Profit *hunters*

Artemis Investment *Funds ICVC*

Annual Report and Financial Statements

for the year ended 28 February 2018

Artemis

The Profit Hunter

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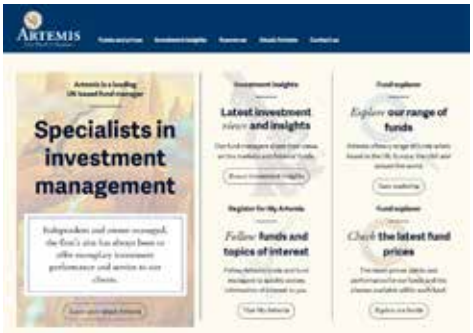

- Monthly fund commentaries and factsheets
- Artemis *Filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemisfunds.com

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* These items comprise the authorised corporate director's report for the purposes of the rules contained in the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL').

Company information

About Artemis…

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

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £27.0 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 March 2018.

The Company

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

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

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

Annual report and financial statements

We are pleased to present the annual report and financial statements of the company for the year ended 28 February 2018. As required by the Regulations, information for each of the sub-funds has also been included in these financial statements. On the following pages we present the performance of each of those sub-funds during the period.

Annual general meetings

The company has dispensed with the need to hold annual general meetings.

Prospectus

Copies of the most recent Prospectus are available free of charge from the authorised corporate director ('ACD') at the address on page 169.

Sub-fund cross holdings

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

Significant events

The I accumulation EUR (NAV hedged) class on the Artemis Extended Alpha fund was launched on 2 August 2017.

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 Investment Funds ICVC (the "company") is a UCITS scheme, Artemis Fund Managers Limited ("AFML") as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com. Remuneration levels are set to attract, retain and motivate talented partners and staff and align long term interests of partners and staff with those of our clients.

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

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 171 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the sub-funds within the company for the year ended 31 December 2017 is £10,036,055, of which £2,622,675 is fixed remuneration and £7,413,380 is variable remuneration. No amount of remuneration, including any performance fees was paid directly by the company.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the company for the year ended 31 December 2017 is £2,457,983. 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's 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 shares or units in collective investment schemes. 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 investors 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-ofinformation- account-holders.

Statement of the depositary responsibilities and report of the depositary to the shareholders of Artemis Investment Funds ICVC ("the Company") for the period from 1 March 2017 to 15 January 2018

The depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The depositary must ensure that:

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

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

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

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

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

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

Company information (continued)

Statement of the depositary's responsibilities and report of the depositary to the shareholders of Artemis Investment Funds ICVC ('the Company') for the period from 15 January to 28 February 2018

The depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares is carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- is consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company'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 depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

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

J.P. Morgan Europe Limited
London
27 June 2018

Statement of the ACD's responsibilities

COLL requires the ACD to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the company at the year end and of the net revenue or expense and net gains or losses on the scheme property of the company for the period then ended.

In preparing the financial statements the ACD is required to:

(i) follow applicable accounting standards;

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

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

(iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and

(v) comply with the Instrument of Incorporation and the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 ('SORP').

The ACD is required to keep proper accounting records and to manage the company in accordance with the Regulations, the Instrument of Incorporation and prospectus.

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

Report of the authorised corporate director

We hereby approve the Annual Report and Financial Statements of Artemis Investment Funds ICVC for the year ended 28 February 2018 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
R J Turpin — Director

Artemis Fund Managers Limited
London
27 June 2018

Independent auditor's report to the members of Artemis Investment Funds ICVC

Opinion

We have audited the financial statements of Artemis Investment Funds ICVC ("the Company") for the year ended 28 February 2018 which comprise the Statement of Total Return and the Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet, the Accounting, Distribution and Risk policies, the Related Notes and Distribution Tables of each of the Company's sub-funds. 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) 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 Company comprising each of its sub-funds as at 28 February 2018 and of the net revenue or expense and the net capital gains on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in 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 Company 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.

Use of our report

This report is made solely to the Company's members, 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 Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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 ACD 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 Instrument of Incorporation;
- the information given in the ACD'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

Company information (continued)

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 ACD

As explained more fully in the ACD's responsibilities statement set out on page 3, the ACD 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 ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company'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 ACD either intends to liquidate the Company 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP
Statutory Auditor
Edinburgh
27 June 2018

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

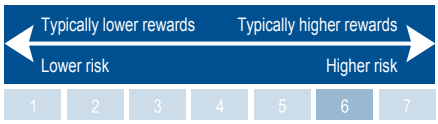
Investment objective and policy

The objective of the Artemis Global Emerging Markets Fund (the 'sub-fund') is to achieve positive long-term returns through a combination of capital growth and income. The sub-fund invests principally in companies listed, quoted and/or traded in emerging market countries and in companies which are headquartered or have a significant part of their activities in emerging markets which are quoted on a regulated market in developed countries.

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets which carries a degree of risk.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free"

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.

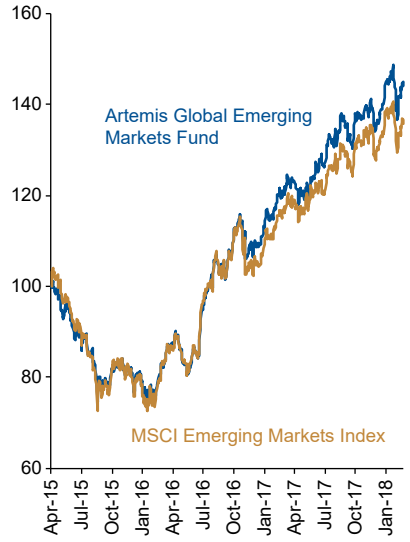
Artemis Global Emerging Markets Fund – Investment review

Performance

The fund returned 20.5%* in the year ended 28 February 2018, outperforming both the index 17.9%* and the average peer 16.5%*.

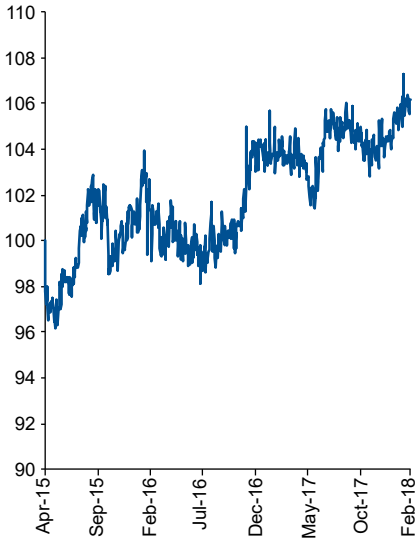
As we approach the fund's three year anniversary in April, it has been an encouraging start amidst challenging market conditions, performance since inception of 44.0%* puts us comfortably ahead of the benchmark index at 35.6%* and the average peer at 37.6%*, the charts below shows the performance since launch.

Chart 1 – performance since launch, Artemis GEM v MSCI EM (GBP)



Source: Artemis

Chart 2 – Relative Performance since launch Artemis GEM v MSCI EM



Source: Artemis

SmartGARP® – Evidence-based investing…

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

SmartGARP screens 2200 stocks across emerging and frontier markets, looking for those whose valuation appears out of line with their growth prospects and where there is a catalyst that might cause investors to re-appraise their views about the company. And while SmartGARP helps partly by singling out potentially undervalued stocks, it also monitors whether the reasons for investing in our existing holdings are still valid.

The last 12 months have been no different to our experience from the last 14 years, we have once again found the unemotional and objective yardstick of SmartGARP to be an extremely useful tool.

Review – Emerging markets outperforming developed markets

Emerging markets ('EM') equities have continued to rise in bullish fashion in the last year, benefiting from a strengthening global economy, an improving earnings outlook and particularly strong growth from technology companies. By the end of February they were up 31.0% on the year in US Dollar terms, outperforming developed markets by almost 13.0%.

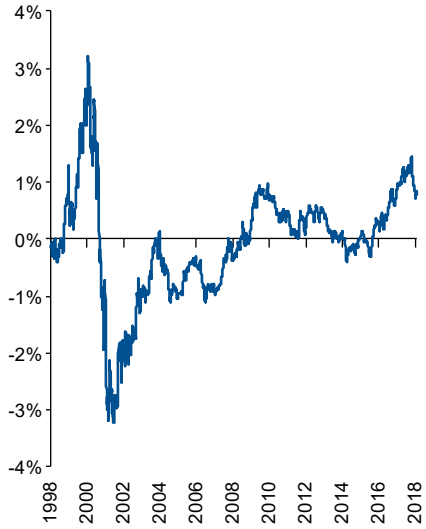
This outperformance trend, which started in 2016, has started to reverse some of the last decade of underperformance emerging markets have suffered. With company fundamentals improving and profit margins increasing, it would appear that the rotation has some way to go as investors' risk appetite towards the asset class improves.

Whilst the economic backdrop for emerging market stocks has been a supportive one in the last year, at times our underweight to the technology sector has tested our patience.

Technology stocks have surged, fuelled by a demand for a range of components used in electronics around the world. Internet stocks have proved even more popular, with the software and services sector rising almost 70% compared to the broader MSCI EM Index at +30% in US Dollar terms.

Our reasons for being underweight are linked to their premium valuations and the fact that they are over-owned amongst investors. We can see from the chart below that global investors are more overweight in technology than they have been in the last 15 years. We're not quite at the euphoric levels seen in the dot-com period, but could this be enough to limit their ascent? We think our capital is better deployed elsewhere, where valuations are more reasonable for similarly attractive growth prospects. True to our disciplined investment process that has held us and our investors in good stead for many years.

Chart 3 - Global investors technology weighting



Source: StateStreet

Given the concentrated nature of the emerging market rally in the last year, we've sought comfort in an old Indian proverb;

"Sweet are the fruits, for those who are patient."

* Source: Lipper Limited, I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the MSCI Emerging Markets Index. Sector is IA Global Emerging Markets.

Recent market events have offered some vindication to our discipline. It's the technology companies that have been leading the market downwards. In November 2017 and more recently in February 2018, mega-cap technology names have traded poorly – this complex of stocks have been the market's rock for some time but there are significant signs of softness lately. During prior periods of equity softness this group has been the market's saviour but now they are leading on the downside. Could the tide be turning?

More rewarding for our investors has been our overweight exposure to Chinese equities, which have also outperformed, rising 48%. The gains can be explained in large part by the country's shift to a consumer led economy. Consumer trends are the driver of companies' profits, whether it's the surging demand for cars (SUVs in particular), or the increasing utilisation for e-commerce and social media. The footprint China has on the global economy is a substantial one and the decision by index provider MSCI to include domestically listed China A-shares within its emerging market indices as of June 2019 means its share of the global equity market is going to move even higher.

Investors are increasingly being swayed by the improved fundamentals of emerging market companies. In aggregate emerging economies are running current account surpluses and the more fragile economies have improved their deficits. This positive economic backdrop has led to a recovery in profit margins for many companies. Estimates for earnings growth have been too conservative and have seen upward revisions over the course of the year. This improved earnings outlook combined with cheap valuations relative to developed markets has led to positive net inflows into EM equities during the course of the year.

Performance Attribution – stock-picking dominates

Stock-picking dominated contributions to relative performance in the period.

Our positions in a number of Asian companies rose substantially, more than offsetting the negative contributions from our sector preferences.

Notable performers included a number of Chinese companies. Car manufacturer Geely Automobiles Holdings, live streaming platform YY, optical lens manufacturer Sunny Optical Technology and insurer Ping An Insurance all rose significantly in the period to make substantial contributions to relative performance.

Geely Automobiles Holdings, up +116%, continued its meteoric rise, fuelled by increasing demand for SUV vehicles in China. Having started 2017 indicating a target of 1 million car sales, management increased their sales target for the year by 10% in July.

Our reasons for investing in the company in early 2016 were driven by the combination of cheap valuation alongside attractive growth prospects. As those growth prospects have proved to be too conservative, the share price has surged.

Nasdaq-listed YY, up +165%, benefits from similar consumer trends. As one of the pioneers of the live-streaming industry in China, YY's revenue and profit has grown significantly. The company has shifted its traditional PC-based business onto the mobile platform, where Chinese internet users spend most of their time.

Whilst the growth prospects in these strong performers remain fairly robust, valuations are no longer as attractive as they once were. In general we are happy to run our winners, unless there is a strong reason to believe the investment case has become undermined, however, in some of our winners we felt it necessary to take profits and re-allocate the capital into companies with more appealing valuations.

Transactions – increasing China and Russia, more financials, sticking to the value bias

The financials sector in particular presents appealing valuations. As a number of emerging markets economies have improved their fiscal health in the last few years, we think the environment should be supportive to domestic banks and there are plenty offering cheap valuations. China Construction Bank, Industrial & Commercial Bank of China, Korean Shinhan Financial and Russian Sberbank of Russia were all significant purchases in the period.

Our weighting to China also increased in the period, we added to a range of companies, including Tencent, China's largest social media platform following impressive earnings results.

Insurer Ping An Insurance, a beneficiary of the country's large and growing middle classes and energy giant CNOOC were amongst others benefiting from our investment.

Russia was a beneficiary at the country level. The Russian equity market has been outperforming of late, backed by cheap valuations and an improving economic outlook. Inflation remains stable around 2%, with economic activity improving moderately, suggesting a reasonable potential for monetary easing. All in all, the overall economy has emerged from a 2 year recession. There are signs of a recovery underway, we're seeing a number of opportunities and remain mindful that getting on board recovery stocks in the early stage can often reap significant rewards.

We bought rail freight transportation play Globaltrans Investment in the period. The government recently announced support for further improvements in regional infrastructure, suggesting the need to double spending on infrastructure to nurture the middle class and build new towns. Globaltrans Investment should be a beneficiary, with increased demand for transportation

Artemis Global Emerging Markets Fund – Investment review (continued)

of construction materials. Much like many Russian stocks, it trades on very cheap valuations (8.5x P/E in this case) and offers significant dividend yield in excess of 10%!

These purchases were funded partly by our further reduction to technology. We sold out of Taiwanese Hon Hai following disappointing results and reduced significantly our exposure to Alibaba Group Holding following a strong run in performance. Elsewhere, we reduced our materials exposure, with Siam Cement and Lotte Chemical leaving the portfolio.

The outcome of these changes means that we end the period with, the fund's principal country exposures as overweight positions in China and Russia and underweights in Korea, Taiwan and India. Within sectors our largest overweights are in resources, energy and banks and we continue to have less exposure to the more widely owned segments of the markets, such as, technology and consumer staples.

One thing that hasn't changed is our bias towards value stocks. Value stocks have generally underperformed in the last year as investors have quickly shifted to the "safety" of stable growth stocks. It is evident across our peer group that not many funds have a bias to value stocks, favouring instead the more expensive segments of the market. We continue to believe that against the backdrop of a global economic recovery, the outlook for value stocks remains promising.

As Chart 4 illustrates, the potential for value stocks' performance to catch up with that of growth stocks is significant in both emerging and developed markets.

Chart 4 – Time for a comeback? Value v Growth
Rolling 10Y Value v Growth Performance

Source: Artemis

Outlook – Emerging markets in a sweet spot, we focus on stock-picking

The strong performance of EM equities has not gone unnoticed; investor flows have increased to all EM assets in the last year. The chase for higher yielding securities has driven flows into EM debt and the combination of cheap valuations and superior growth has to lead to improving demand for EM equities. As such, this improved sentiment makes the outlook for EM equities a favourable one, particularly, as global economic growth remains strong.

We remain comforted by the fact that the fund offers attractive financial characteristics and a substantial valuation discount to both the Index and peers by trading on a price-to-earnings ratio of 9.5x, a 26% discount when compared with the market.

A resumption of the outperformance of value stocks would help the fund's performance, but it is likely to require some patience. We remain unperturbed; after all, it is those sweeter rewards we are in pursuit of.

Peter Saacke and Raheel Altaf
Fund managers

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Naspers N shares	3,527	Alibaba Group Holding, ADR	3,824
Tencent Holdings	2,884	Hon Hai Precision Industry	2,716
China Construction Bank H shares	2,848	Taiwan Semiconductor Manufacturing	2,167
Industrial & Commercial Bank of China H shares	2,679	Telekomunikasi Indonesia Persero	1,570
Taiwan Semiconductor Manufacturing	2,272	Geely Automobile Holdings	1,365

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 99.98% (99.49%)			
Brazil 6.07% (6.71%)			
Banco Bradesco Preference shares	209,220	1,859	1.37
Itausa - Investimentos Itau Preference shares	831,000	2,481	1.83
Itausa - Investimentos Itau Rights 29/03/2018	19,529	25	0.02
Tupy	184,000	743	0.55
Vale	297,905	3,130	2.30
		8,238	**6.07**
China 34.16% (24.52%)			
Anhui Conch Cement H shares	407,000	1,574	1.16
Bank of China H shares	5,167,000	2,031	1.50
Bank of Communications H shares	1,256,000	727	0.54
China Communications Services H shares	2,330,000	1,000	0.74
China Construction Bank H shares	6,044,000	4,540	3.35
China Petroleum & Chemical H shares	3,216,000	1,870	1.38
China Railway Group H shares	1,330,000	697	0.51
China Railway Signal & Communication H shares	940,000	531	0.39
China Resources Land	358,000	923	0.68
China Shenhua Energy H shares	900,000	1,844	1.36
China State Construction Engineering A shares	329,941	344	0.25
China State Construction Engineering (J.P. Morgan) Warrant 20/04/2020	619,000	644	0.47
China Suntien Green Energy H shares	2,500,000	429	0.32
CNOOC	1,880,000	1,974	1.45
Daqin Railway A shares	1,279,746	1,361	1.00
ENN Energy Holdings	236,000	1,309	0.96
Geely Automobile Holdings	1,003,000	2,360	1.74
Guangzhou Automobile Group H shares	254,000	408	0.30
Guangzhou R&F Properties H shares	436,000	741	0.55
Huadian Fuxin Energy H shares	4,400,000	767	0.56
Huishang Bank H shares	1,499,200	566	0.42
Industrial & Commercial Bank of China H shares	4,280,000	2,666	1.96
Jiangsu Expressway H shares	718,000	802	0.59
Midea Group A shares	202,896	1,273	0.94
PICC Property & Casualty H shares	1,224,000	1,751	1.29
Ping An Insurance Group Co. of China H shares	406,000	3,124	2.30
Sinotrans H shares	2,870,000	1,149	0.85
Sunny Optical Technology Group	75,000	903	0.67
Tencent Holdings	95,200	3,797	2.80
Wanhua Chemical Group A shares ^	309,000	1,339	0.99
Weichai Power H shares	1,210,000	985	0.73

Artemis Global Emerging Markets Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
YY, ADR	20,500	1,911	1.41
		46,340	**34.16**
Egypt 0.00% (0.62%)			
Greece 1.82% (1.08%)			
FF Group	49,000	757	0.56
Motor Oil Hellas Corinth Refineries	49,000	815	0.60
Mytilineos Holdings	106,000	895	0.66
		2,467	**1.82**
Hong Kong 0.94% (3.37%)			
Xinyi Glass Holdings	818,000	919	0.68
Yue Yuen Industrial Holdings	114,000	353	0.26
		1,272	**0.94**
Hungary 0.55% (0.84%)			
MOL Hungarian Oil & Gas	94,400	746	0.55
		746	**0.55**
India 4.43% (5.27%)			
HCL Technologies	94,868	989	0.73
Hindustan Petroleum	59,000	249	0.18
JSW Steel	367,000	1,265	0.93
Oil & Natural Gas	430,000	896	0.66
Power Grid Corp. of India	621,000	1,363	1.01
Vedanta	343,000	1,253	0.92
		6,015	**4.43**
Indonesia 3.49% (2.20%)			
Bank Negara Indonesia Persero	1,850,000	942	0.69
Bank Tabungan Negara Persero	4,820,000	944	0.70
Bukit Asam Persero	6,880,000	1,145	0.84
Waskita Karya Persero	11,200,000	1,705	1.26
		4,736	**3.49**
Kenya 1.06% (1.08%)			
Safaricom (Merrill Lynch International) Warrant 13/06/2019	6,860,000	1,437	1.06
		1,437	**1.06**
Malaysia 2.61% (0.58%)			
CIMB Group Holdings	1,120,000	1,482	1.09
Hartalega Holdings	520,000	1,110	0.82
Malayan Banking	494,000	950	0.70
		3,542	**2.61**
Mexico 0.79% (1.49%)			
Banregio Grupo Financiero	238,000	1,067	0.79
		1,067	**0.79**
Oman 0.00% (0.24%)			
Peru 0.75% (0.73%)			
Credicorp	6,500	1,018	0.75
		1,018	**0.75**
Philippines 0.77% (0.00%)			
Manila Electric	229,000	1,047	0.77
		1,047	**0.77**
Poland 0.33% (1.10%)			
Polski Koncern Naftowy ORLEN	22,000	448	0.33
		448	**0.33**
Russia 9.88% (5.78%)			
Gazprom, ADR	371,000	1,351	1.00
Globaltrans Investment, GDR	180,000	1,412	1.04

