		258.44	62,551,132
31 March 2016	275,283,616		
I accumulation		267.12	74,632,780
R accumulation		251.52	30,187,065
31 March 2017	182,627,588		
I accumulation		336.05	30,986,086
R accumulation		314.08	24,992,934
30 September 2017	199,862,369		
I accumulation		378.19	30,472,062
R accumulation		352.14	24,030,588

Ongoing charges

Class	30 September 2017
I accumulation	0.88%
R accumulation	1.63%

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

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis European Growth Fund	297.8	132.0	53.0	27.3	12.5
FTSE World Europe (ex-UK) Index	179.0	100.1	46.8	22.7	9.0
Sector average	181.7	98.7	50.0	22.1	9.4
Position in sector	5/40	6/77	31/83	8/92	8/93
Quartile	1	1	2	1	1

* Data from 7 March 2001. Source: Artemis/Lipper Limited, data from 7 March 2001 to 7 March 2008 reflect class R accumulation units, and from 7 March 2008 to 30 September 2017 class I accumulation units, bid to bid in sterling. All performance figures show total return with dividends reinvested percentage growth. Sector is IA Europe (ex-UK), universe of funds is those reporting net of UK taxes.

Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis European Growth Fund	270.4	123.5	49.6	26.3	12.1
FTSE World Europe (ex-UK) Index	179.0	100.1	46.8	22.7	9.0

* Data from 7 March 2001. Source: Artemis/Lipper Limited, class R accumulation units, bid to bid in sterling to 30 September 2017. All performance figures show total return with dividends reinvested percentage growth.