Investment	Holding	Valuation £'000	% of net assets
Lenta, GDR	199,000	937	0.69
Lukoil, ADR	56,089	2,723	2.01
MMC Norilsk Nickel, ADR	90,000	1,297	0.95
Sberbank of Russia, ADR	152,000	2,240	1.65
Surgutneftegas, ADR	344,000	1,255	0.92
Tatneft, ADR	48,000	2,194	1.62
		13,409	**9.88**
Saudi Arabia 0.62% (0.00%)			
Riyad Bank (Merrill Lynch International) Warrant 12/02/2020	329,000	846	0.62
		846	**0.62**
Singapore 0.00% (0.50%)			
South Africa 5.19% (4.90%)			
Barloworld	41,000	441	0.32
Kumba Iron Ore	64,000	1,350	1.00
Naspers N shares	17,900	3,592	2.65
Standard Bank Group	124,000	1,652	1.22
		7,035	**5.19**
South Korea 10.20% (17.01%)			
Hyundai Marine & Fire Insurance	23,500	648	0.48
LG Chem	4,000	1,024	0.75
Posco	7,100	1,712	1.26
Samsung Electronics	1,618	2,543	1.88
Samsung Electronics, GDR	900	707	0.52
SFA Engineering	30,000	750	0.55
Shinhan Financial Group	72,000	2,278	1.68
SK Hynix	60,000	3,079	2.27
SK Innovation	8,000	1,098	0.81
		13,839	**10.20**
Taiwan 7.16% (12.59%)			
Chipbond Technology	840,000	1,415	1.04
CTBC Financial Holding	1,720,000	904	0.67
Formosa Plastics	701,000	1,778	1.31
Gourmet Master	38,950	391	0.29
Micro-Star International	343,000	722	0.53
Simplo Technology	235,000	1,070	0.79
Taiwan Semiconductor Manufacturing	333,000	2,017	1.49
Tripod Technology	586,000	1,410	1.04
		9,707	**7.16**
Thailand 3.60% (5.38%)			
PTT	162,500	2,122	1.56
Thanachart Capital	1,070,200	1,366	1.01
Tisco Financial Group	687,000	1,398	1.03
		4,886	**3.60**
Turkey 4.08% (1.97%)			
Akbank Turk	855,000	1,728	1.27
KOC Holding	258,000	889	0.66
Soda Sanayii	403,985	391	0.29
Tofas Turk Otomobil Fabrikasi	162,000	943	0.70
Turkcell Iletisim Hizmetleri	439,000	1,280	0.94
Turkiye Halk Bankasi	161,000	300	0.22
		5,531	**4.08**

Artemis Global Emerging Markets Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Ukraine 0.00% (0.35%)			
United States of America 0.00% (0.46%)			
Vietnam 1.48% (0.72%)			
Hoa Phat Group	956,700	2,001	1.48
		2,001	**1.48**
Investment assets		135,627	99.98
Net other assets		24	0.02
Net assets attributable to shareholders		135,651	100.00

The comparative percentage figures in brackets are as at 28 February 2017.
^ Unlisted, suspended or delisted security.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	28 February 2018 £'000	28 February 2017 £'000	28 February 2017 £'000
Income					
Net capital gains	3		16,479		16,757
Revenue	5	3,372		1,592	
Expenses	6	(989)		(464)	
Interest payable and similar charges	7	(4)		(2)	
Net revenue before taxation		2,379		1,126	
Taxation	8	(310)		(153)	
Net revenue after taxation			2,069		973
Total return before distributions			**18,548**		**17,730**
Distributions	9		(2,346)		(1,099)
Change in net assets attributable to shareholders from investment activities			16,202		16,631

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	28 February 2018 £'000	28 February 2017 £'000	28 February 2017 £'000
Opening net assets attributable to shareholders		67,729		25,587
Amounts receivable on issue of shares	53,248		26,368	
Amounts payable on cancellation of shares	(3,412)		(1,697)	
		49,836		24,671
Dilution adjustment		59		48
Change in net assets attributable to shareholders from investment activities		16,202		16,631
Retained distribution on accumulation shares		1,825		792
Closing net assets attributable to shareholders		135,651		67,729

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	135,627	67,381
Current assets			
Debtors	11	3,892	684
Cash and bank balances	12	404	1,211
Total current assets		**4,296**	**1,895**
Total assets		**139,923**	**69,276**
Liabilities			
Creditors			
Bank overdraft		144	-
Distribution payable		1,076	647
Other creditors	13	3,052	900
Total creditors		**4,272**	**1,547**
Total liabilities		**4,272**	**1,547**
Net assets attributable to shareholders		135,651	67,729

Artemis Global Emerging Markets Fund – Notes to the financial statements

1. Accounting policies

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

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

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Equity linked notes ('ELN') are valued using the price derived by the issuer of the note. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. 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. 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. 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.

The ACD has agreed to cap the expenses of the sub-fund. Any reimbursement due back to the sub-fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 6.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The ACD and depositary have agreed, for the distribution class only, that 100% of the annual management charge is to be transferred to capital for the purpose of calculating its distribution, as permitted by COLL. The distribution currently payable reflects this treatment. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised.

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

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	16,606	16,909
Capital transaction charges	(24)	(17)
Currency losses	(103)	(135)
Net capital gains	16,479	16,757

4. Direct transaction costs

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

	Year ended 28 February 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	133,611	58	82	133,751	0.04	0.06
Sales						
Equities	82,311	57	104	82,150	0.07	0.13
Total		115	186			
Percentage of sub-fund average net assets		0.11%	0.18%			

	Year end 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	70,920	45	35	71,000	0.06	0.05
Sales						
Equities	46,361	30	54	46,277	0.06	0.12
Total		75	89			
Percentage of sub-fund average net assets		0.15%	0.18%			

During the year the sub-fund incurred £24,000 (2017: £17,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.18% (2017: 0.20%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	3,371	1,591
Bank interest	1	1
Total revenue	3,372	1,592

Artemis Global Emerging Markets Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	766	360
Expense rebate	-	(44)
Other expenses:		
Administration fees	56	51
Operational fees	55	19
Safe custody fees	50	24
Registration fees	25	33
Auditor's remuneration: non-audit fees (taxation)	16	5
Depositary fees	12	6
Auditor's remuneration: audit fees *	9	9
Printing and postage fees	-	1
Total expenses	989	464

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Interest payable	4	2
	4	2

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	310	153
Total taxation (note 8b)	310	153
b) Factors affecting the tax charge for the year		
Net revenue before taxation	2,379	1,126
Corporation tax at 20% (2017: 20%)	476	225
Effects of:		
Irrecoverable overseas tax	310	153
Unutilised management expenses	108	42
Overseas withholding tax expensed	(9)	(3)
Non-taxable overseas dividends	(575)	(264)
Tax charge for the year (note 8a)	310	153

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 sub-fund has not recognised a deferred tax asset of £163,000 (2017: £55,000) arising as a result of having unutilised management expenses of £815,000 (2017: £275,000) and non-trade loan relationship deficits of £2,000 (2017: £nil). It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	2,901	1,439
Add: amounts deducted on cancellation of shares	45	29
Deduct: amounts added on issue of shares	(600)	(369)
Distributions	2,346	1,099
Movement between net revenue and distributions		
Net revenue after taxation	2,069	973
Expenses paid from capital	277	126
	2,346	1,099

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution table on page 23.

10. Fair value hierarchy

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

The disclosure is split into the following categories:

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

	28 February 2018	28 February 2017
	Assets £'000	Assets £'000
Level 1	131,336	64,241
Level 2	2,952	3,140
Level 3	1,339	-
Total	135,627	67,381

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	3,013	170
Accrued revenue	475	227
Sales awaiting settlement	368	252
Overseas withholding tax recoverable	34	21
Prepaid expenses	2	3
Expense rebate receivable	-	11
Total debtors	3,892	684

Artemis Global Emerging Markets Fund – Notes to the financial statements (continued)

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Cash and bank balances	404	527
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	-	684
Total cash and bank balances	404	1,211

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	2,486	803
Amounts payable for cancellation of shares	425	3
Accrued annual management charge	72	37
Accrued other expenses	69	57
Total other creditors	3,052	900

14. Contingent liabilities and commitments

At the balance sheet date the sub-fund had the following contingent liabilities:

	28 February 2018 £'000	28 February 2017 £'000
Itausa - Investimentos Itau Rights 29/03/2018	34	-
Total contingent liabilities	34	-

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation EUR	10,000	17,033	-	27,033
I distribution GBP	22,910,371	8,789,462	(673,841)	31,025,992
I accumulation GBP	34,956,178	31,957,624	(1,972,646)	64,941,156
I accumulation USD	10,000	887,246	-	897,246

16. Risk disclosures

The sub-fund's financial instruments comprise equities, ELNs, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 6. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's portfolio statement. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-fund as 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 sub-fund's financial assets are non-interest bearing, the sub-fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been provided.

(ii) Currency risk

A portion of the net assets of the sub-fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the ACD may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the sub-fund's exposure to currency risk is reduced. There were no open forward currency contracts as at 28 February 2018 (2017: nil).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Total £'000
28 February 2018			
Hong Kong Dollar	40,740	(413)	40,327
US Dollar	19,972	(368)	19,604
Korean Won	13,132	347	13,479
Taiwan Dollar	9,707	34	9,741
Brazilian Real	8,238	162	8,400
South African Rand	7,035	(228)	6,807
Indian Rupee	6,015	9	6,024
Turkish Lira	5,531	-	5,531
Thai Baht	4,886	-	4,886
Indonesian Rupiah	4,736	(306)	4,430
Chinese Yuan	4,317	-	4,317
Malaysian Ringgit	3,542	(250)	3,292
Euro	2,467	-	2,467
Vietnamese Dong	2,001	-	2,001
Mexican Peso	1,067	-	1,067
Philippine Peso	1,047	-	1,047
Sterling	-	1,037	1,037
Hungarian Forint	746	-	746
Polish Zloty	448	-	448
28 February 2017			
Hong Kong Dollar	14,267	-	14,267
US Dollar	12,055	24	12,079
Korean Won	10,179	157	10,336
Taiwan Dollar	8,525	21	8,546
Brazilian Real	4,544	286	4,830
Thai Baht	3,646	-	3,646
South African Rand	3,322	-	3,322
Indian Rupee	2,279	12	2,291
Indonesian Rupiah	1,491	-	1,491
Turkish Lira	1,333	-	1,333
Mexican Peso	1,006	-	1,006
Chinese Yuan	992	-	992
Polish Zloty	982	-	982
Euro	732	-	732
Hungarian Forint	572	-	572
Vietnamese Dong	485	-	485
Egyptian Pound	419	-	419
Malaysian Ringgit	392	-	392
Omani Riyal	160	-	160
Sterling	-	(152)	(152)

A five per cent increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets by £6,731,000 (2017: £3,394,000). A five per cent decrease would have an equal and opposite effect.

Artemis Global Emerging Markets Fund – Notes to the financial statements (continued)

(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 as detailed in the portfolio statement 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 ACD monitors and reviews these factors. A five per cent increase in the value of the sub-fund's portfolio would have the effect of increasing the return and net assets by £6,781,000 (2017: £3,369,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	101.6	102.5
Commitment	100.6	100.3

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages. On a daily basis the ACD 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.

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 28 February 2018 or 28 February 2017.

Counterparty exposure

The sub-fund also uses equity linked notes issued by counterparties to provide exposure to certain investments. Details of the individual contracts are disclosed separately in the portfolio statement and the total position by counterparty at the balance sheet date was as follows:

	Equity linked notes £'000	Total net exposure £'000
28 February 2018		
Merrill Lynch International	2,283	2,283
JPMorgan	644	644
28 February 2017		
Morgan Stanley	1,290	1,290
JPMorgan	1,118	1,118
Merrill Lynch International	732	732

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 14 and notes 6, 9, 11 and 13 on pages 17 to 19 including all issues and cancellations where the ACD acted as principal.

The balance due from the ACD as at 28 February 2018 in respect of these transactions was £2,516,000 (2017: £141,000).

18. Share classes

The annual management charge on each share class is 0.75%.

The net asset value per share and the number of shares in each class are given in the comparative tables on page 24. The distribution per share class are given in the distribution table on page 23. All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation EUR	110.65c	118.37c	(6.5)%
I distribution GBP	124.24p	133.12p	(6.7)%
I accumulation GBP	134.36p	143.91p	(6.6)%
I accumulation USD	118.78c	133.04c	(10.7)%

Artemis Global Emerging Markets Fund – Distribution table

Final dividend distribution for the year ended 28 February 2018 (payable 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I accumulation EUR				
Group 1	2.2826c	-	2.2826c	1.8020c
Group 2	0.6418c	1.6408c	2.2826c	1.8020c
I distribution GBP				
Group 1	3.4671p	-	3.4671p	2.8235p
Group 2	2.6527p	0.8144p	3.4671p	2.8235p
I accumulation GBP				
Group 1	2.7838p	-	2.7838p	2.2649p
Group 2	1.1423p	1.6415p	2.7838p	2.2649p
I accumulation USD				
Group 1	2.5558c	-	2.5558c	1.7833c
Group 2	1.1763c	1.3795c	2.5558c	1.7833c

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

Artemis Global Emerging Markets Fund – Comparative tables

	I accumulation EUR			I distribution GBP		
	2018	2017	2016**	2018	2017	2016**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**101.72**	**74.50**	**100.00**	**113.40**	**78.40**	**100.00**
Return before operating charges *	17.75	28.10	(23.75)	24.44	38.82	(18.31)
Operating charges	(1.10)	(0.88)	(1.75)	(1.25)	(1.00)	(1.19)
Return after operating charges	16.65	27.22	(25.50)	23.19	37.82	(19.50)
Distributions	(2.28)	(1.80)	(1.45)	(3.47)	(2.82)	(2.10)
Retained distributions on accumulation shares	2.28	1.80	1.45	-	-	-
Closing net asset value per share	**118.37**	**101.72**	**74.50**	**133.12**	**113.40**	**78.40**
* after direct transaction costs of	(0.30)	(0.26)	(0.45)	(0.34)	(0.30)	(0.42)
Performance						
Return after charges	16.37%	36.54%	(25.50)%	20.45%	48.24%	(19.50)%
Other information						
Closing net asset value (£'000)	28	9	6	41,303	25,979	10,522
Closing number of shares	27,033	10,000	10,000	31,025,992	22,910,371	13,420,725
Operating charges	0.99%	1.00%	0.89%	0.99%	1.00%	0.89%
Direct transaction costs	0.27%	0.30%	0.53%	0.27%	0.30%	0.53%
Prices	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Highest price	122.45	104.55	102.21	141.15	118.37	101.30
Lowest price	100.25	76.64	68.35	111.87	78.37	73.95

	I accumulation GBP			I accumulation USD		
	2018	2017	2016**	2018	2017	2016**
Change in net assets per share	**(p)**	**(p)**	**(p)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**119.39**	**80.49**	**100.00**	**99.20**	**74.56**	**100.00**
Return before operating charges *	25.84	39.91	(18.25)	35.02	25.53	(23.49)
Operating charges	(1.32)	(1.01)	(1.26)	(1.18)	(0.89)	(1.95)
Return after operating charges	24.52	38.90	(19.51)	33.84	24.64	(25.44)
Distributions	(2.78)	(2.26)	(1.60)	(2.56)	(1.78)	(1.43)
Retained distributions on accumulation shares	2.78	2.26	1.60	2.56	1.78	1.43
Closing net asset value per share	**143.91**	**119.39**	**80.49**	**133.04**	**99.20**	**74.56**
* after direct transaction costs of	(0.36)	(0.31)	(0.44)	(0.32)	(0.27)	(0.45)
Performance						
Return after charges	20.54%	48.33%	(19.51)%	34.11%	33.05%	(25.44)%
Other information						
Closing net asset value (£'000)	93,458	41,733	15,054	862	8	5
Closing number of shares	64,941,156	34,956,178	18,702,105	897,246	10,000	10,000
Operating charges	0.99%	1.00%	0.89%	0.99%	1.00%	0.89%
Direct transaction costs	0.27%	0.30%	0.53%	0.27%	0.30%	0.53%
Prices	**(p)**	**(p)**	**(p)**	**(c)**	**(c)**	**(c)**
Highest price	148.67	121.59	101.30	139.76	101.09	101.17
Lowest price	117.78	80.45	73.94	97.65	74.71	70.82

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

** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Artemis Global Emerging Markets Fund – Comparative tables (continued)

Ongoing charges

Class	28 February 2018
I accumulation EUR	0.99%
I distribution GBP	0.99%
I accumulation GBP	0.99%
I accumulation USD	0.99%

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

Fund performance

	Since launch *	1 year	6 months
Artemis Global Emerging Markets Fund	44.0	20.5	4.7
MSCI Emerging Markets Index	35.6	17.9	3.4
Sector average	37.6	16.5	2.5
Position in sector	16/56	16/60	12/61
Quartile	2	2	1

* Data from 8 April 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling to 28 February 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Emerging Markets.

Investment objective and policy

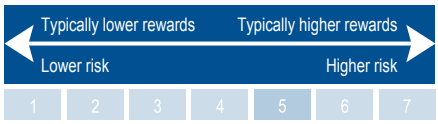
The Artemis Global Equity Income Fund (the 'sub-fund') aims to achieve income combined with long-term capital growth.

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The sub-fund is in the category shown because it invests in the shares of a wide range of companies in emerging markets.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- The sub-fund's assets will be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in share prices can be expected.
- The sub-fund's assets will primarily be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the sub-fund is valued and priced.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The sub-fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the sub-fund will lose money.

Artemis Global Equity Income Fund – Investment review

- 'Growth' stocks continue outperforming income-paying value stocks.
- Not owning the 'FANGs' places income funds at a disadvantage.
- The fund returns 6.2%* versus a 7.3%* gain in the benchmark …
- … but outperforms the average fund in its income-focused peer group.

Performance – Positioned to perform …

"In waiting for the comfort of good news, [investors] are ignoring Wayne Gretzky's advice: 'I skate to where the puck is going to be, not to where it has been'." - Warren Buffett

At the outset of the year under review, we believed that inflation, interest rates and, consequently, the US dollar would go higher. We positioned our portfolio with a bias towards the areas of the market we anticipated investors would move into next. That meant favouring cheap(er) cyclical stocks, rather than expensive defensive sectors such as utilities and telecoms or 'secular' growth names in technology. At the same time, having a focus on yield means there are parts of the global market in which we can't invest. So we didn't own the (hyper) fast-growing FANGs (Facebook, Amazon, Netflix and Google) and the wider complex of technology stocks disrupting the global industrial landscape. Yet those stocks, already some of the world's biggest companies by market cap, made huge gains which, for much of 2017 and then again in the first quarter of 2018, placed us at a disadvantage to the wider market.

Technology is now the largest sector globally (about 15% of global listed equities) and was responsible for much of the rise in global equity markets in the reporting period. The market cap of the FANGs today is more than $2 trillion. Throw Apple into the mix and each time these combined companies' share prices rise by 10% that generates market value equivalent to the combined market cap of Santander, BNP Paribas and ING – the largest banks in Europe. Or, put another way, the market capitalisation of the 30 largest eurozone banks is smaller than that of Alphabet, Google's parent company. This clearly shows that the market has no doubt in which industries cashflows are going to be generated in future. This led to share-price increases in non-yielding growth stocks and hence for much of 2017, the action was in areas beyond our reach.

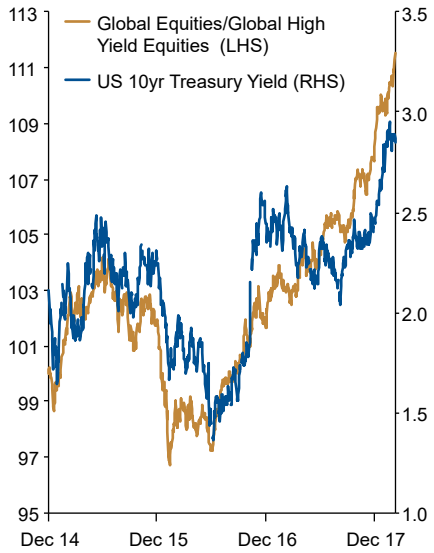
Towards the end of last year, however, things began to move in our direction; the puck came shooting towards us. Cyclical stocks began outperforming defensives. Banks, where we have our largest active sectoral weight, began to do a little better. The result was that although the fund, with a return of 6.2%, underperformed the global market (which rose by 7.3%) it outperformed its peer group, where the average fund returned 4.5% while still delivering a yield considerably higher than that of the wider equity market.

Review – All change …

The period's defining event was economic and market 'regime change'. Investors began to adjust to the prospect of a world in which economic growth, corporate earnings, inflation and interest rates are stronger or higher than once expected. Fears of stagnation and deflation gave way to an acceptance of inflation and monetary tightening, a marked change from the environment we have been in for a number of years. Broadly speaking, investors started thinking about a world moving from monetary stimulus to fiscal stimulus, from deflation to inflation, from lower interest rates to higher rates, from austerity to populist spending and from international co-operation to trade wars.

The most obvious sign of this 'regime change' was that the 10-year US Treasury yield broke out of its long-term downtrend. Some commentators suggested this could mark the end of a 30-year bull market in bonds – or at least indicate that inflationary expectations are being adjusted higher. We would not wish to be the ones to call the end of a trend that's been going on for decades, however, there is no doubt that on a relative basis, this was helpful for us: we had positioned the fund in anticipation of this back in 2016 (waiting hasn't always been comfortable.) With yields on government bonds edging higher, our value stocks (financials, cyclicals) – out of favour for much of the past decade – began to perform. The chart shows the relationship between yields on 10-year US Treasuries and the performance of global equities with high dividend yields. The relationship is clear: global dividend stocks with high yields underperform the wider market when rates go up.

Higher bond yields in the US have been a headwind for dividend-paying equities



Source: Bloomberg.

The second half of 2017 brought a dramatic improvement in the performance of cyclical sectors such as automakers, materials and energy. Our largest active sector weight, meanwhile, is banks, and specifically US banks. Tax reform is having a positive impact on their earnings for 2018 and 2019. The pick-up in

* Source: Lipper Limited, class I distribution GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the MSCI All Country World Index. Sector is IA Global Equity Income.

inflationary expectations and rising yields on government bonds prompted investors to anticipate an increase in banks' net interest margins. This sent the prices of holdings such as Citigroup, Bank of America and Zions Bancorp sharply higher. Given a more positive economic backdrop and a regulator which is more positive about cash returns to shareholders, we believe the US banks can grow their dividends by 30-50% over the coming couple of years. That said, we appreciate that while the dividends should grow at a fast clip, the total return is less assured. There are always risks when investing in banks.

It is not only the fund's exposure to cyclical value stocks – and its large overweight in banks – that makes it unlike many income funds. Compared to many of our peers, we have lower weightings in classic 'income' sectors such as healthcare, real estate, utilities and consumer staples. We anticipated that stocks in these (long duration) areas would begin to lose some of their appeal as bond yields rose. Many companies in these sectors have spent the last decade piling on debt to fund share buybacks and rising dividends. These sectors have been relying on low interest costs. Now not only are risk-free rates going up in the US, but credit spreads could start to widen as liquidity in markets starts to be harder to find. As investors begin to accept that economic growth worldwide is set to remain robust, expensive stocks in defensive industries – such as consumer staples – are underperforming cheaper stocks that are more responsive to economic conditions.

Not everything worked however. Shares in Spanish-listed theme park operator Parques Reunidos Servicios Centrales, for instance, fell: a combination of Europe's worst summer in living memory, and the threat of terrorism deterring visitors to its parks, marred its peak trading season. We continue to like the company's underlying assets and it retains its place in the fund, but we acknowledge that second-tier amusement parks might not be such great assets as they might have been a decade ago and we decided to reduce our holding. In a world offering an increasing amount of online and offline excitement, the earnings multiple we had placed on this investment was too high to begin with.

Spanish telecoms operator Euskaltel also struggled. It still has the best cable network in the Basque region – but it is encountering more competition than we had anticipated. A number of its rivals are now rolling out 'fibre-to-the-home' networks, which reduces the defensive 'moat' around Euskaltel's assets. Another lesson for us that what seems safe gets hit disproportionately hard when it turns out that it isn't.

Outlook – How long will the recovery last?

Investors are currently seeing synchronised growth throughout the global economy – the strongest pace of economic expansion, in fact, since the financial crisis. The strength of this cyclical growth challenges the notion that the business cycle is a thing of the past. That growth is not as scarce as once feared also undermines one of the arguments deployed by investors who believe that the tech disrupters and secular growth stocks should be bought – almost irrespective of valuation. At the same time, this powerful expansion in the global economy should continue to support cyclicals. Even after their recent improved performance, these stocks often remain cheap and unpopular (and under-owned). For the large cohort of investors who don't own them, this improved performance has been painful.

There is a creeping fear that this is 'as good as it gets'; and that monetary tightening will end the exuberance. US tax reform nine years into a bull market is unprecedented, unneeded and may well lead to an overheating economy and a more aggressive tightening by policy-makers than equity markets would like. It comes at a time of rising employment, smaller output gaps (less spare capacity) and increasing inflationary expectations. Higher-than expected US wages seemed to be the trigger for an abrupt sell-off in early February. It is perhaps inevitable that volatility will rise as central banks withdraw liquidity and as complex, interlinked positions, built during a long period of quiescent inflation and low interest rates, start to be unwound.

So we appreciate that 2018 will be a year of transition from one economic and market regime to another. This will lead to uncertainty, volatility and the increased risk of a policy mistake (too little or too much tightening). Given the complexity of the plumbing that underpins the financial system, a decade of unconventional monetary policy cannot be withdrawn in a completely orderly fashion. So 2018 will be a hard year to navigate.

It could be argued that the outlook for the global economy has rarely – if ever – been better. In a way, that's the issue… The market does not 'live for the moment'; it always worries about what comes next. Economic expansion may be almost universal, but it isn't just the absolute rate of expansion that counts. The speed at which the rate of growth is changing (the 'second derivative') also matters. When the rate at which growth is increasing starts to slow, investors start to worry.

And, of course, liquidity matters too. The market spent much of last year resisting the idea that the US Federal Reserve (the 'Fed') might raise interest rates three times this year. But no sooner had investors come to accept that idea than a combination of strong growth, fiscal stimulus (tax cuts) and rising wages prompted worries that the Fed might act even more aggressively. Add to that mix a new chairman, with whose style of communicating the market is not yet familiar, and investors' nerves are understandable. Accelerating economic growth and incrementally more liquidity have driven the prices of financial assets higher for a number of years. So it's not surprising that

Artemis Global Equity Income Fund – Investment review (continued)

the anticipation of slowing economic growth (even though we aren't at that point yet) and monetary tightening is forcing investors to re-examine relative and absolute valuations within the equity market.

The current pace of growth can't be maintained indefinitely. A full-blown recession, however, seems unlikely to take place this year. And, put simply, equities (or at least value stocks) usually do well for as long as a recession is not in prospect over the next 12 months. So we are monitoring policy actions closely, worrying about real rates going higher and liquidity conditions tightening. But for now, we are happy with our portfolio delivering a yield above 3% and increasing its dividend ahead of inflation - while trying to beat a market that is as volatile as we have seen it for years.

Jacob de Tusch-Lec
Fund manager

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Ping An Insurance Group Co. of China H shares	7,890	Ping An Insurance Group Co. of China H shares	9,322
Western Digital	5,431	BHP Billiton	7,135
General Motors	5,249	Western Digital	6,389
Bank of America	4,952	General Motors	4,412
Citigroup	4,617	Corning	4,078

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 99.87% (104.54%)			
Australia 0.84% (4.23%)			
Fortescue Metals Group	422,958	1,202	0.84
		1,202	**0.84**
Belgium 0.00% (0.27%)			
Brazil 1.63% (3.69%)			
Banco do Brasil	221,897	2,097	1.47
Cia Energetica de Minas Gerais	128,999	234	0.16
		2,331	**1.63**
Canada 0.43% (1.72%)			
Lundin Mining	128,489	617	0.43
		617	**0.43**
China 3.69% (2.31%)			
Anhui Conch Cement H shares	623,500	2,411	1.68
China Conch Venture Holdings	343,132	744	0.52
China Construction Bank H shares	912,000	685	0.48
China Resources Cement Holdings	1,212,000	674	0.47
TravelSky Technology H shares	336,000	775	0.54
		5,289	**3.69**
Czech Republic 1.11% (1.74%)			
Moneta Money Bank	541,694	1,588	1.11
		1,588	**1.11**
Denmark 2.60% (3.40%)			
AP Moller - Maersk B shares	969	1,156	0.81
Danske Bank	53,544	1,547	1.08
DFDS	25,584	1,021	0.71
		3,724	**2.60**
France 3.34% (3.19%)			
Amundi	24,244	1,429	1.00
BNP Paribas	21,585	1,244	0.87
Natixis	339,759	2,111	1.47
		4,784	**3.34**
Georgia 0.28% (1.09%)			
BGEO Group	11,903	400	0.28
		400	**0.28**
Germany 4.32% (6.13%)			
1&1 Drillisch	31,163	1,745	1.22
Deutsche Pfandbriefbank	31,013	391	0.27
Rheinmetall	22,772	2,183	1.52

Artemis Global Equity Income Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Schaeffler Preference shares	81,801	959	0.67
Volkswagen Preference shares	6,345	909	0.64
		6,187	**4.32**
India 0.45% (0.00%)			
Indiabulls Housing Finance	46,350	643	0.45
		643	**0.45**
Israel 6.06% (2.46%)			
Bank Hapoalim	341,720	1,756	1.22
Bank Leumi Le-Israel	491,639	2,134	1.49
Bezeq The Israeli Telecommunication Co.	2,834,868	3,125	2.18
Mizrahi Tefahot Bank	47,345	630	0.44
Shikun & Binui	779,642	1,045	0.73
		8,690	**6.06**
Italy 8.73% (9.45%)			
EI Towers	83,656	3,444	2.40
Infrastrutture Wireless Italiane	741,827	3,718	2.60
Mediobanca Banca di Credito Finanziario	111,745	979	0.68
Rai Way	801,294	3,260	2.28
Telecom Italia	1,134,569	738	0.52
Telecom Italia Saving Shares	664,304	364	0.25
		12,503	**8.73**
Japan 7.35% (6.51%)			
Idemitsu Kosan	27,100	754	0.52
Itochu	147,900	2,060	1.44
Mitsubishi UFJ Financial Group	197,500	1,015	0.71
Mitsubishi UFJ Financial Group, ADR	159,577	826	0.58
Nippon Steel & Sumitomo Metal	35,600	614	0.43
Sekisui House	106,800	1,353	0.94
Tokai Carbon	312,000	3,917	2.73
		10,539	**7.35**
Luxembourg 1.90% (1.40%)			
Tenaris	217,316	2,729	1.90
		2,729	**1.90**
Netherlands 0.00% (1.19%)			
New Zealand 0.26% (2.19%)			
Metlifecare	121,987	377	0.26
		377	**0.26**
Norway 5.77% (7.02%)			
Borr Drilling	680,828	2,036	1.42
DNB	38,764	554	0.38
Ocean Yield	103,533	686	0.48
Storebrand	788,452	5,001	3.49
		8,277	**5.77**
Portugal 0.51% (0.00%)			
Galp Energia	55,647	727	0.51
		727	0.51
Russia 1.60% (0.88%)			
MMC Norilsk Nickel, ADR	54,892	791	0.55
Sberbank of Russia Preference shares	308,955	898	0.63
Sberbank of Russia	171,086	604	0.42
		2,293	**1.60**

Investment	Holding	Valuation £'000	% of net assets
South Africa 0.05% (0.84%)			
Kumba Iron Ore	3,334	70	0.05
		70	**0.05**
South Korea 2.00% (0.00%)			
LG Display	13,390	267	0.19
Posco Chemtech	87,406	2,601	1.81
		2,868	**2.00**
Spain 1.79% (4.15%)			
Euskaltel	143,888	857	0.60
Parques Reunidos Servicios Centrales	145,407	1,707	1.19
		2,564	**1.79**
Sweden 1.49% (1.28%)			
Nordea Bank	257,162	2,131	1.49
		2,131	**1.49**
Switzerland 1.31% (0.00%)			
Credit Suisse Group	66,037	893	0.62
Glencore	146,244	567	0.40
UBS Group	29,901	415	0.29
		1,875	**1.31**
Taiwan 0.65% (0.00%)			
Micro-Star International	441,941	930	0.65
		930	**0.65**
United Arab Emirates 0.19% (0.00%)			
Abu Dhabi National Oil Co. for Distribution	517,017	269	0.19
		269	**0.19**
United Kingdom 4.38% (5.88%)			
3i Group	100,913	950	0.66
Anglo American	75,608	1,357	0.95
CNH Industrial	266,566	2,632	1.84
Imperial Brands	51,262	1,341	0.93
		6,280	**4.38**
United States of America 37.14% (33.52%)			
AbbVie	43,791	3,740	2.61
Bank of America	164,734	3,847	2.69
Best Buy	28,130	1,452	1.01
Blackstone Group MLP	55,020	1,358	0.95
Broadcom	1,664	303	0.21
Carlyle Group MLP	90,821	1,512	1.06
Citigroup	96,354	5,314	3.71
CME Group	2,419	291	0.20
Comerica	29,593	2,108	1.47
Corning	6,790	144	0.10
General Electric	60,244	631	0.44
General Motors	116,136	3,368	2.35
Goldman Sachs Group	5,581	1,080	0.75
Hess	50,480	1,694	1.18
Intel	28,108	1,013	0.71
JPMorgan Chase	15,796	1,339	0.93
KKR MLP	122,125	1,899	1.33
L Brands	12,438	433	0.30
Las Vegas Sands	19,572	1,032	0.72

Artemis Global Equity Income Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
MetLife	18,933	646	0.45
Micron Technology	50,856	1,784	1.25
Norfolk Southern	21,451	2,212	1.54
Reliance Steel & Aluminum	17,620	1,181	0.82
Schlumberger	44,136	2,131	1.49
Seagate Technology	36,697	1,401	0.98
Synchrony Financial	146,350	3,890	2.72
Targa Resources	9,692	322	0.22
Western Digital	46,375	2,920	2.04
Zions Bancorporation	103,440	4,165	2.91
		53,210	**37.14**
Equities total		**143,097**	**99.87**
Forward currency contracts (0.52)% ((0.09)%)			
Buy US Dollar 19,358,670 dated 08/03/2018		13,979	9.76
Sell Euro 16,687,000 dated 08/03/2018		(14,728)	(10.28)
Forward currency contracts total		**(749)**	**(0.52)**
Investment assets (including investment liabilities)		142,348	99.35
Net other assets		927	0.65
Net assets attributable to shareholders		143,275	100.00

The comparative percentage figures in brackets are as at 28 February 2017.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		4,905		29,977
Revenue	5	4,986		4,496	
Expenses	6	(1,238)		(1,144)	
Interest payable and similar charges	7	(31)		(25)	
Net revenue before taxation		3,717		3,327	
Taxation	8	(354)		(328)	
Net revenue after taxation			3,363		2,999
Total return before distributions			**8,268**		**32,976**
Distributions	9		(3,563)		(3,123)
Change in net assets attributable to shareholders from investment activities			4,705		29,853

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		126,295		97,821
Amounts receivable on issue of shares	43,315		42,621	
Amounts payable on cancellation of shares	(33,791)		(46,621)	
		9,524		(4,000)
Dilution adjustment		22		56
Change in net assets attributable to shareholders from investment activities		4,705		29,853
Retained distributions on accumulation shares		2,729		2,565
Closing net assets attributable to shareholders		143,275		126,295

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	143,097	132,114
Current assets			
Debtors	11	878	4,199
Cash and bank balances	12	782	12
Total current assets		**1,660**	**4,211**
Total assets		**144,757**	**136,325**
Liabilities			
Investment liabilities	10	749	194
Creditors			
Bank overdraft		-	4,260
Distribution payable		233	251
Other creditors	13	500	5,325
Total creditors		**733**	**9,836**
Total liabilities		**1,482**	**10,030**
Net assets attributable to shareholders		143,275	126,295

Artemis Global Equity Income Fund – Notes to the financial statements

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. 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.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The ACD and depositary have agreed, for the distribution classes only, that 100% of the annual management charge is to be transferred to capital for the purpose of calculating its distribution, as permitted by COLL. The distribution currently payable reflects this treatment. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised.

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

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	7,791	29,235
Currency gains	200	88
Derivative contracts	-	14
Capital transaction charges	(37)	(53)
Forward currency contracts	(3,049)	693
Net capital gains	4,905	29,977

4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the sub-fund on each transaction and are summarised below. Bonds have no separately identifiable transaction costs; these costs form part of the dealing price.

	Year ended 28 February 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	209,072	83	97	209,252	0.04	0.05
Sales						
Equities	206,047	83	25	205,939	0.04	0.01
Total		166	122			
Percentage of sub-fund average net assets		0.13%	0.09%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	229,515	115	160	229,790	0.05	0.07
Bonds	655	-	-	655	-	-
Sales						
Equities	222,916	112	21	222,783	0.05	0.01
Bonds	1,714	-	-	1,714	-	-
Total		227	181			
Percentage of sub-fund average net assets		0.19%	0.15%			

During the year the sub-fund incurred £37,000 (2017: £53,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.12% (2017: 0.11%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	4,554	4,084
UK dividends	431	341
Bank interest	1	3
Interest on debt securities	-	68
Total revenue	4,986	4,496

Artemis Global Equity Income Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	1,027	932
Other expenses:		
Administration fees	81	86
Operational fees	29	34
Registration fees	28	28
Safe custody fees	25	22
Auditor's remuneration: non-audit fees (taxation)	23	16
Depositary fees	15	15
Auditor's remuneration: audit fees *	9	9
Price publication fees	1	-
Printing and postage fees	-	2
Total expenses	1,238	1,144

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Interest payable	31	25
Total interest payable and similar charges	31	25

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	354	328
Total taxation (note 8b)	354	328
b) Factors affecting the tax charge for the year		
Net revenue before taxation	3,717	3,327
Corporation tax at 20% (2017: 20%)	743	665
Effects of:		
Irrecoverable overseas tax	354	328
Unutilised management expenses	149	117
Utilisation of non-trade deficit carried forward	6	-
Non-taxable stock dividends	(1)	-
Non-taxable UK dividends	(85)	(68)
Non-taxable overseas dividends	(812)	(714)
Tax charge for the year (note 8a)	354	328

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 sub-fund has not recognised a deferred tax asset of £333,000 (2017: £184,000) arising as a result of having unutilised management expenses of £1,665,000 (2017: £919,000) and non-trade loan relationship deficits of £31,000 (2017: £nil) It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Interim dividend distribution	2,970	2,229
Final dividend distribution	667	914
Add: amounts deducted on cancellation of shares	159	291
Deduct: amounts added on issue of shares	(233)	(311)
Distributions	3,563	3,123
Movement between net revenue and distributions		
Net revenue after taxation	3,363	2,999
Expenses paid from capital	200	124
	3,563	3,123

The distribution takes account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution tables on pages 43 and 44.

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).

	28 February 2018		28 February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	143,097	-	132,028	-
Level 2	-	749	88	196
Total	143,097	749	132,116	196

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	367	783
Overseas withholding tax recoverable	202	102
Sales awaiting settlement	159	3,136
Accrued revenue	150	177
Prepaid expenses	-	1
Total debtors	878	4,199

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	592	-
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	148	-
Cash and bank balances	41	5
Amounts held at futures clearing houses and brokers	1	7
Total cash and bank balances	782	12

Artemis Global Equity Income Fund – Notes to the financial statements (continued)

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	298	998
Accrued other expenses	88	90
Accrued annual management charge	77	74
Amounts payable for cancellation of shares	37	4,163
Total other creditors	500	5,325

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I distribution EUR	511,931	1,474,796	(183,858)	1,802,869
I accumulation EUR	56,126,664	15,413,821	(10,854,661)	60,685,824
I distribution GBP	21,089,688	4,708,003	(2,463,393)	23,334,298
I accumulation GBP	27,086,443	1,035,849	(6,596,572)	21,525,720
I distribution USD	836,725	506,864	(60,005)	1,283,584
I accumulation USD	19,438,800	24,281,101	(13,469,027)	30,250,874
R accumulation EUR	3,015,988	1,476,237	(1,779,246)	2,712,979
R accumulation USD	1,555,882	126,957	(107,795)	1,575,044

16. Risk disclosures

The sub-fund's financial instruments comprise equities, bonds, forward currency contracts, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 26. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's investment portfolio. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-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 sub-fund's financial assets are non-interest bearing, the sub-fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been provided.

(ii) Currency risk

A portion of the net assets of the sub-fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the ACD may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the sub-fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £3,049,000 (2017: gain of £693,000).

Where the fund, relative to its benchmark, is very overweight or underweight in a region then, as per our investment objective, we look to minimise any potential downside exposure through currency hedging. Over the reporting year the fund has been very overweight in the eurozone but underweight in the US; and so we have taken the decision to hedge some of the euro exposure into the US dollar. Whilst the fund has lost money on the currency hedging, it has made money through being very exposed to European equities. Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

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

Currency	Investments £'000	Net other assets/(liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
US Dollar	54,827	243	13,979	69,049
Euro	32,126	81	(14,728)	17,479
Japanese Yen	9,713	46	-	9,759
Israeli New Shekel	8,690	29	-	8,719
Norwegian Krone	8,277	49	-	8,326
Hong Kong Dollar	5,289	-	-	5,289
Sterling	4,615	431	-	5,046
Danish Krone	3,724	31	-	3,755
Korean Won	2,868	17	-	2,885
Brazilian Real	2,331	-	-	2,331
Swedish Krona	2,131	-	-	2,131
Czech Koruna	1,588	-	-	1,588
Russian Rouble	1,502	-	-	1,502
Swiss Franc	1,308	-	-	1,308
Australian Dollar	1,202	-	-	1,202
Taiwan Dollar	930	-	-	930
Indian Rupee	643	-	-	643
Canadian Dollar	617	-	-	617
New Zealand Dollar	377	-	-	377
UAE Dirham	269	-	-	269
South African Rand	70	-	-	70
28 February 2017				
US Dollar	43,865	70	30,980	74,915
Norwegian Krone	8,860	22	-	8,882
Sterling	12,059	(5,766)	-	6,293
Euro	33,521	38	(27,875)	5,684
Brazilian Real	4,662	(122)	-	4,540
Danish Krone	4,300	20	-	4,320
Japanese Yen	6,688	36	(3,213)	3,511
Israeli New Shekel	3,108	54	-	3,162
Hong Kong Dollar	2,915	15	-	2,930
New Zealand Dollar	2,763	-	-	2,763
Czech Koruna	2,196	-	-	2,196
Canadian Dollar	2,167	-	-	2,167
Swedish Krona	1,619	-	-	1,619
Australian Dollar	1,130	-	-	1,130
Russian Rouble	1,117	-	-	1,117
South African Rand	1,058	-	-	1,058
Swiss Franc	-	8	-	8

A five per cent increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets by £6,911,000 (2017: £6,000,000). A five per cent decrease would have an equal and opposite effect.

Artemis Global Equity Income Fund – Notes to the financial statements (continued)

(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 as detailed in the portfolio statement 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 ACD monitors and reviews these factors. A five per cent increase in the value of the sub-fund's portfolio would have the effect of increasing the return and net assets by £7,117,000 (2017: £6,596,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	125.8	157.1
Commitment	113.1	128.7

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages. On a daily basis the ACD 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.

Counterparty 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, at the balance sheet date, were as follows:

	Forward currency contracts £'000	Total net exposure £'000
28 February 2018		
UBS	(31)	(31)
JPMorgan	(718)	(718)
28 February 2017		
JPMorgan	(108)	(108)

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 34 and notes 6, 9, 11 and 13 on pages 37 to 39 including all issues and cancellations where the ACD acted as principal.

The balance due from the ACD as at 28 February 2018 in respect of these transactions was £253,000 (2017: due to the ACD £3,454,000).

18. Share classes

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

I distribution EUR:	0.75%
I accumulation EUR:	0.75%
I distribution GBP:	0.75%
I accumulation GBP:	0.75%
I distribution USD:	0.75%
I accumulation USD:	0.75%
R accumulation EUR:	1.50%
R accumulation USD:	1.50%

The net asset value per share and the number of shares in each class are given in the comparative tables on page 45. The distribution per share class are given in the distribution tables on pages 43 and 44. All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I distribution EUR	97.98c	97.10c	0.9%
I accumulation EUR	106.73c	105.48c	1.2%
I distribution GBP	118.85p	117.93p	0.8%
I accumulation GBP	128.96p	127.92p	0.8%
I distribution USD	102.98c	106.86c	(3.6)%
I accumulation USD	111.72c	115.87c	(3.6)%
R accumulation EUR	106.73c	105.99c	0.7%
R accumulation USD	113.66c	118.17c	(3.8)%

Artemis Global Equity Income Fund – Distribution tables

Interim dividend distribution for the six months ended 31 August 2017 (paid on 31 October 2017) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 31 August 2017.

	Net revenue per share	Equalisation per share	Distribution per share 31 October 2017	Distribution per share 31 October 2016
I distribution EUR				
Group 1	2.2841c	-	2.2841c	1.7475c
Group 2	1.3704c	0.9137c	2.2841c	1.7475c
I accumulation EUR				
Group 1	2.0845c	-	2.0845c	1.5320c
Group 2	0.7830c	1.3015c	2.0845c	1.5320c
I distribution GBP				
Group 1	2.8943p	-	2.8943p	2.0413p
Group 2	1.5671p	1.3272p	2.8943p	2.0413p
I accumulation GBP				
Group 1	2.6353p	-	2.6353p	1.7843p
Group 2	1.5447p	1.0906p	2.6353p	1.7843p
I distribution USD				
Group 1	2.4394c	-	2.4394c	1.7540c
Group 2	1.7559c	0.6835c	2.4394c	1.7540c
I accumulation USD				
Group 1	2.2233c	-	2.2233c	1.5341c
Group 2	1.6393c	0.5840c	2.2233c	1.5341c
R accumulation EUR				
Group 1	1.7463c	-	1.7463c	1.2469c
Group 2	0.5912c	1.1551c	1.7463c	1.2469c
R accumulation USD				
Group 1	1.8834c	-	1.8834c	1.2681c
Group 2	0.1550c	1.7284c	1.8834c	1.2681c

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Final dividend distribution for the six months ended 28 February 2018 (payable 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 September 2017.
Group 2 - Shares purchased from 1 September 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I distribution EUR				
Group 1	0.7521c	-	0.7521c	0.9743c
Group 2	0.3173c	0.4348c	0.7521c	0.9743c
I accumulation EUR				
Group 1	0.4179c	-	0.4179c	0.6885c
Group 2	0.1139c	0.3040c	0.4179c	0.6885c
I distribution GBP				
Group 1	0.9134p	-	0.9134p	1.1415p
Group 2	0.1066p	0.8068p	0.9134p	1.1415p
I accumulation GBP				
Group 1	0.5055p	-	0.5055p	0.8047p
Group 2	0.1284p	0.3771p	0.5055p	0.8047p
I distribution USD				
Group 1	0.8275c	-	0.8275c	0.9294c
Group 2	0.3525c	0.4750c	0.8275c	0.9294c
I accumulation USD				
Group 1	0.4590c	-	0.4590c	0.6546c
Group 2	0.0565c	0.4025c	0.4590c	0.6546c
R accumulation EUR				
Group 1	0.0295c	-	0.0295c	0.3389c
Group 2	-	0.0295c	0.0295c	0.3389c
R accumulation USD				
Group 1	0.0360c	-	0.0360c	0.3353c
Group 2	-	0.0360c	0.0360c	0.3353c

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

Artemis Global Equity Income Fund – Comparative tables

	I distribution EUR			I accumulation EUR		
	2018	2017	2016 **	2018	2017	2016 **
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**97.81**	**84.22**	**100.00**	**102.83**	**85.68**	**100.00**
Return before operating charges *	3.23	17.13	(13.26)	3.61	18.03	(13.27)
Operating charges	(0.90)	(0.82)	(1.04)	(0.96)	(0.88)	(1.05)
Return after operating charges	2.33	16.31	(14.30)	2.65	17.15	(14.32)
Distributions	(3.04)	(2.72)	(1.48)	(2.50)	(2.22)	(1.03)
Retained distributions on accumulation shares	-	-	-	2.50	2.22	1.03
Closing net asset value per share	**97.10**	**97.81**	**84.22**	**105.48**	**102.83**	**85.68**
* after direct transaction costs of	(0.20)	(0.26)	(0.52)	(0.22)	(0.28)	(0.52)
Performance						
Return after charges	2.38%	19.37%	(14.30)%	2.58%	20.02%	(14.32)%
Other information						
Closing net asset value (£'000)	1,545	427	2,163	56,487	49,181	42,608
Closing number of shares	1,802,869	511,931	3,268,945	60,685,824	56,126,664	63,290,299
Operating charges	0.94%	0.96%	0.83%	0.94%	0.96%	0.83%
Direct transaction costs	0.21%	0.31%	0.47%	0.21%	0.31%	0.47%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	102.14	100.81	100.26	110.11	105.37	100.27
Lowest price	89.96	80.73	76.93	96.37	82.14	77.40

	I distribution GBP			I accumulation GBP		
	2018	2017	2016 **	2018	2017	2016 **
Change in net assets per share	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**114.70**	**90.90**	**100.00**	**120.42**	**92.52**	**100.00**
Return before operating charges *	8.13	27.98	(6.82)	8.66	28.90	(6.73)
Operating charges	(1.09)	(1.00)	(0.73)	(1.16)	(1.00)	(0.75)
Return after operating charges	7.04	26.98	(7.55)	7.50	27.90	(7.48)
Distributions	(3.81)	(3.18)	(1.55)	(3.14)	(2.59)	(1.08)
Retained distributions on accumulation shares	-	-	-	3.14	2.59	1.08
Closing net asset value per share	**117.93**	**114.70**	**90.90**	**127.92**	**120.42**	**92.52**
* after direct transaction costs of	(0.25)	(0.32)	(0.51)	(0.26)	(0.32)	(0.52)
Performance						
Return after charges	6.14%	29.68%	(7.55)%	6.23%	30.16%	(7.48)%
Other information						
Closing net asset value (£'000)	27,518	24,191	1,027	27,535	32,619	28,802
Closing number of shares	23,334,298	21,089,688	1,129,808	21,525,720	27,086,443	31,129,173
Operating charges	0.94%	0.96%	0.83%	0.94%	0.96%	0.83%
Direct transaction costs	0.21%	0.31%	0.47%	0.21%	0.31%	0.47%
Prices	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Highest price	124.30	118.32	100.00	133.82	124.20	100.00
Lowest price	110.79	89.20	83.14	117.11	90.80	83.69

	I distribution USD			I accumulation USD		
	2018	2017	2016 **	2018	2017	2016 **
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**93.40**	**82.41**	**100.00**	**98.03**	**83.86**	**100.00**
Return before operating charges *	17.67	14.52	(15.00)	18.84	15.04	(15.00)
Operating charges	(0.94)	(0.85)	(1.12)	(1.00)	(0.87)	(1.14)
Return after operating charges	16.73	13.67	(16.12)	17.84	14.17	(16.14)
Distributions	(3.27)	(2.68)	(1.47)	(2.68)	(2.19)	(1.02)
Retained distributions on accumulation shares	-	-	-	2.68	2.19	1.02
Closing net asset value per share	**106.86**	**93.40**	**82.41**	**115.87**	**98.03**	**83.86**
* after direct transaction costs of	(0.21)	(0.27)	(0.51)	(0.22)	(0.28)	(0.52)
Performance						
Return after charges	17.91%	16.59%	(16.12)%	18.20%	16.90%	(16.14)%
Other information						
Closing net asset value (£'000)	991	628	594	25,318	15,315	22,271
Closing number of shares	1,283,584	836,725	998,025	30,250,874	19,438,800	36,790,612
Operating charges	0.94%	0.96%	0.83%	0.94%	0.96%	0.83%
Direct transaction costs	0.21%	0.31%	0.47%	0.21%	0.31%	0.47%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	113.69	95.37	100.00	122.36	99.69	100.00
Lowest price	93.22	80.48	78.39	97.83	81.91	78.90

	R accumulation EUR			R accumulation USD		
	2018	2017	2016 **	2018	2017	2016 **
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**104.10**	**87.38**	**100.00**	**100.72**	**86.80**	**100.00**
Return before operating charges *	3.63	18.34	(11.16)	19.29	15.60	(11.60)
Operating charges	(1.74)	(1.62)	(1.46)	(1.84)	(1.68)	(1.60)
Return after operating charges	1.89	16.72	(12.62)	17.45	13.92	(13.20)
Distributions	(1.78)	(1.59)	(0.39)	(1.92)	(1.60)	(0.42)
Retained distributions on accumulation shares	1.78	1.59	0.39	1.92	1.60	0.42
Closing net asset value per share	**105.99**	**104.10**	**87.38**	**118.17**	**100.72**	**86.80**
* after direct transaction costs of	(0.22)	(0.29)	(0.52)	(0.23)	(0.31)	(0.53)
Performance						
Return after charges	1.82%	19.13%	(12.62)%	17.33%	16.04%	(13.20)%
Other information						
Closing net asset value (£'000)	2,537	2,675	192	1,344	1,259	164
Closing number of shares	2,712,979	3,015,988	279,000	1,575,044	1,555,882	262,438
Operating charges	1.69%	1.71%	1.15%	1.69%	1.71%	1.15%
Direct transaction costs	0.21%	0.31%	0.47%	0.21%	0.31%	0.47%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	110.72	106.66	101.15	124.85	102.42	100.53
Lowest price	97.20	83.57	78.96	100.46	84.56	81.69

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

** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Artemis Global Equity Income Fund – Comparative tables (continued)

Ongoing charges

Class	28 February 2018
I distribution EUR	0.94%
I accumulation EUR	0.94%
I distribution GBP	0.94%
I accumulation GBP	0.94%
I distribution USD	0.94%
I accumulation USD	0.94%
R accumulation EUR	1.69%
R accumulation USD	1.69%

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

Fund performance

	Since launch *	1 year	6 months
Artemis Global Equity Income Fund	27.8	6.2	2.8
MSCI All Country World Index	39.2	7.3	2.0
Sector average	29.5	4.5	(0.3)
Position in sector	24/36	16/42	10/46
Quartile	3	2	1

* Data from 3 June 2015. Source: Lipper Limited, class I distribution GBP shares, mid to mid in sterling with dividends reinvested to 28 February 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Equity Income.

Investment objective and policy

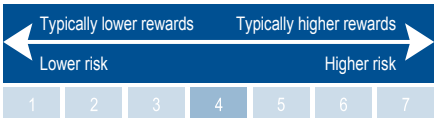
The objective of the Artemis Pan-European Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in Europe and in companies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

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risks of indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a short position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

Artemis Pan-European Absolute Return Fund – Investment review

- The fund returned 4.5%* over the year.
- Long positions in energy and financials help performance.
- We are positioned for higher interest rates.

Performance – Volatility returns …

Your fund's net asset value rose 4.5% in the year to 28 February 2018. Given the fund's net exposure was consistently below 50%, this was a respectable return against a market (as measured by the MSCI Europe Index) that gained 9.5%*. The long book generated most of that return, although the short book did make a small positive contribution. Performance in the second half of the period was stronger as residual concerns over deflation faded and investors began to accept that interest rates were indeed rising across the developed world. The market was also boosted by the substantial reforms to taxation in the US, although the likely near-term outcome of this will be a higher fiscal deficit. It seems that investors cannot resist the allure of 'free' money, whether it comes from central banks or governments.

2017 was a year of historically low volatility in equity markets. Even by the standards of the 'low vol' world that has prevailed since the global financial crisis, it reached levels where further declines were impossible – or at the very least unlikely. In late January, the calm was shattered. A sudden surge in volatility caused huge losses in specialised risk-premium products. This in turn led to nervous selling across almost all asset classes in the following weeks. The euphoric 'fear of missing out' of December and January gave way to simple 'fear' by the time February ended. The ramifications of this are important.

Review – Europe's renaissance…

In the last 12 months, much has happened to confirm our belief that things are finally improving for European economies. The dampening effects of the crisis and low interest rates had taken a heavy toll on economic output in the region. 2017 was different. For the first time in seven years, analysts' forecasts for earnings growth proved to be correct, or even too conservative. Estimates for economic growth were continually revised upwards. European equities finally had something to recommend them to global investors.

But the picture was not quite as simple as that. The growth in earnings mainly came from companies in sectors such as energy and financials, which had been overlooked for years. Only a very limited contribution came from previously popular sectors, such as consumer staples and utilities. This made stock-picking a lot harder than it had been during periods where the only factor to consider was momentum. The result was significant shifts in sentiment as investors tried to get to grips with the transition from the old regime to what might be coming next.

The political situation was also, in general, more benign than we had become used to. That is not to say we are entirely relaxed. Potentially the most positive aspect was the election of Emmanuel Macron as president of France. Nobody with such belief in free markets has held this role in France for many years and expectations for his administration are high. We do need to remember that France has proven notoriously resistant to reform. Many of Macron's proposals attack the public sector's largesse in a bid to make the economy more efficient. This will not be popular. This should temper any untoward optimism.

We think this is where the good news probably ends. Just because politics has not caused too many problems in the past year does not mean they are not being stored up for the future. Chief among these is Brexit, a subject that most readers are sick of by now. Suffice it to say that the negotiating positions of both sides remain far apart, the clock is ticking and precisely nothing has been definitively agreed.

Nevertheless, in a period of relative political calm, fundamentals were more readily able to assert themselves. Chief among these were the oil price increasing by $10 to $66 per barrel and government bond yields rising in the US and Europe. These are key parts of the regime change referred to above.

The rising oil price helped our holdings in the energy sector. This is the largest net long sector in the portfolio and was one of the biggest contributors to returns in the period. But it certainly has not been a smooth path. For example the fund's poor performance in August was entirely due to the drag from holdings in energy. We knew this type of volatility was inevitable in our oil services companies. What was more surprising was the volatile performance of our oil majors, Royal Dutch Shell and Statoil. The market is clearly still wary after the moves in the oil price over the past three years. Nevertheless, the sector is slowly being rehabilitated. The major companies are cutting costs and selling assets to restore cashflows and improve returns on capital. They are also focused on dividends: both Royal Dutch Shell and Statoil have abolished scrip dividends and now pay them all in cash. One of the main targets for cost-cutting was capital expenditure ('capex'). This is good news for the majors but bad news for oil services companies – their order books have shrunk and their earnings have fallen even faster. But oil is a cyclical industry and declining rates of production mean that spending cannot be cut forever. Capex is beginning to rise again and the prospects for oil services companies are improving. Befitting its traditional early-cycle status, Petroleum Geo-Services has been our best performing stock in

* Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid in sterling with dividends reinvested to 28 February 2018 . Benchmark is LIBOR GBP 3 months.

this area over the last six months. We believe the others will follow and maintain TechnipFMC, Vallourec and Subsea 7 among our largest positions. But we must reiterate: the recovery will be volatile.

Two other sectors which contributed to returns were positions in financials and utilities. Utilities are straightforward to talk about. The fund held short positions in utility companies with too much debt, questionable accounting and unwelcome regulatory attention. The backdrop of rising interest rates in this traditional 'bond-proxy' sector did not help their share prices either. In financials, with the exception of consumer lender Cembra Money Bank and asset manager Amundi, the main contributors were mainstream banks. Our general view on European banks is as follows. Negative interest rates and a flat yield curve have been disastrous for earnings in the past few years. Multiple rights issues to repair balance sheets after writing off historical bad loans were a further problem. Both of these conditions are now being reversed. Consequently, where the banks had been trading at big discounts to book value, these discounts are now being closed (although some still remain). Our best contributor, Commerzbank, was a case in point. This now enjoys a very solid capital position and is one of the most sensitive banks in the region to rising interest rates – in a positive way. Across Europe, the banking sector is far more consolidated and rational than it has been for decades. Corporate demand for loans has picked up and with unemployment falling, it will for consumers too. Analysis of historical correlations tells us banks are among the best performing stocks in periods of higher inflation and interest rates and when the yield curve is steepening. This is exactly the environment which is currently developing. So with holdings such as AIB Group, ING Group and Banco Billbao Vizcaya Argentaria as well as those listed above we think the fund is well placed to capitalise on this.

The main drag on returns came from the technology sector. This is one area where we see clear signs of a bubble in valuations, expectations and corporate behaviour. Inevitably, we will be early in seeking to profit from short positions in the area. Timing the falls is notoriously difficult in stocks with huge followings but we would rather be early than late. Notwithstanding this, our short exposure is relatively low (three positions) as we don't want to accumulate meaningful losses while we wait. When the time comes, we can quickly add capital to our existing shorts in the area.

Outside of this, the losers on the short side were all idiosyncratic names that experienced 'short squeezes' (when a heavily shorted stock moves higher and short sellers close out their positions, pushing the price up further). This is part the business of shorting and we have learned to live with it. Short squeezes that do not reflect improving fundamentals must unwind eventually. The most striking recent example of this was Carillion, which spectacularly went bankrupt within six months of uncovering a multitude of problems.

The fund's winners on the short side came from consumer discretionary and support services, particularly companies with too much debt and low margins, where earnings were shrinking. This a lethal combination and hefty share price falls are inevitable once the true extent of the bad news becomes appreciated.

Activity – Adding to banks and energy, revisiting telecoms …

Transactions have reflected an evolution in the shape of the portfolio. We had been gradually building our net long exposure to banks and energy and have now reached the point where the work is largely done. Lloyds Banking Group and DNB are the most significant new additions to the banks, while we have sold UniCredit and Henderson. In the case of the former, we could find better ideas elsewhere – Italy remains a very slowly growing economy. Henderson performed well on the news of its merger with Janus. While we were happy with the price, the rationale for the merger (apart from getting bigger) was something of a mystery to us so we sold the holding. In energy, Tullow Oil and TechnipFMC are new holdings. Both are now meaningful positions in the fund.

Outside of this we returned to an area we haven't owned for a while: telecoms. In part, valuation is the attraction, but aside from this each of our two initial holdings has its own merits. For Deutsche Telekom we like the US mobile business, coming as it does with a free option on consolidation. The rest of the business is stable – an improvement from the gentle decline of recent years. Vodafone Group has improved its cost base to the extent that cashflow now covers its substantial dividend, while heavy capex in European operations has been completed. Telecoms is a very out of favour area of the market and we believe expectations are sufficiently low for any good news to be disproportionately rewarded.

As interest rates rose we closed a number of our shorts in the consumer staples area. This was a tactical move and we fully expect to revisit the sector in time. We also closed our largest pharmaceutical short at a profit as our concerns over the balance sheet became more widely appreciated. New shorts are in the area of industrials and support services. In a world in which wage inflation is emerging, we are particularly interested in the combination of low margins, too much debt and a large workforce potentially demanding higher pay.

Outlook – Expecting cyclicals to outperform …

In some respects, investors have had it easy for the past few years. The combination of improving economic growth, limited inflation, low interest rates and quantitative easing has had a soporific effect. Markets went up, valuations became ever more expensive and nobody worried too much about how or when things might

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

change. But they have changed. Interest rates are rising. Both the US Federal Reserve and the Bank of England have started to raise rates. The European Central Bank ('ECB') must follow. Bond buying from all three will be withdrawn. In addition, inflation is beginning to pick up, first through commodity prices, then wages and eventually in the prices we pay for goods. This is not a bad thing – it is taking us back to what we used to know as normal.

The good news for the medium-term is that interest rates are not high enough given the current level of GDP growth in Europe. But that is bad news in the short-term for any investor who is spooked by 10-year Bund yields heading to 1% (or, indeed, the yield on 10-year US Treasuries heading for 3%). These are not big numbers and we would be amazed if they were high enough to derail the recovery. But they are enough to cause an upset in markets where money has been pouring into momentum-based strategies that work best when interest rates are falling.

In the past, markets were worried that central bankers would be too late to raise interest rates in the face of higher inflation and so would need to lift them more quickly to compensate. Inevitably, this would sow the seeds of the next recession. Central bankers have not forgotten this risk (even if many others seem to have) – another reason interest rates must rise.

Before we get too depressed, let's consider real interest rates. It is not just nominal interest rates that are important as a measure of financial conditions: real rates matter too. The recent moves are largely keeping pace with inflation, so we don't think we have to worry about policymakers accidentally causing a recession just yet.

What we do need to think about is the impact of higher interest rates on equity valuations and in particular how different sectors will be affected. Increasing the rate at which future earnings are discounted will depress all equity prices and price multiples will fall. But in a global economy that is growing faster, not all companies are equal. Businesses that enjoy higher activity in periods of economic growth can offset the pressure on their valuations by increasing their earnings. Typically, these tend to be in cyclical, economically sensitive sectors. And they also offer value. After years of tepid growth in earnings, many domestic cyclical stocks and banks are cheap, seemingly in the expectation that the future will be the same as the recent past. This is not necessarily the case. As demand increases, pricing power improves. We like these stocks' combination of attractive valuations and potential for upgrades to earnings. Conversely, companies that do not see much change in demand for their products when growth is better have nothing to offset against higher discount rates. Many of these stocks also look expensive, making them vulnerable to higher interest rates and inflation.

Of course, we must always be aware that the current situation may not be the same as the past. We are exiting a period of unprecedented intervention by central banks in financial markets. Nevertheless, the gap between winners and losers seems likely to be large. In the absence of some very strong arguments to the contrary, it might be best to avoid utilities, consumer staples and healthcare. Financials, materials and energy look a lot more interesting. For technology, expectations for future earnings growth are very optimistic – and valuations are high.

The pace of change is also an important consideration. It will take a few years for rates to normalise from very low levels. So despite the recent panic in equity markets we don't think rising interest rates will be enough to derail economic growth. Yet while policymakers will be vigilant, we should not take their success for granted. It is much more prudent to try to identify future winners than to blindly buy all shares, particularly expensive ones. The recent sharp sell-off has disguised the rotation towards more economically sensitive areas that began some months ago. This move will resume, supported by improving earnings. Managing this change in the market will be the main challenge in the coming months.

Paul Casson
Fund manager

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Vodafone Group	7,807	Rio Tinto	6,865
Rio Tinto	6,530	UniCredit	6,464
BNP Paribas	6,382	Swatch Group A shares	4,757
Imperial Brands	5,855	ArcelorMittal	3,395
Royal Dutch Shell B shares	5,547	BNP Paribas	3,388

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 67.78% (59.72%)			
Belgium 0.00% (0.28%)			
Denmark 2.43% (2.69%)			
AP Moller - Maersk B shares	4,405	5,254	2.43
OW Bunker ^	29,538	-	-
		5,254	**2.43**
France 11.47% (7.59%)			
Amundi	102,760	6,059	2.80
BNP Paribas	92,721	5,344	2.47
Danone	56,091	3,269	1.51
Sodexo	61,303	5,429	2.51
Vallourec	1,211,963	4,735	2.18
		24,836	**11.47**
Germany 8.55% (5.54%)			
Bayerische Motoren Werke	94,656	7,265	3.36
Commerzbank	611,963	6,914	3.19
Deutsche Telekom	368,750	4,328	2.00
		18,507	**8.55**
Ireland 2.97% (0.98%)			
AIB Group	1,002,285	4,648	2.14
Cairn Homes	1,150,560	1,791	0.83
		6,439	**2.97**
Italy 1.85% (4.34%)			
Saipem	1,337,745	4,014	1.85
		4,014	**1.85**
Netherlands 6.39% (5.08%)			
ING Groep	408,593	5,265	2.43
Royal Dutch Shell B shares	368,329	8,566	3.96
		13,831	**6.39**
Norway 5.13% (0.00%)			
Borr Drilling	1,194,221	3,570	1.65
DNB	302,014	4,317	1.99
Petroleum Geo-Services	1,414,395	3,221	1.49
		11,108	**5.13**
Spain 5.03% (7.44%)			
Banco Bilbao Vizcaya Argentaria	829,430	5,053	2.33
Mediaset Espana Comunicacion	532,106	4,454	2.06

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

Investment	Holding	Global exposure * £'000	Valuation £'000	% of net assets
Parques Reunidos Servicios Centrales	118,616		1,392	0.64
			10,899	**5.03**
Switzerland 5.32% (7.62%)				
Aryzta	99,121		1,772	0.82
Cembra Money Bank	82,154		5,584	2.58
LafargeHolcim	97,859		4,163	1.92
			11,519	**5.32**
United Kingdom 18.64% (18.16%)				
DCC	62,599		4,179	1.93
Greggs	248,202		3,018	1.39
Imperial Brands	228,992		5,989	2.77
ITV	4,097,890		6,583	3.04
Rio Tinto	78,510		3,089	1.43
Subsea 7	436,102		4,771	2.20
TechnipFMC	256,162		5,482	2.53
Vodafone Group	3,560,267		7,252	3.35
			40,363	**18.64**
Equities total			**146,770**	**67.78**
Contracts for difference (0.48)% ((1.13)%)				
Belgium 0.00% ((0.06)%)				
Denmark (0.07)% ((0.04)%)				
GN Store Nord	(96,923)	(2,433)	(138)	(0.06)
ISS	(122,262)	(3,235)	(9)	(0.01)
		(5,668)	**(147)**	**(0.07)**
France (0.07)% ((0.14)%)				
Airbus	(26,019)	(2,259)	(240)	(0.11)
Legrand	(74,780)	(4,243)	106	0.05
SPIE	(176,715)	(3,147)	(21)	(0.01)
		(9,649)	**(155)**	**(0.07)**
Germany (0.24)% ((0.09)%)				
Adidas	(20,457)	(3,314)	(50)	(0.02)
Fresenius	111,001	6,608	(245)	(0.11)
HelloFresh	(218,598)	(2,624)	(324)	(0.15)
Tui	(131,763)	(2,034)	99	0.04
		(1,364)	**(520)**	**(0.24)**
Ghana (0.31)% (0.00%)				
Tullow Oil	2,902,945	5,312	(678)	(0.31)
		5,312	**(678)**	**(0.31)**
Ireland (0.55)% (0.04%)				
CRH	265,739	6,418	(632)	(0.29)
Kingspan Group	161,811	4,981	(283)	(0.13)
Ryanair Holdings	452,470	6,419	(265)	(0.13)
		17,818	**(1,180)**	**(0.55)**
Luxembourg 0.00% (0.07%)				
Netherlands 0.09% ((0.14)%)				
ASML Holding	(15,694)	(2,244)	(41)	(0.02)

Investment	Holding	Global exposure * £'000	Valuation £'000	% of net assets
Heineken	(55,952)	(4,197)	244	0.11
		(6,441)	**203**	**0.09**
Norway 0.15% ((0.07)%)				
Norwegian Air Shuttle	(70,027)	(1,148)	352	0.16
Statoil	535,724	8,917	(30)	(0.01)
		7,769	**322**	**0.15**
Portugal 0.07% ((0.09)%)				
EDP - Energias de Portugal	(1,587,586)	(3,858)	141	0.07
		(3,858)	**141**	**0.07**
Spain 0.03% ((0.04)%)				
Amadeus IT Group	(41,500)	(2,200)	72	0.03
		(2,200)	**72**	**0.03**
Switzerland (0.12)% (0.05%)				
Adecco Group	117,233	6,807	(221)	(0.10)
STMicroelectronics	(134,225)	(2,228)	(46)	(0.02)
		4,579	**(267)**	**(0.12)**
United Kingdom 0.54% ((0.62)%)				
AA	(2,403,750)	(1,918)	1,357	0.63
AO World	(849,273)	(1,184)	39	0.02
B&M European Value Retail	(717,586)	(2,977)	37	0.02
Berkeley Group Holdings	(79,001)	(3,065)	177	0.08
Daily Mail & General Trust A shares	(325,873)	(2,167)	(34)	(0.02)
Lloyds Banking Group	7,924,338	5,477	(148)	(0.07)
Marks & Spencer Group	(1,496,770)	(4,471)	155	0.07
Merlin Entertainments	(934,099)	(3,184)	(86)	(0.04)
Mitie Group	(1,346,133)	(2,147)	301	0.14
Pearson	(630,837)	(4,596)	(241)	(0.11)
Pets at Home Group	(1,190,174)	(2,053)	55	0.03
Royal Mail	(934,760)	(5,218)	(873)	(0.40)
Scottish Mortgage Investment Trust	(887,493)	(4,123)	110	0.05
SSE	(269,217)	(3,325)	153	0.07
Standard Life Aberdeen	(1,125,886)	(4,198)	118	0.05
Tesco	2,596,627	5,526	52	0.02
		(33,623)	**1,172**	**0.54**
Contracts for difference total		**(27,325)**	**(1,037)**	**(0.48)**
Forward currency contracts 0.02% (0.08%)				
I accumulation EUR (Hedged) 0.02% (0.20%)				
Buy Euro 76,871 dated 28/03/2018			67	0.03
Sell Danish Krone 572,287 dated 28/03/2018			(67)	(0.03)
Buy Euro 13,013,648 dated 28/03/2018			11,494	5.31
Sell Norwegian Krone 125,532,076 dated 28/03/2018			(11,508)	(5.31)
Buy Euro 78,714,719 dated 28/03/2018			69,519	32.10
Sell Sterling 69,449,909 dated 28/03/2018			(69,450)	(32.07)
Buy Euro 5,721,307 dated 28/03/2018			5,053	2.33
Sell Swiss Franc 6,603,801 dated 28/03/2018			(5,063)	(2.34)
			45	**0.02**

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

Investment	Valuation £'000	% of net assets
I accumulation GBP (Hedged) (0.02)% ((0.12)%)		
Buy Sterling 1,596,736 dated 28/03/2018	1,597	0.74
Sell Danish Krone 13,482,269 dated 28/03/2018	(1,600)	(0.74)
Buy Sterling 24,912,857 dated 28/03/2018	24,913	11.50
Sell Euro 28,236,343 dated 28/03/2018	(24,937)	(11.52)
Buy Sterling 5,708,012 dated 28/03/2018	5,708	2.64
Sell Norwegian Krone 62,441,313 dated 28/03/2018	(5,724)	(2.64)
Buy Sterling 2,509,476 dated 28/03/2018	2,510	1.16
Sell Swiss Franc 3,284,800 dated 28/03/2018	(2,519)	(1.16)
	(52)	**(0.02)**
I accumulation USD (Hedged) 0.02% (0.00%)		
Buy US Dollar 277,508 dated 28/03/2018	200	0.09
Sell Danish Krone 1,677,596 dated 28/03/2018	(199)	(0.09)
Buy US Dollar 4,331,264 dated 28/03/2018	3,124	1.44
Sell Euro 3,516,465 dated 28/03/2018	(3,105)	(1.43)
Buy US Dollar 992,146 dated 28/03/2018	715	0.33
Sell Norwegian Krone 7,771,397 dated 28/03/2018	(712)	(0.33)
Buy US Dollar 6,002,390 dated 28/03/2018	4,330	1.99
Sell Sterling 4,297,772 dated 28/03/2018	(4,298)	(1.98)
Buy US Dollar 436,337 dated 28/03/2018	315	0.14
Sell Swiss Franc 408,680 dated 28/03/2018	(314)	(0.14)
	56	**0.02**
R accumulation EUR (Hedged) 0.00% (0.00%)		
Buy Euro 3,572,566 dated 28/03/2018	3,155	1.46
Sell Danish Krone 26,598,440 dated 28/03/2018	(3,155)	(1.46)
Buy Euro 32,468 dated 28/03/2018	29	0.01
Sell Norwegian Krone 313,195 dated 28/03/2018	(29)	(0.01)
Buy Euro 196,389 dated 28/03/2018	173	0.08
Sell Sterling 173,273 dated 28/03/2018	(173)	(0.08)
Buy Euro 14,274 dated 28/03/2018	13	0.01
Sell Swiss Franc 16,476 dated 28/03/2018	(13)	(0.01)
	-	-
Forward currency contracts total	**49**	**0.02**
Investment assets (including investment liabilities)	145,782	67.32
Net other assets	70,775	32.68
Net assets attributable to shareholders	216,557	100.00

The comparative percentage figures in brackets are as at 28 February 2017.
^ Unlisted, suspended or delisted security.
* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		5,702		5,277
Revenue	5	3,933		1,325	
Expenses	6	(2,094)		(1,186)	
Interest payable and similar charges	7	(2,235)		(912)	
Net expense before taxation		(396)		(773)	
Taxation	8	(179)		(17)	
Net expense after taxation			(575)		(790)
Total return before distributions			**5,127**		**4,487**
Distributions	9		(38)		118
Change in net assets attributable to shareholders from investment activities			5,089		4,605

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		97,171		34,592
Amounts receivable on issue of shares	156,729		82,086	
Amounts payable on cancellation of shares	(42,925)		(24,274)	
		113,804		57,812
Dilution adjustment		182		158
Change in net assets attributable to shareholders from investment activities		5,089		4,605
Retained distribution on accumulation shares		311		4
Closing net assets attributable to shareholders		216,557		97,171

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	150,463	58,624
Current assets			
Debtors	11	1,057	2,403
Cash and bank balances	12	74,021	39,524
Total current assets		**75,078**	**41,927**
Total assets		**225,541**	**100,551**
Liabilities			
Investment liabilities	10	4,681	1,613
Creditors			
Bank overdraft		-	565
Other creditors	13	4,303	1,202
Total creditors		**4,303**	**1,767**
Total liabilities		**8,984**	**3,380**
Net assets attributable to shareholders		216,557	97,171

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

1. Accounting policies

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

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

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Contracts for Difference ('CFDs') held in the portfolio are valued at bid when held long and offer when short. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. The dividend equivalent values on contracts for difference are recognised when the underlying security is quoted ex-dividend. For long contracts a compensatory payment is credited to revenue whereas for short contracts a compensatory payment is debited from revenue. Bank interest is recognised on an accruals basis.

(f) Expenses. All expenses (other than the performance fee and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

The ACD has agreed to cap the expenses of the sub-fund. Any reimbursement due back to the sub-fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 6.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised.

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

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	4,777	5,854
Derivative contracts	1,337	(606)
Currency gains/(losses)	362	(32)
Compensation	226	-
Capital transaction charges	(6)	(5)
Forward currency contracts	(994)	66
Net capital gains	5,702	5,277

4. Direct transaction costs

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

	Year ended 28 February 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	133,570	91	299	133,960	0.07	0.22
Sales						
Equities	50,038	37	-	50,001	0.07	-
Derivative purchases and sales		98	-			
Total		226	299			
Percentage of sub-fund average net assets		0.14%	0.18%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	56,613	46	119	56,778	0.08	0.21
Sales						
Equities	26,880	21	-	26,859	0.08	-
Derivative purchases and sales		29	5			
Total		96	124			
Percentage of sub-fund average net assets		0.17%	0.22%			

During the year the sub-fund incurred £6,000 (2017: £5,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.09% (2017: 0.06%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	1,721	417
UK dividends	1,466	583
Derivative revenue	720	285
Bank interest	26	40
Total revenue	3,933	1,325

Artemis Pan-European Absolute Return Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	1,241	416
Performance fee	597	634
Expense rebate	-	(49)
Other expenses:		
Administration fees	85	66
Operational fees	72	51
Registration fees	54	41
Depositary fees	19	7
Auditor's remuneration: audit fees *	11	11
Auditor's remuneration: non-audit fees (taxation)	8	5
Safe custody fees	7	2
Price publication fees	-	1
Printing and postage fees	-	1
Total expenses	2,094	1,186

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Dividends payable on short positions	1,722	708
Interest payable on positions with brokers and counterparties	510	203
Interest payable	3	1
Total interest payable and similar charges	2,235	912

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	179	17
Total taxation (note 8b)	179	17
b) Factors affecting the tax charge for the year		
Net expense before taxation	(396)	(773)
Corporation tax at 20% (2017: 20%)	(79)	(155)
Effects of:		
Unutilised management expenses	419	237
Utilisation of non-trade deficit carried forward	298	117
Irrecoverable overseas tax	179	17
Non-taxable UK dividends	(293)	(116)
Non-taxable overseas dividends	(345)	(83)
Tax charge for the year (note 8a)	179	17

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 sub-fund has not recognised a deferred tax asset of £923,000 (2017: £504,000) arising as a result of having unutilised management expenses of £4,614,000 (2017: £2,521,000) and non-trade loan relationship deficits of £2,537,000 (2017: £1,048,000) It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	311	4
Add: amounts deducted on cancellation of shares	154	28
Deduct: amounts added on issue of shares	(427)	(150)
Distributions	38	(118)
Movement between net expense and distributions		
Net expense after taxation	(575)	(790)
Expenses paid from capital	612	652
Deficit transferred to capital	1	20
	38	(118)

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution table on page 64.

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).

	28 February 2018		28 February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	150,338	4,605	58,425	1,494
Level 2	125	76	199	119
Total	150,463	4,681	58,624	1,613

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	708	2,187
Accrued revenue	261	180
Overseas withholding tax recoverable	87	24
Prepaid expenses	1	2
Expense rebate receivable	-	8
Income tax recoverable	-	2
Total debtors	1,057	2,403

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held at futures clearing houses and brokers	29,653	10,990
Cash and bank balances	24,812	16,234
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	19,500	4,100
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	56	73
Amounts held on deposit with Goldman Sachs	-	8,127
Total cash and bank balances	74,021	39,524

Artemis Pan-European Absolute Return Fund – Notes to the financial statements (continued)

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	3,210	-
Accrued performance fee	597	641
Amounts payable for cancellation of shares	193	351
Accrued other expenses	149	73
Accrued annual management charge	120	50
Amounts payable on derivative contracts	34	87
Total other creditors	4,303	1,202

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation EUR (Hedged)	50,015,907	90,690,656	(11,805,049)	128,901,514
I accumulation GBP (Hedged)	39,057,256	40,625,379	(23,825,570)	55,857,065
I accumulation USD (Hedged)	1,006,245	10,191,609	(1,788,423)	9,409,431
R accumulation EUR (Hedged)	10,000	355,326	-	365,326

16. Risk disclosures

The sub-fund's financial instruments comprise equities, contracts for difference, forward currency contracts, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 48. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's investment portfolio. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-fund disclosed in the balance sheet. The ACD uses a value-at-risk approach to measure the sub-fund's exposure to market risk.

(i) Value at Risk ('VaR')

The ACD is currently empowered to enter into derivative transactions on behalf of the sub-fund. The use of these strategies is subject to a risk management process and the ACD analyses the overall risk position of the sub-fund on a daily basis, which is then used by the ACD to evaluate the exposures and risks in the portfolio. As part of the process, the VaR is used on a daily basis to calculate the market price risk on the sub-fund in absolute terms. The maximum limit for UCITS funds is 20% of its NAV, in accordance with the Committee of European Securities Regulators ('CESR') guidance. VaR expresses the maximum expected loss by the sub-fund in a defined period, at a specified confidence level. The parameters used are: a confidence level of 99%, uses two year risk factor data and a 20 business day holding period. It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

From 8 February 2017 the VaR methodology was changed from using one year risk factor data to two years.

	28 February 2018 %	For the period from 8 February 2017 to 28 February 2017 %	For the period from 1 March 2016 to 7 February 2017 %
At 28 February	7.40	7.70	
Average utilisation during the period	8.21	8.35	10.19
Highest utilisation during the period	9.59	8.99	13.35
Lowest utilisation during the period	6.75	7.70	6.97

(ii) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	241.6	199.6
Commitment	146.4	210.1

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-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 sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages with. On a daily basis the ACD 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 are disclosed in the portfolio statement and Goldman Sachs International ('Goldman Sachs') and UBS AG ('UBS') are the counterparties for the CFD's and JPMorgan is the counterparty 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 28 February 2018 or 28 February 2017.

In order to diversify counterparty risk the sub-fund holds cash with a number of other counterparties. The other counterparties were The Royal Bank of Scotland plc ('RBS'), Goldman Sachs International ('Goldman Sachs') and J.P. Morgan Asset Management ('JPMorgan Liquidity Funds').

Artemis Pan-European Absolute Return Fund – Notes to the financial statements (continued)

Counterparty and collateral exposure

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

	Contracts for difference £'000	Forward currency contracts £'000	Total net exposure £'000	Net collateral held £'000
28 February 2018				
Goldman Sachs	(6,525)	-	(6,525)	14,636
JPMorgan	-	49	49	-
UBS	(20,800)	-	(20,800)	15,017
28 February 2017				
UBS	(10,776)	-	(10,776)	1,783
Goldman Sachs	(1,870)	-	(1,870)	6,420
JPMorgan	-	80	80	-

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 56 and notes 6, 9, 11 and 13 on pages 59 to 61 including all issues and cancellations where the ACD acted as principal.

The balance due to the ACD as at 28 February 2018 in respect of these transactions was £202,000 (2017: due from the ACD £1,153,000).

18. Share classes

The annual management change on each share class is as follows:

I accumulation EUR (Hedged)	0.75%
I accumulation GBP (Hedged)	0.75%
I accumulation USD (Hedged)	0.75%
R accumulation EUR (Hedged)	1.50%

The net asset value per share and the number of shares in each class are given in the comparative table on page 65. The distribution per share class are given in the distribution table on page 64. All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation EUR (Hedged)	119.89c	121.84c	(1.6)%
I accumulation GBP (Hedged)	121.96p	123.48p	(1.2)%
I accumulation USD (Hedged)	126.34c	127.22c	(0.7)%
R accumulation EUR (Hedged)	105.26c	107.23c	(1.8)%

Artemis Pan-European Absolute Return Fund – Distribution table

Final dividend distribution for the year ended 28 February 2018 (payable 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I accumulation EUR (Hedged)				
Group 1	0.1767c	-	0.1767c	0.0088c
Group 2	-	0.1767c	0.1767c	0.0088c
I accumulation GBP (Hedged)				
Group 1	0.1744p	-	0.1744p	-
Group 2	-	0.1744p	0.1744p	-
I accumulation USD (Hedged)				
Group 1	0.1796c	-	0.1796c	-
Group 2	-	0.1796c	0.1796c	-
R accumulation EUR (Hedged)				
Group 1	-	-	-	-
Group 2	-	-	-	-

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.
Equalisation applies only to group 2 shares purchased during the distribution period. It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Artemis Pan-European Absolute Return Fund – Comparative tables

	I accumulation EUR (Hedged)			I accumulation GBP (Hedged)		
	2018	2017	2016	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**117.36**	**109.95**	**101.59**	**118.23**	**110.52**	**100.83**
Return before operating charges *	5.59	8.58	10.08	6.37	8.85	10.90
Operating charges	(1.11)	(1.17)	(1.72)	(1.12)	(1.14)	(1.21)
Return after operating charges	4.48	7.41	8.36	5.25	7.71	9.69
Distributions	(0.18)	(0.01)	(0.12)	(0.17)	-	(0.11)
Retained distributions on accumulation shares	0.18	0.01	0.12	0.17	-	0.11
Closing net asset value per share	**121.84**	**117.36**	**109.95**	**123.48**	**118.23**	**110.52**
* after direct transaction costs of	(0.28)	(0.25)	(0.44)	(0.28)	(0.24)	(0.42)
Performance						
Return after charges	3.82%	6.74%	8.23%	4.44%	6.98%	9.61%
Other information						
Closing net asset value (£'000)	138,592	50,016	1,278	68,973	46,178	33,158
Closing number of shares	128,901,514	50,015,907	1,479,061	55,857,065	39,057,256	30,003,104
Operating charges	0.91%	1.00%	1.00%	0.91%	1.00%	1.00%
Performance fees	0.29%	0.40%	0.58%	0.49%	1.44%	2.08%
Direct transaction costs	0.23%	0.21%	0.39%	0.23%	0.21%	0.39%
Prices	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Highest price	127.77	121.30	114.46	129.57	122.20	114.11
Lowest price	117.82	106.12	101.19	118.94	106.77	100.47

	I accumulation USD (Hedged)			R accumulation EUR (Hedged)	
	2018	2017	2016	2018	2017**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**119.72**	**111.20**	**101.59**	**103.80**	**100.00**
Return before operating charges *	8.62	9.72	11.52	5.21	4.59
Operating charges	(1.12)	(1.20)	(1.91)	(1.78)	(0.79)
Return after operating charges	7.50	8.52	9.61	3.43	3.80
Distributions	(0.18)	-	(0.15)	-	-
Retained distributions on accumulation shares	0.18	-	0.15	-	-
Closing net asset value per share	**127.22**	**119.72**	**111.20**	**107.23**	**103.80**
* after direct transaction costs of	(0.29)	(0.25)	(0.44)	(0.25)	(0.22)
Performance					
Return after charges	6.26%	7.66%	9.46%	3.30%	3.80%
Other information					
Closing net asset value (£'000)	8,646	968	156	346	9
Closing number of shares	9,409,431	1,006,245	194,912	365,326	10,000
Operating charges	0.91%	1.00%	1.00%	1.66%	0.74%
Performance fees	0.27%	1.66%	0.00%	0.13%	0.91%
Direct transaction costs	0.23%	0.21%	0.39%	0.23%	0.21%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	133.30	123.78	115.11	112.58	107.41
Lowest price	120.83	107.71	101.22	103.72	98.29

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to the issue of shares and subtracted from the cancellation of shares.
** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Ongoing charges

Class	28 February 2018
I accumulation EUR (Hedged)	0.91%
I accumulation GBP (Hedged)	0.91%
I accumulation USD (Hedged)	0.91%
R accumulation EUR (Hedged)	1.66%

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

Fund performance

	Since launch *	1 year	6 months
Artemis Pan-European Absolute Return Fund	23.6	4.5	3.3
LIBOR GBP 3 months	1.5	0.4	0.2
Sector average	9.6	2.4	0.3
Position in sector	4/48	14/69	11/71
Quartile	1	1	1

* Data from 14 July 2014. Source: Lipper Limited, class I accumulation GBP (Hedged) shares, mid to mid in sterling to 28 February 2018.
All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return.

Artemis US Absolute Return Fund

Investment objective and policy

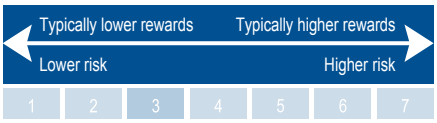
The objective of the Artemis US Absolute Return Fund (the 'sub-fund') is to achieve a positive return over a rolling three-year period, notwithstanding changing market conditions. The emphasis of the sub-fund is investment in companies listed, quoted and/or traded in the United States of America ('USA')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

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the sub-fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the sub-fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- If the sub-fund holds a large percentage of cash when markets are rising, the return on your investment could be less than if it were fully invested in other types of asset.

- The fund returned 3.6%*.
- Boosted by holdings in technology.
- Increased volatility should provide opportunities.

Performance – Stock-picking in technology and industrials helped returns …

The fund returned 3.6% in sterling terms. Good contributions came from a range of sectors but particularly from technology and industrials. Net exposure averaged 7% over the period.

Review – Still negative on banks and bond proxies …

In the immediate wake of President Trump's election, expectations for his administration were high. But lack of progress on fiscal reforms and concerns about conflicts over trade meant scepticism soon set in. Economic growth initially failed to match higher expectations and, by the spring of last year, fears of a slowdown were mounting. Economic data then strengthened globally, renewing investors' confidence in the cycle. Although we remained relatively doubtful about the progress on reforms, a tax bill was eventually passed in December. This lifted sentiment in corporate America and propelled the US market to new highs. February, however, saw the sudden return of more volatility amid fears that the economy might be overheating.

The fund's exposure to technology, particularly to semiconductor-related companies, proved supportive. While these stocks have already performed well, we have held on to some of them. The increasing demand for semiconductors in many areas, consolidation in the sector and the fact that the manufacturing process has become more complex are all driving pricing. We still hold Micron Technology, Lam Research and Applied Materials and have added to them when we have seen buying opportunities.

The fund's long positions in videogame producers Activision Blizzard and Take-Two Interactive Software were strong contributors to performance as the market rewarded their growing revenues and improving margins. While we remain positive on the area, we have reduced both stocks after their good performance. Meanwhile, the fund's negative stance in technology hardware and equipment proved less rewarding.

Our stock-picking in industrials was positive, thanks in part to our long positions in defence-related stocks such as Lockheed Martin and Raytheon. We bought into these companies to benefit from the global replacement of defence equipment. A short position in a large industrial stock also helped performance. We have added further to holdings in industrials over the last six months, as we believe the investment cycle in the US will benefit domestic industrial companies. In transport, for example, we have held trucking stocks for some time and have recently increased our exposure to railways. We see growing difficulties for industrial stocks in the rest of the world, where a long-term cycle of investment is likely coming to an end.

Our negative stance on traditional telecoms companies helped performance. But our holding in T-Mobile US suffered on the back of a failed merger with a competitor. We continue to hold it as we believe that it can continue to gain market share from its competitors. We expect further meregers and acquisitions in the sector.

A steadily rising market on the back of the economic recovery and low volatility represented a helpful backdrop for active funds over the year – the first in some time. Rising markets usually make things difficult for short selling, but some of our short positions – notably within industrials and telecoms – were among the top contributors last year.

On the negative side, the fund's performance was held back by its short position in banks. US banks have benefited from the resolution of bad debts caused by the housing crash, as well as restrictions on the growth of consumer debt during the recovery. But debt levels across the corporate sector have dramatically increased and risk of default has increased. In the long-term, the banks' business model is challenged. Outside of the US, banks are in far worse shape and could even pose a systemic risk to the US. We retain our negative view of the banking sector, favouring instead lenders to consumers.

Within consumer discretionary, we reduced our exposure to cable companies following their strong performance. We still hold Amazon.com and have a negative view on the prospects for mass merchant retailers. But we do own Burlington Stores, a discount retailer. It is relatively sheltered from the pressures of Amazon. Discounters can profit from the demise of the traditional retailers by recycling department stores' unsold inventories. They also benefit from the fact that brands are reluctant to see their goods heavily discounted online, which re-enforces the bricks-and-mortar nature of the discount retailers' business model.

Elsewhere, performance was boosted by our negative view on 'bond proxies' in sectors such as consumer staples and telecommunications. We have reduced our negative stance as the balance between risk and reward had become less attractive – but we still see opportunities.

Outlook – Volatility ahead….

Excess liquidity is finally being drained from the financial system. That

* Source: Lipper Limited, class I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the LIBOR GBP 3 months. Sector is IA Targeted Absolute Return.

Artemis US Absolute Return Fund – Investment review (continued)

process began later than we would have expected due to the benign inflationary backdrop. In February, there was evidence of resurgent inflation as well as a growing threat of tariffs. Those are valid concerns and with valuations at historically high levels, the outlook for inflation will remain important.

The US economy is well positioned relative to the rest of the world, and the outlook for growth is still positive. Outside of the US, however, we expect structural problems to re-emerge over the course of the year. On the positive side, we expect the fund to benefit from higher levels of volatility. There has already been evidence of this among our short positions.

Stephen Moore
Fund manager

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Micron Technology	11,898	Activision Blizzard	12,837
Facebook A shares	10,481	Take-Two Interactive Software	8,541
Cintas	10,026	KLA-Tencor	7,624
Applied Materials	9,969	Micron Technology	6,644
LyondellBasell Industries A shares	9,948	Alphabet C shares	5,940

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 39.95% (31.03%)			
Consumer Discretionary 6.32% (5.84%)			
Amazon.com	4,127	4,507	0.77
Best Buy	31,760	1,640	0.28
Brinker International	90,886	2,245	0.38
Burlington Stores	9,492	828	0.14
Caesars Entertainment	172,932	1,593	0.27
Churchill Downs	28,412	5,259	0.90
DISH Network A shares	35,801	1,128	0.19
Liberty Broadband C shares	63,943	4,148	0.71
Liberty Expedia Holdings A shares	166,703	4,644	0.79
Nike B shares	53,470	2,628	0.45
O'Reilly Automotive	21,283	3,667	0.63
Time Warner	53,024	3,610	0.62
William Hill	330,626	1,095	0.19
		36,992	**6.32**
Consumer Staples 1.06% (0.00%)			
Lamb Weston Holdings	26,465	1,040	0.18
PepsiCo	21,514	1,723	0.29
Philip Morris International	45,969	3,456	0.59
		6,219	**1.06**
Energy 0.04% (0.57%)			
Southwestern Energy	97,751	260	0.04
		260	**0.04**
Financials 5.10% (4.97%)			
Berkshire Hathaway B shares	58,166	8,810	1.50
Chubb	13,951	1,453	0.25
Fairfax Financial Holdings	3,091	1,123	0.19
Fifth Third Bancorp	136,477	3,278	0.56
Goldman Sachs Group	8,931	1,729	0.30
Leucadia National	116,420	2,064	0.35
MSCI	44,667	4,609	0.79
S&P Global	16,400	2,287	0.39
US Bancorp	93,678	3,722	0.64
Wells Fargo	18,008	770	0.13
		29,845	**5.10**

Artemis US Absolute Return Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Health Care 2.73% (2.54%)			
AbbVie	19,816	1,693	0.29
Gilead Sciences	20,311	1,179	0.20
Novo Nordisk, ADR	17,900	680	0.12
UnitedHealth Group	26,507	4,450	0.76
Waters	18,871	2,809	0.48
Zoetis	87,641	5,170	0.88
		15,981	**2.73**
Industrials 7.25% (1.94%)			
Boeing	16,185	4,260	0.73
Cintas	112,482	13,893	2.37
Huntington Ingalls Industries	26,775	5,078	0.87
Knight-Swift Transportation Holdings	89,434	3,135	0.54
Norfolk Southern	26,962	2,781	0.47
Rockwell Automation	56,273	7,500	1.28
Timken	25,209	822	0.14
United Rentals	22,663	2,920	0.50
WABCO Holdings	19,930	2,025	0.35
		42,414	**7.25**
Information Technology 13.57% (13.17%)			
Activision Blizzard	79,462	4,166	0.71
Advanced Energy Industries	27,909	1,345	0.23
Alliance Data Systems	3,134	548	0.09
Alphabet C shares	15,201	12,278	2.10
Applied Materials	376,777	15,686	2.68
Black Knight	27,358	947	0.16
Booz Allen Hamilton Holding	83,433	2,318	0.40
Ciena	151,588	2,589	0.44
CoreLogic	37,740	1,239	0.21
eBay	19,804	617	0.11
Electronic Arts	38,692	3,516	0.60
Facebook A shares	52,030	6,819	1.17
Juniper Networks	61,882	1,167	0.20
Micron Technology	342,610	12,022	2.05
Oracle	185,674	6,809	1.16
PayPal Holdings	59,378	3,408	0.58
Synaptics	45,811	1,558	0.27
Take-Two Interactive Software	6,895	559	0.10
Teradyne	56,463	1,826	0.31
		79,417	**13.57**
Materials 3.16% (1.30%)			
Crown Holdings	89,755	3,283	0.56
Franco-Nevada	89,898	4,617	0.79
LyondellBasell Industries A shares	95,231	7,540	1.29
Nutrien	17,109	613	0.11
Sealed Air	27,627	841	0.14
Summit Materials A shares	69,194	1,589	0.27
		18,483	**3.16**

Investment	Holding or nominal value	Global exposure* £'000	Valuation £'000	% of net assets
Real Estate 0.51% (0.48%)				
SL Green Realty, REIT	43,453		3,010	0.51
			3,010	**0.51**
Utilities 0.21% (0.22%)				
Vistra Energy	90,410		1,239	0.21
			1,239	**0.21**
Equities total			**233,860**	**39.95**
Government bonds 33.51% (28.32%)				
US Treasury Bill 0.00% 19/07/2018	$273,000,000		196,196	33.51
Government bonds total			**196,196**	**33.51**
Contracts for difference 1.01% ((0.02)%)				
Consumer Discretionary 0.17% ((0.01)%)				
Acushnet Holdings	(82,562)	(1,268)	23	-
Adidas	(10,894)	(1,765)	5	-
Advance Auto Parts	(11,196)	(888)	6	-
Aramark	(75,502)	(2,279)	200	0.03
CBS, (Non-Voting) B shares	(50,740)	(1,985)	128	0.02
Charter Communications A shares	(10,271)	(2,606)	169	0.03
Comcast A shares	230,022	6,087	(717)	(0.12)
Dave & Buster's Entertainment	(42,600)	(1,391)	78	0.01
Discovery Communications A shares	(137,279)	(2,583)	(140)	(0.02)
Domino's Pizza	(9,385)	(1,535)	(78)	(0.01)
Expedia	(58,014)	(4,346)	1,118	0.19
Genuine Parts	(16,209)	(1,084)	132	0.02
Hanesbrands	(89,068)	(1,284)	165	0.03
Las Vegas Sands	88,123	4,648	(382)	(0.06)
LG Electronics	(29,590)	(1,976)	26	-
Lululemon Athletica	(22,770)	(1,323)	(8)	-
MakeMyTrip	(35,079)	(798)	(25)	-
Mohawk Industries	(8,220)	(1,464)	146	0.03
Netflix	(8,266)	(1,735)	(40)	(0.01)
Newell Brands	(65,565)	(1,277)	(54)	(0.01)
News A shares	(299,940)	(3,548)	117	0.02
Ollie's Bargain Outlet Holdings	(57,983)	(2,494)	(56)	(0.01)
Papa John's International	(28,407)	(1,156)	162	0.03
Restaurant Brands International	(15,611)	(664)	10	-
Sears Holdings	(104,699)	(193)	-	-
Six Flags Entertainment	62,020	2,910	(125)	(0.02)
Swatch Group	(4,954)	(1,506)	24	-
Tesla	(10,275)	(2,605)	(17)	-
Under Armour C shares	(144,264)	(1,574)	(172)	(0.03)
Walt Disney	(28,122)	(2,130)	118	0.02
Wayfair A shares	(12,778)	(704)	165	0.03
		(34,516)	**978**	**0.17**
Consumer Staples 0.40% (0.03%)				
Cal-Maine Foods	(32,732)	(1,026)	(14)	-
Campbell Soup	(42,807)	(1,359)	85	0.01

Artemis US Absolute Return Fund – Investment information (continued)

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Church & Dwight	(43,350)	(1,549)	(18)	-
General Mills	(31,522)	(1,156)	197	0.03
Hain Celestial Group	(30,140)	(761)	74	0.01
Hershey	(36,379)	(2,580)	270	0.05
Hormel Foods	(62,719)	(1,484)	56	0.01
Kellogg	(28,276)	(1,371)	12	-
Kraft Heinz	(73,072)	(3,582)	486	0.08
Maple Leaf Foods	123,216	2,269	(184)	(0.03)
McCormick, (Non-Voting)	(16,113)	(1,241)	12	-
Molson Coors Brewing B shares	(16,135)	(893)	77	0.01
Monster Beverage	(29,522)	(1,369)	85	0.02
Nestle	(16,564)	(954)	63	0.01
Procter & Gamble	(38,231)	(2,224)	168	0.03
Unilever, NYRS	(71,000)	(2,707)	211	0.04
Walmart	(58,138)	(3,844)	747	0.13
		(25,831)	**2,327**	**0.40**
Energy 0.05% ((0.01)%)				
Exxon Mobil	(47,238)	(2,645)	315	0.05
		(2,645)	**315**	**0.05**
Financials 0.16% ((0.18)%)				
Alleghany	(2,787)	(1,231)	19	-
Ameriprise Financial	(9,783)	(1,129)	121	0.02
BlackRock	(8,185)	(3,268)	(16)	-
Capital One Financial	(15,630)	(1,120)	58	0.01
Commerzbank	(95,481)	(1,079)	52	0.01
Commonwealth Bank of Australia	(22,481)	(968)	36	0.01
Credit Acceptance	(5,084)	(1,155)	121	0.02
Deutsche Bank	(110,173)	(1,305)	208	0.04
Discover Financial Services	68,888	3,959	(78)	(0.01)
Eaton Vance	(16,177)	(634)	15	-
Federated Investors B shares	(36,799)	(881)	58	0.01
HSBC Holdings, ADR	(83,617)	(3,029)	247	0.04
Janus Henderson Group	(90,411)	(2,305)	267	0.05
JPMorgan Chase	(42,557)	(3,608)	(40)	(0.01)
Jupiter Fund Management	(167,024)	(853)	83	0.01
Pinnacle Financial Partners	(52,934)	(2,493)	(43)	(0.01)
Sberbank of Russia, ADR	(72,582)	(1,071)	(74)	(0.01)
Societe Generale	(66,638)	(2,757)	(50)	(0.01)
Westpac Banking, ADR	(132,674)	(2,305)	(47)	(0.01)
		(27,232)	**937**	**0.16**
Health Care (0.05)% ((0.01)%)				
Anthem	22,832	3,910	(329)	(0.06)
Becton Dickinson	13,898	2,259	(195)	(0.03)
Dentsply Sirona	(21,143)	(876)	71	0.01
MEDNAX	(15,844)	(636)	(5)	-
Universal Health Services B shares	(23,686)	(2,012)	46	0.01
Zimmer Biomet Holdings	(19,556)	(1,669)	131	0.02
		976	**(281)**	**(0.05)**

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Industrials 0.25% (0.17%)				
Caterpillar	(18,304)	(2,132)	1	-
Colfax	(38,476)	(914)	213	0.04
Deere	(9,918)	(1,172)	37	0.01
GATX	(24,118)	(1,239)	13	-
General Dynamics	(7,517)	(1,216)	(66)	(0.01)
General Electric	(324,475)	(3,401)	415	0.07
Kansas City Southern	(14,368)	(1,099)	79	0.01
Kennametal	(9,896)	(308)	46	0.01
Lockheed Martin	29,263	7,569	148	0.02
Northrop Grumman	17,442	4,454	214	0.04
Raytheon	55,619	8,806	318	0.05
Ritchie Bros Auctioneers	(78,398)	(1,862)	(24)	(0.01)
UniFirst	(8,802)	(1,002)	40	0.01
Wabtec	(61,870)	(3,668)	46	0.01
		2,816	**1,480**	**0.25**
Information Technology (0.09)% ((0.03)%)				
Advanced Micro Devices	(191,206)	(1,730)	109	0.02
Alibaba Group Holding, ADR	(8,866)	(1,206)	90	0.02
Amkor Technology	(86,046)	(634)	4	-
Analog Devices	(60,053)	(4,002)	54	0.01
Apple	(81,141)	(10,454)	(640)	(0.11)
ASML Holding, NYRS	(71,476)	(10,194)	143	0.02
Atlassian A shares	(29,010)	(1,109)	36	0.01
AU Optronics, ADR	(527,320)	(527,320)	194	0.03
Baidu, ADR	(5,556)	(1,005)	7	-
Broadcom	(24,651)	(4,485)	(180)	(0.03)
Cirrus Logic	(48,947)	(1,544)	(29)	-
Citrix Systems	(27,498)	(1,835)	7	-
Ebix	(50,778)	(3,176)	(150)	(0.03)
Gartner	(40,324)	(3,377)	479	0.08
Hewlett Packard Enterprise	(149,276)	(2,029)	(206)	(0.04)
Hortonworks	(39,793)	(523)	49	0.01
Intel	(53,228)	(1,919)	(20)	-
Lam Research	84,148	11,758	(22)	-
Microchip Technology	(14,098)	(902)	80	0.01
Microsoft	96,705	6,580	19	-
MKS Instruments	(12,425)	(1,007)	(78)	(0.01)
Nvidia	(6,049)	(1,075)	(55)	(0.01)
NXP Semiconductors	(41,154)	(3,706)	37	0.01
Okta	(26,097)	(711)	(139)	(0.02)
Pandora Media	(95,634)	(301)	10	-
Paylocity Holding	(31,719)	(1,078)	87	0.01
Proofpoint	(44,900)	(3,502)	(192)	(0.03)
Qorvo	(22,549)	(1,323)	(178)	(0.03)
salesforce.com	(20,087)	(1,689)	(47)	(0.01)

Artemis US Absolute Return Fund – Investment information (continued)

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Samsung Electronics, GDR	(1,432)	(1,126)	41	0.01
SAP, ADR	(58,585)	(4,410)	377	0.06
Seagate Technology	(30,490)	(1,164)	25	-
ServiceNow	(18,482)	(2,180)	(217)	(0.04)
Shopify A shares	(12,729)	(1,268)	(99)	(0.02)
SK Hynix	(20,645)	(1,060)	(5)	-
Skyworks Solutions	(17,763)	(1,415)	(159)	(0.03)
Taiwan Semiconductor Manufacturing, ADR	(222,019)	(6,997)	210	0.04
Western Digital	(19,214)	(1,210)	(10)	-
Workday A shares	(16,191)	(1,500)	(138)	(0.02)
Yelp	(56,732)	(1,789)	(8)	-
ZTE H shares	(239,600)	(610)	9	-
		(72,594)	**(505)**	**(0.09)**
Investment Funds 0.03% (0.00%)				
Scottish Mortgage Investment Trust	(1,217,572)	(5,657)	151	0.03
		(5,657)	**151**	**0.03**
Materials 0.02% (0.06%)				
Agnico Eagle Mines	(63,945)	(1,783)	389	0.07
Air Products & Chemicals	(20,372)	(2,408)	(39)	(0.01)
Ball	(56,700)	(1,639)	(97)	(0.02)
Southern Copper	(45,191)	(1,744)	(123)	(0.02)
Trinseo	13,284	784	(18)	-
		(6,790)	**112**	**0.02**
Real Estate 0.04% ((0.03)%)				
Kimco Realty	(167,899)	(1,801)	78	0.01
Regency Centers	(48,792)	(2,041)	118	0.02
Seritage Growth Properties A shares	(47,857)	(1,400)	21	0.01
		(5,242)	**217**	**0.04**
Telecommunication Services 0.03% ((0.01)%)				
AT&T	(191,210)	(5,093)	50	0.01
Sprint	(314,305)	(1,194)	3	-
T-Mobile US	114,935	4,976	(370)	(0.07)
Verizon Communications	(118,597)	(4,117)	512	0.09
		(5,428)	**195**	**0.03**
Utilities 0.00% (0.00%)				
Contracts for difference total		**(182,143)**	**5,926**	**1.01**
Options 0.00% (0.03%)				
Forward currency contracts (0.66)% ((0.06)%)				
I accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 10,320 dated 29/03/2018			8	-
Sell US Dollar 11,020 dated 29/03/2018			(8)	-
			-	**-**
I accumulation EUR (NAV hedged) (0.33)% (0.11%)				
Buy Euro 350,024,800 dated 29/03/2018			309,145	52.80
Sell US Dollar 431,262,008 dated 29/03/2018			(311,062)	(53.13)
			(1,917)	**(0.33)**

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
I accumulation Sterling (NAV hedged) (0.29)% ((0.17)%)				
Buy Sterling 230,499,852 dated 29/03/2018			230,500	39.37
Sell US Dollar 321,976,951 dated 29/03/2018			(232,238)	(39.66)
			(1,738)	**(0.29)**
R accumulation CHF (NAV hedged) 0.00% (0.01%)				
Buy Swiss Franc 10,202 dated 29/03/2018			8	-
Sell US Dollar 10,894 dated 29/03/2018			(8)	-
			-	**-**
R accumulation EUR (NAV hedged) (0.04)% (0.11%)				
Buy Euro 43,050,208 dated 29/03/2018			38,022	6.49
Sell US Dollar 53,040,956 dated 29/03/2018			(38,258)	(6.53)
			(236)	**(0.04)**
Forward currency contracts total			**(3,891)**	**(0.66)**
Futures (0.01)% (0.00%)				
S&P 500 Emini Index 16/03/2018	(74)	(7,342)	(53)	(0.01)
Futures totals		**(7,342)**	**(53)**	**(0.01)**
Investment assets (including investment liabilities)			432,038	73.80
Net other assets			153,402	26.20
Net assets attributable to shareholders			585,440	100.00

The comparative percentage figures in brackets are as at 28 February 2017.
* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

Artemis US Absolute Return Fund – Financial statements

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		24,938		13,331
Revenue	5	5,520		2,043	
Expenses	6	(6,784)		(1,929)	
Interest payable and similar charges	7	(4,265)		(2,757)	
Net expense before taxation		(5,529)		(2,643)	
Taxation	8	(376)		(60)	
Net expense after taxation			(5,905)		(2,703)
Total return before distributions			**19,033**		**10,628**
Distributions	9		-		9
Change in net assets attributable to shareholders from investment activities			19,033		10,637

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		320,415		65,018
Amounts receivable on issue of shares	378,495		289,999	
Amounts payable on cancellation of shares	(132,541)		(45,329)	
		245,954		244,670
Dilution adjustment		38		90
Change in net assets attributable to shareholders from investment activities		19,033		10,637
Closing net assets attributable to shareholders		585,440		320,415

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	442,198	194,016
Current assets			
Debtors	11	6,461	21,050
Cash and bank balances	12	156,955	115,177
Total current assets		**163,416**	**136,227**
Total assets		**605,614**	**330,243**
Liabilities			
Investment liabilities	10	10,160	4,012
Creditors			
Bank overdraft		-	120
Other creditors	13	10,014	5,696
Total creditors		**10,014**	**5,816**
Total liabilities		**20,174**	**9,828**
Net assets attributable to shareholders		585,440	320,415

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Contracts for Difference ('CFDs') held in the portfolio are valued at bid when held long and offer when short. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. Premiums arising on written call options are treated as revenue and are amortised on a straight-line basis over the life of the option, unless the option has the immediate effect of generating a capital loss, in which case the premiums are taken to capital. Bank interest is recognised on an accruals basis.

(f) Expenses. All expenses (other than the performance fee and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

The ACD has agreed to cap the expenses of the sub-fund. Any reimbursement due back to the sub-fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 6.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised.

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

Artemis US Absolute Return Fund – Notes to the financial statements (continued)

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Forward currency contracts	52,035	(12,014)
Non-derivative securities	9,154	27,053
Capital transaction charges	(20)	(12)
Derivative contracts	(10,717)	(5,872)
Currency (losses)/gains	(25,514)	4,176
Net capital gains	24,938	13,331

4. Direct transaction costs

For purchases and sales of equities and derivatives, broker commissions, transfer taxes and stamp duty are paid by the sub-fund on each transaction and are summarised below. Bonds have no separately identifiable transaction costs, these costs form part of the dealing price.

	Year ended 28 February 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	314,515	156	6	314,677	0.05	-
Bonds	336,002	-	-	336,002	-	-
Sales						
Equities	201,034	113	4	200,917	0.06	-
Bonds	220,349	-	-	220,349	-	-
Derivative purchases and sales		427	36			
Total		696	46			
Percentage of sub-fund average net assets		0.15%	0.01%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	190,303	90	-	190,393	0.05	-
Bonds	285,948	-	-	285,948	-	-
Sales						
Equities	126,683	82	4	126,597	0.06	-
Bonds	222,681	-	-	222,681	-	-
Derivative purchases and sales		400	2			
Total		572	6			
Percentage of sub-fund average net assets		0.30%	0.00%			

During the year the sub-fund incurred £20,000 (2017: £12,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.01% (2017: 0.02%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Derivative income	1,888	1,315
Overseas dividends	1,347	372
Interest on debt securities	1,308	196
Bank interest	970	160
UK dividends	7	-
Total revenue	5,520	2,043

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	3,647	1,443
Performance fees	2,720	219
Expense rebate	-	(45)
Other expenses:		
Administration fees	160	141
Operational fees	91	60
Registration fees	83	67
Depositary fees	51	22
Auditor's remuneration: audit fees *	11	11
Safe custody fees	11	4
Auditor's remuneration: non-audit fees (taxation)	10	5
Price publication fees	-	1
Printing and postage fees	-	1
Total expenses	6,784	1,929

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Dividends payable on short positions	3,601	2,013
Interest payable on positions with brokers and counterparties	661	743
Interest payable	3	1
Total interest payable and similar charges	4,265	2,757

Artemis US Absolute Return Fund – Notes to the financial statements (continued)

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	376	60
Total taxation (note 8b)	376	60
b) Factors affecting the tax charge for the year		
Net expense before taxation	(5,529)	(2,643)
Corporation tax at 20% (2017: 20%)	(1,106)	(529)
Effects of:		
Unutilised management expenses	1,347	380
Irrecoverable overseas tax	376	60
Utilisation of non-trade deficit carried forward	20	217
Non-taxable UK dividends	(1)	-
Overseas withholding tax expensed	(2)	(1)
Non-taxable overseas dividends	(258)	(67)
Tax charge for the year (note 8a)	376	60

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 sub-fund has not recognised a deferred tax asset of £1,782,000 (2017: £435,000) arising as a result of having unutilised management expenses of £8,911,000 (2017: £2,175,000) and non-trade loan relationship deficits of £1,252,000 (2017: £1,152,000). It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	-	-
Deduct: amounts added on issue of shares	-	(9)
Distributions	-	(9)
Movement between net expense and distributions		
Net expense after taxation	(5,905)	(2,703)
Deficit transferred to capital	3,152	2,452
Expenses paid from capital	2,753	242
	-	(9)

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares.

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).

	28 February 2018		28 February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	442,198	6,269	193,660	3,466
Level 2		3,891	356	546
Total	442,198	10,160	194,016	4,012

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	6,177	19,517
Accrued revenue	171	81
Amounts receivable on derivative contracts	112	168
Prepaid expenses	1	2
Sales awaiting settlement	-	1,282
Total debtors	6,461	21,050

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held on deposit with RBS	51,440	40,804
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	38,218	24,863
Amounts held at futures clearing houses and brokers	37,781	20,250
Cash and bank balances	18,524	17,202
Amounts held on deposit with HSBC	10,955	12,058
Amounts held in JPMorgan Liquidity Funds - Sterling Liquidity Fund (Institutional dist.)	37	-
Total cash and bank balances	156,955	115,177

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Amounts payable for cancellation of shares	5,215	397
Accrued performance fee	2,720	219
Purchases awaiting settlement	1,000	4,317
Amounts payable on derivative contracts	612	451
Accrued annual management charge	343	176
Accrued other expenses	124	136
Total other creditors	10,014	5,696

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation CHF (NAV hedged)	10,000	-	-	10,000
I accumulation EUR (NAV hedged)	177,169,279	203,463,201	(68,755,388)	311,877,092
I accumulation GBP (NAV hedged)	111,314,526	130,679,773	(37,795,545)	204,198,754
I accumulation USD	14,738,987	13,907,294	(12,874,410)	15,771,871
R accumulation CHF (NAV hedged)	27,200	-	(17,200)	10,000
R accumulation EUR (NAV hedged)	28,005,644	28,870,457	(14,942,993)	41,933,108
R accumulation USD	108,618	-	-	108,618

Artemis US Absolute Return Fund – Notes to the financial statements (continued)

16. Risk disclosures

The sub-fund's financial instruments comprise equities, bonds, contracts for difference, options, forward currency contracts, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 67. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's portfolio statement. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-fund disclosed in the balance sheet. The ACD uses a value-at-risk approach to measure the sub-fund's exposure to market risk.

(i) Value at Risk ('VaR')

The ACD is currently empowered to enter into derivative transactions on behalf of the sub-fund. The use of these strategies is subject to a risk management process and the ACD analyses the overall risk position of the sub-fund on a daily basis, which is then used by the ACD to evaluate the exposures and risks in the portfolio. As part of the process, the VaR is used on a daily basis to calculate the market price risk on the sub-fund in absolute terms. The maximum limit for UCITS funds is 20% of its NAV, in accordance with the Committee of European Securities Regulators ('CESR') guidance. VaR expresses the maximum expected loss by the sub-fund in a defined period, at a specified confidence level. The parameters used are: a confidence level of 99%, uses two year risk factor data and a 20 business day holding period. From 14 November 2017 the VaR methodology was changed from using one year risk factor data to two years. It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

	For the period from 14 November 2017 to 28 February 2018 %	For the period from 1 March 2017 to 13 November 2017 %	2017 %
At 28 February	4.49		4.87
Average utilisation during the period	4.93	4.99	3.86
Highest utilisation during the period	5.12	5.44	5.28
Lowest utilisation during the period	4.22	4.35	2.55

(ii) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	363.7	379.7
Commitment	155.3	144.8

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-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 sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages. On a daily basis the ACD 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. Cash accounts are maintained at several counterparties. The derivatives are disclosed in the portfolio statement and Goldman Sachs International ('Goldman Sachs'), Morgan Stanley ('Morgan Stanley'), JPMorgan Chase Bank N.A. ('JPMorgan') are the counterparties for the CFD's and JPMorgan is the counterparty for the futures 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 28 February 2018 or 28 February 2017.

In order to diversify counterparty risk the sub fund holds cash with a number of other counterparties. The other counterparties were The Royal Bank of Scotland plc ('RBS'), J.P. Morgan Asset Management ('JP Morgan Liquidity Funds') and HSBC Holdings ('HSBC').

Counterparty and collateral exposure

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

	Contracts for difference £'000	Options £'000	Forward currency contracts £'000	Total net exposure £'000	Net collateral held £'000
28 February 2018					
Goldman Sachs	(75,362)	-	-	(75,362)	(6)
JPMorgan	(51,116)	-	(3,891)	(55,007)	1,426
Morgan Stanley	(55,665)	-	-	(55,665)	36,361
28 February 2017					
Goldman Sachs	(21,778)	-	-	(21,778)	-
JPMorgan	(27,237)	(84)	(190)	(27,511)	3,242
Morgan Stanley	(14,653)	-	-	(14,653)	16,557

Only cash collateral is held or pledged by the sub-fund.

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

Artemis US Absolute Return Fund – Notes to the financial statements (continued)

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 77 and notes 6, 9, 11 and 13 on pages 80 to 82 including all issues and cancellations where the ACD acted as principal.

The balance due from the ACD as at 28 February 2018 in respect of these transactions was £2,101,000 (2017: £18,725,000).

18. Share classes

The annual management change on each shareclass is as follows:

I accumulation CHF (NAV hedged)	0.75%
I accumulation EUR (NAV hedged)	0.75%
I accumulation GBP (NAV hedged)	0.75%
I accumulation USD	0.75%
R accumulation CHF (NAV hedged)	1.50%
R accumulation EUR (NAV hedged)	1.50%
R accumulation USD	1.50%

The net asset value per share and the number of shares in each class are given in the comparative tables on page 86.
All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation CHF (NAV hedged)	101.56c	103.20c	(1.6)%
I accumulation EUR (NAV hedged)	108.81c	110.33c	(1.4)%
I accumulation GBP (NAV hedged)	111.79p	112.96p	(1.0)%
I accumulation USD	114.20c	114.71c	(0.4)%
R accumulation CHF (NAV hedged)	100.15c	102.01c	(1.8)%
R accumulation EUR (NAV hedged)	100.92c	102.63c	(1.7)%
R accumulation USD	105.15c	105.90c	(0.7)%

Artemis US Absolute Return Fund – Comparative tables

	I accumulation CHF (NAV hedged)		I accumulation EUR (NAV hedged)		
	2018	2017**	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**100.73**	**100.00**	**107.32**	**106.98**	**101.16**
Return before operating charges *	3.33	1.57	3.94	1.31	7.16
Operating charges	(0.86)	(0.84)	(0.93)	(0.97)	(1.34)
Return after operating charges	2.47	0.73	3.01	0.34	5.82
Distributions	-	-	-	-	-
Retained distributions on accumulation shares	-	-	-	-	-
Closing net asset value per share	**103.20**	**100.73**	**110.33**	**107.32**	**106.98**
* after direct transaction costs of	(0.16)	(0.28)	(0.18)	(0.30)	(0.33)
Performance					
Return after charges	2.45%	0.73%	2.80%	0.32%	5.75%
Other information					
Closing net asset value (£'000)	8	8	303,644	162,004	20,753
Closing number of shares	10,000	10,000	311,877,092	177,169,279	24,692,097
Operating charges	0.85%	0.82%	0.85%	0.90%	0.90%
Performance fees	0.60%	0.18%	0.57%	0.01%	0.00%
Direct transaction costs	0.16%	0.28%	0.16%	0.28%	0.31%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	103.79	101.41	110.85	107.93	108.41
Lowest price	100.29	99.73	106.90	105.52	99.51

	I accumulation GBP (NAV hedged)			I accumulation USD		
	2018	2017	2016	2018	2017	2016
Change in net assets per share	**(p)**	**(p)**	**(p)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**109.04**	**107.76**	**101.33**	109.30	107.69	101.33
Return before operating charges *	4.86	2.25	7.38	6.36	2.60	7.81
Operating charges	(0.94)	(0.97)	(0.95)	(0.95)	(0.99)	(1.45)
Return after operating charges	3.92	1.28	6.43	5.41	1.61	6.36
Distributions	-	-	-	-	-	-
Retained distributions on accumulation shares	-	-	-	-	-	-
Closing net asset value per share	**112.96**	**109.04**	**107.76**	**114.71**	**109.30**	**107.69**
* after direct transaction costs of	(0.18)	(0.30)	(0.33)	(0.18)	(0.31)	(0.33)
Performance						
Return after charges	3.60%	1.19%	6.35%	4.95%	1.50%	6.28%
Other information						
Closing net asset value (£'000)	230,654	121,376	40,253	13,066	12,948	4,012
Closing number of shares	204,198,754	111,314,526	37,354,892	15,771,871	14,738,987	5,160,780
Operating charges	0.85%	0.90%	0.90%	0.85%	0.90%	0.90%
Performance fees	0.66%	0.20%	0.40%	0.81%	0.20%	0.75%
Direct transaction costs	0.16%	0.28%	0.31%	0.16%	0.28%	0.31%
Prices	**(p)**	**(p)**	**(p)**	**(c)**	**(c)**	**(c)**
Highest price	113.16	109.22	109.13	114.90	109.32	108.95
Lowest price	108.77	106.31	99.76	109.14	106.24	99.77

Artemis US Absolute Return Fund – Comparative tables (continued)

	R accumulation CHF (NAV hedged)		R accumulation EUR (NAV hedged)		R accumulation USD	
	2018	2017**	2018	2017**	2018	2017**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	100.21	100.00	100.44	100.00	101.60	100.00
Return before operating charges *	3.42	1.73	3.82	2.00	5.96	3.19
Operating charges	(1.62)	(1.52)	(1.63)	(1.56)	(1.66)	(1.59)
Return after operating charges	1.80	0.21	2.19	0.44	4.30	1.60
Distributions	-	-	-	-	-	-
Retained distributions on accumulation shares	-	-	-	-	-	-
Closing net asset value per share	**102.01**	**100.21**	**102.63**	**100.44**	**105.90**	**101.60**
* after direct transaction costs of	(0.16)	(0.28)	(0.16)	(0.29)	(0.17)	(0.30)
Performance						
Return after charges	1.80%	0.21%	2.18%	0.44%	4.23%	1.60%
Other information						
Closing net asset value (£'000)	8	22	37,977	23,968	83	89
Closing number of shares	10,000	27,200	41,933,108	28,005,644	108,618	108,618
Operating charges	1.60%	1.52%	1.60%	1.52%	1.60%	1.52%
Performance fees	0.52%	0.12%	0.48%	0.33%	0.70%	0.32%
Direct transaction costs	0.16%	0.28%	0.16%	0.28%	0.16%	0.28%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	102.79	101.08	103.31	101.20	106.08	101.80
Lowest price	99.67	99.22	99.98	99.47	101.37	99.78

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to the issue of shares and subtracted from the cancellation of shares.
** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Ongoing charges

Class	28 February 2018
I accumulation CHF (NAV hedged)	0.85%
I accumulation EUR (NAV hedged)	0.85%
I accumulation GBP (NAV hedged)	0.85%
I accumulation USD	0.85%
R accumulation CHF (NAV hedged)	1.60%
R accumulation EUR (NAV hedged)	1.60%
R accumulation USD	1.60%

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

Fund performance

	Since launch *	1 year	6 months
Artemis US Absolute Return Fund	13.0	3.6	1.2
LIBOR GBP 3 months	1.4	0.4	0.2
Sector average	8.9	2.4	0.3
Position in sector	16/51	19/69	18/71
Quartile	2	2	1

* Data from 27 October 2015. Source: Lipper Limited, class I accumulation GBP (NAV hedged) shares, mid to mid in sterling to 28 February 2018. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Targeted Absolute Return.

Artemis US Equity Fund

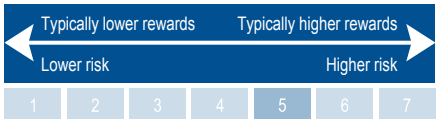
Investment objective and policy

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the sub-fund is valued and priced.
- The sub-fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains; however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this fund.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.

- The fund returns 10.9%* versus the benchmark up 5.8%*.
- Holdings in technology and industrials are two particular areas of strength.
- Trump's tax cuts have prolonged the economic cycle.

Performance – Ahead of a rising market …

The fund outperformed the rising US market over the year, returning 10.9% versus 5.8% for the S&P 500 Index. Although our sector allocation was positive, stock selection was the main reason for this good performance. Highlights included our holdings in Activision Blizzard, Take-Two Interactive Software, Micron Technology, Lam Research and Applied Materials.

While the market's initial reaction to Trump's victory had been extremely positive, a lack of progress on reforms promised during the campaign meant scepticism had set in by the summer of 2017. Initially, at least, data on the economy also failed to meet the market's heightened expectations. On the policy front, the long-awaited tax reforms finally appeared in December, with the passing of the Tax Cuts and Jobs Act. And, as the year progressed, economic data increasingly began to point towards faster-than-expected growth in the US economy. For their part, US companies continued to report growth in earnings. So the US market rose over much of the year and volatility was notably low.

After a very strong start to 2018, however, sudden fears of higher inflation and rising interest rates applied pressure on the market in early February. Volatility increased from very low levels and the gains made early in the year were quickly erased.

Review – A tale of technology …

For a good part of the year, 'growth' stocks in general – and technology companies in particular – led the market higher. In this climate, our holdings in semiconductor and semiconductor-equipment companies proved particularly beneficial: returns from Micron Technology, Lam Research and Applied Materials were excellent. We had increased our exposure to stocks in this area last year. Our belief was that the cycle of expenditure on semiconductor capital equipment (machines used for making microchips) had become more sustainable than it had been in the past. A range of devices are incrementally incorporating more semiconductors and demand for semiconductors from an increasing number of end markets (not just smartphones and PCs). The semiconductor industry, meanwhile, is more committed than it once was to shrinking manufacturing capacity. The process of manufacturing semiconductors has become more challenging and therefore requires more equipment than it once did. This is helpful for companies like Lam Research and Applied Materials. And while their shares have already performed well, we have maintained our exposure to them – and even added to them on weakness. The prospects continue to be good for these stocks and their price-to-earnings multiples are undemanding.

Our videogame stocks, Activision Blizzard and Take-Two Interactive Software, both delivered strong performance. We have taken profits here. While we are still positive on the longer-term prospects for this industry, in the medium-term these companies no longer offer such an attractive balance between risk and reward as they once did. Not everything in the technology sector went in our favour this year. Although our exposure to semiconductors and to software and services was rewarding, our negative stance towards hardware and equipment was detrimental to returns, particularly our lack of exposure to Apple.

The fund's performance also benefited from its holdings in a number of industrial stocks. In anticipation of increased spending on defence by the US government after a long period of underinvestment, the fund has had exposure to the defence sector for some time. As an oligopolistic sector, it seemed likely that a handful of companies would benefit from this renewed investment. We have further added to our holdings in the industrials sector over the past year in the belief they will be beneficiaries of the extended economic cycle and from an increase in spending on infrastructure. For example, we added United Rentals, an equipment rental company whose earnings will respond to increased spending on construction. Staying in this area, not holding General Electric was also beneficial: its performance over the last 12 months has been poor.

Outlook – Continued growth, the 'Amazon effect' and buying banks …

We believe that the US economy will remain supportive of the stock market in the year ahead. Although we are clearly late in the current business cycle, President Trump's tax cuts are helping to extend and prolong it. Inflation and interest rates will rise – but we expect increases in both to be gradual. Growth in earnings seems likely to be strong for the second consecutive year: the market is expecting growth of over 20% this year, with approximately half coming from the tax cut. Tax cuts aside, underlying growth in earnings remains solid, especially in the technology sector. We expect to see a more balanced market leadership this year, with less dominance from 'growth' stocks. The fund is positioned accordingly, with more exposure to economically sensitive stocks through its holdings in consumer stocks and industrials.

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

Artemis US Equity Fund – Investment review (continued)

We continue to favour technology stocks. The fund retains its exposure to semiconductor companies as well as to Alphabet and Microsoft. But we have increased its exposure to the consumer sector. In part, we are looking for companies that are less vulnerable to the 'Amazon effect'. We have, for example, a holding in discount retailer Burlington Stores. We believe this part of the retail sector is less likely to be affected by Amazon and could even benefit from the impact it is having on department stores. As a discounter, Burlington Stores can pick up inventories of unsold goods from department stores at attractive prices. They also benefit from the fact that the brands that they are discounting are reluctant to see these discounts advertised on the internet. This supports its traditional 'bricks-and-mortar' retail model. Burlington Stores also has scope to increase margins and footfall in its stores. Elsewhere, we have added to holdings in the restaurant sector. Consumers also benefit from a measure of tax relief and we have already seen trends improving in dining.

Because we believe economic growth will tick higher during the year (thanks in part to the recent tax cuts) we have maintained our exposure to industrial companies. But we have also added to banks which are beneficiaries both of improved economic growth and rising interest rates. Our exposure here ranges from large national lenders such as Bank of America through to Silicon Valley Bank ('SVB Finanacial Group'), a smaller, regional bank that provides financing for tech start-ups.

Offsetting these overweight positions we have underweight positions in companies whose valuations tend to come under pressure during periods of faster economic growth and rising interest rates, namely 'bond proxies'. These are stocks whose high dividends make them an alternative to bonds. And because bond yields tend to rise when economic growth gets better, the valuation of these companies tends to decline. A prime example are real estate investment trusts (REITs), in which the fund is significantly underweight.

Although we see robust fundamentals in the form of both corporate earnings and the economy we can expect volatility to remain higher given the market's strong performance in the last few years. So, perhaps more than ever, careful stock selection and active management will be key.

Cormac Weldon
Fund manager

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Micron Technology	961	Activision Blizzard	795
Boeing	824	Bank of America	690
Facebook A shares	745	Becton Dickinson	626
Oracle	663	Wells Fargo	601
Abbott Laboratories	638	Comcast A shares	600

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 99.88% (93.49%)			
Consumer Discretionary 10.87% (14.52%)			
Amazon.com	1,023	1,117	3.54
Burlington Stores	2,634	230	0.73
General Motors	6,095	177	0.56
Home Depot	2,287	305	0.97
Las Vegas Sands	5,886	310	0.98
Liberty Broadband C shares	4,479	291	0.92
Liberty Media Corp-Liberty Formula One C shares	10,421	255	0.81
McDonald's	1,728	200	0.63
O'Reilly Automotive	1,151	198	0.63
Royal Caribbean Cruises	2,456	229	0.72
Starbucks	2,928	120	0.38
		3,432	**10.87**
Consumer Staples 4.89% (5.18%)			
Altria Group	11,645	538	1.70
Estee Lauder A shares	3,551	358	1.13
Maple Leaf Foods	7,417	137	0.44
PepsiCo	4,024	322	1.02
Philip Morris International	2,507	189	0.60
		1,544	**4.89**
Energy 5.20% (6.16%)			
Chevron	9,603	788	2.50
Cimarex Energy	2,326	165	0.52
Diamondback Energy	3,435	313	0.99
Patterson-UTI Energy	15,198	208	0.66
Pioneer Natural Resources	1,326	167	0.53
		1,641	**5.20**
Financials 15.15% (15.43%)			
Bank of America	34,377	803	2.54
Charles Schwab	14,117	548	1.74
Citizens Financial Group	14,903	471	1.49
Goldman Sachs Group	2,171	420	1.33
Huntington Bancshares	55,662	636	2.01
S&P Global	3,168	442	1.40
SVB Financial Group	1,692	303	0.96

Artemis US Equity Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Synchrony Financial	11,837	314	1.00
US Bancorp	14,038	558	1.77
Wells Fargo	6,737	288	0.91
		4,783	**15.15**
Health Care 14.89% (10.98%)			
Abbott Laboratories	14,896	652	2.07
Agilent Technologies	6,155	307	0.97
Amgen	2,131	286	0.91
Anthem	5,349	916	2.90
Becton Dickinson	1,855	301	0.95
Biogen	1,393	292	0.92
Celgene	1,301	90	0.29
Pfizer	20,970	557	1.76
UnitedHealth Group	3,645	612	1.94
Zoetis	11,645	687	2.18
		4,700	**14.89**
Industrials 15.74% (9.19%)			
Boeing	3,095	815	2.58
Cintas	6,385	789	2.50
Equifax	2,487	205	0.65
Huntington Ingalls Industries	3,537	671	2.13
Knight-Swift Transportation Holdings	9,304	326	1.03
Lockheed Martin	849	219	0.69
Masco	7,388	223	0.71
Norfolk Southern	3,768	389	1.23
Raytheon	4,086	647	2.05
Rockwell Automation	2,799	373	1.18
United Rentals	2,435	314	0.99
		4,971	**15.74**
Information Technology 28.23% (26.23%)			
Activision Blizzard	7,346	385	1.22
Alphabet C shares	1,509	1,219	3.86
Apple	2,401	309	0.98
Applied Materials	15,089	628	1.99
Booz Allen Hamilton Holding	15,759	438	1.39
Electronic Arts	3,439	313	0.99
Facebook A shares	5,265	690	2.19
Fidelity National Information Services	3,469	247	0.78
Intuit	2,116	260	0.82
Lam Research	2,941	411	1.30
Leidos Holdings	6,204	292	0.92
Lumentum Holdings	2,519	110	0.35
Micron Technology	29,588	1,038	3.29
Microsoft	14,318	974	3.08
Nutanix A shares	9,763	253	0.80
Oracle	15,659	574	1.82

Investment	Holding	Valuation £'000	% of net assets
PayPal Holdings	3,860	222	0.70
Visa A shares	6,193	552	1.75
		8,915	**28.23**
Materials 2.58% (1.23%)			
Franco-Nevada	4,766	245	0.78
Summit Materials A shares	6,883	158	0.50
Trinseo	3,675	217	0.69
Vulcan Materials	2,250	193	0.61
		813	**2.58**
Real Estate 0.00% (2.46%)			
Telecommunication Services 1.06% (1.20%)			
T-Mobile US	7,741	335	1.06
		335	**1.06**
Utilities 1.27% (0.91%)			
NextEra Energy	3,672	402	1.27
		402	**1.27**
Investment assets		31,536	99.88
Net other assets		39	0.12
Net assets attributable to shareholders		31,575	100.00

The comparative percentage figures in brackets are as at 28 February 2017.

Artemis US Equity Fund – Financial statements

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		2,936		6,088
Revenue	5	387		356	
Expenses	6	(275)		(204)	
Net revenue before taxation		112		152	
Taxation	7	(69)		(49)	
Net revenue after taxation			43		103
Total return before distributions			**2,979**		**6,191**
Distributions	8		(44)		(103)
Change in net assets attributable to shareholders from investment activities			2,935		6,088

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		25,800		16,279
Amounts receivable on issue of shares	5,350		5,038	
Amounts payable on cancellation of shares	(2,557)		(1,716)	
		2,793		3,322
Change in net assets attributable to shareholders from investment activities		2,935		6,088
Retained distribution on accumulation shares		47		111
Closing net assets attributable to shareholders		31,575		25,800

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	9	31,536	24,121
Current assets			
Debtors	10	368	279
Cash and bank balances	11	46	1,781
Total current assets		**414**	**2,060**
Total assets		**31,950**	**26,181**
Liabilities			
Creditors			
Other creditors	12	375	381
Total liabilities		**375**	**381**
Net assets attributable to shareholders		31,575	25,800

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. 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.

The ACD has agreed to cap the expenses of the sub-fund. Any reimbursement due back to the sub-fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 6.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised. Distributions which have remained unclaimed by shareholders for six years are credited to the capital property of the sub-fund.

Artemis US Equity Fund – Notes to the financial statements (continued)

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	3,012	5,990
Forward currency contracts	-	5
Currency (losses)/gains	(72)	98
Capital transaction charges	(4)	(5)
Net capital gains	2,936	6,088

4. Direct transaction costs

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

	Year ended 28 February 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	24,971	8	-	24,979	0.03	-
Sales						
Equities	20,575	6	-	20,569	0.03	-
Total		14	-			
Percentage of sub-fund average net assets		0.05%	-			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	22,364	17	-	22,381	0.08	-
Sales						
Equities	19,844	14	-	19,830	0.07	-
Total		31	-			
Percentage of sub-fund average net assets		0.15%	-			

During the year the sub-fund incurred £4,000 (2017: £5,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.02% (2017: 0.02%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	374	352
Bank interest	13	4
Total revenue	387	356

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	209	156
Expense rebate	(59)	(64)
Other expenses:		
Administration fees	44	47
Operational fees	38	10
Registration fees	22	37
Auditor's remuneration: audit fees *	9	9
Auditor's remuneration: non-audit fees (taxation)	8	3
Depositary fees	3	3
Price publication fees	-	1
Safe custody fees	1	1
Printing and postage fees	-	1
Total expenses	275	204

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

7. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	69	49
Total taxation (note 7b)	69	49
b) Factors affecting the tax charge for the year		
Net revenue before taxation	112	152
Corporation tax at 20% (2017: 20%)	22	30
Effects of:		
Irrecoverable overseas tax	69	49
Unutilised management expenses	51	37
Non-taxable overseas dividends	(73)	(67)
Tax charge for the year (note 7a)	69	49

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 sub-fund has not recognised a deferred tax asset of £117,000 (2017: £66,000) arising as a result of having unutilised management expenses of £587,000 (2017: £332,000). It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

Artemis US Equity Fund – Notes to the financial statements (continued)

8. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	47	111
Add: amounts deducted on cancellation of shares	2	5
Deduct: amounts added on issue of shares	(5)	(13)
Distributions	44	103
Movement between net revenue and distributions		
Net revenue after taxation	43	103
Expenses paid from capital	1	-
	44	103

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution table on page 103.

9. 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).

	28 February 2018 Assets £'000	28 February 2017 Assets £'000
Level 1	31,536	24,121
Total	31,536	24,121

10. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Sales awaiting settlement	253	211
Expense rebate receivable	59	19
Accrued revenue	33	33
Amounts receivable for issue of shares	22	14
Prepaid expenses	1	2
Total debtors	368	279

11. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	33	1,758
Cash and bank balances	13	22
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	-	1
Total cash and bank balances	46	1,781

12. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	207	123
Amounts payable for cancellation of shares	107	205
Accrued other expenses	45	38
Accrued annual management charge	16	15
Total other creditors	375	381

13. Contingent liabilities and commitments

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

14. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation EUR	10,000	33,112	-	43,112
I accumulation GBP	16,292,500	3,235,741	(1,533,946)	17,994,295
I accumulation USD	71,510	-	(61,510)	10,000

15. Risk disclosures

The sub-fund's financial instruments comprise equities, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 89. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's investment portfolio. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-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 sub-fund's financial assets are non-interest bearing, the sub-fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been provided.

Artemis US Equity Fund – Notes to the financial statements (continued)

(ii) Currency risk

A portion of the net assets of the sub-fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the ACD may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the sub-fund's exposure to currency risk is reduced. There were no open forward currency contracts as at 28 February 2018 or 28 February 2017.

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Total £'000
28 February 2018			
US Dollar	31,399	59	31,458
Canadian Dollar	137	-	137
Sterling	-	(20)	(20)
28 February 2017			
US Dollar	23,929	1,687	25,616
Canadian Dollar	192	-	192
Sterling	-	(8)	(8)

A five per cent increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets by £1,580,000 (2017: £1,290,000). A five per cent 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 as detailed in the portfolio statement 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 ACD monitors and reviews these factors. A five per cent increase in the value of the sub-fund's portfolio would have the effect of increasing the return and net assets by £1,577,000 (2017: £1,206,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

As at 28 February 2018 the commitment ratio for the sub-fund was 100% (2017: 100%).

	28 February 2018 %	28 February 2017 %
Sum of the notionals	100.2	114.6
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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause

the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

There were no significant concentrations of credit risk.

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

16. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 95 and notes 6, 8, 10 and 12 on pages 98 to 100 including all issues and cancellations where the ACD acted as principal.

The balance due to the ACD as at 28 February 2018 in respect of these transactions was £42,000 (2017: £187,000).

17. Share classes

The annual management charge on each share class is 0.75%.

The net asset value per share and the number of shares in each class are given in the comparative tables on page 104. The distribution per share class are given in the distribution table on page 103. All classes have the same rights on winding up.

18. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation EUR	164.15c	156.96c	4.6%
I accumulation GBP	182.90p	175.08p	4.5%
I accumulation USD	151.11c	151.26c	(0.1)%

Artemis US Equity Fund – Distribution table

Final dividend distribution for the year ended 28 February 2018 (payable 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I accumulation EUR				
Group 1	0.2309c	-	0.2309c	0.6162c
Group 2	0.0972c	0.1337c	0.2309c	0.6162c
I accumulation GBP				
Group 1	0.2591p	-	0.2591p	0.6813p
Group 2	0.1135p	0.1456p	0.2591p	0.6813p
I accumulation USD				
Group 1	0.1905c	-	0.1905c	0.5298c
Group 2	0.1905c	0.0000c	0.1905c	0.5298c

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

Artemis US Equity Fund – Comparative tables

	I accumulation EUR			I accumulation GBP		
	2018	2017	2016	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**146.56**	**118.74**	**121.74**	**157.84**	**117.89**	**111.88**
Return before operating charges *	11.91	29.11	(0.17)	18.88	41.31	7.90
Operating charges	(1.51)	(1.29)	(2.83)	(1.64)	(1.36)	(1.89)
Return after operating charges	10.40	27.82	(3.00)	17.24	39.95	6.01
Distributions	(0.23)	(0.62)	(0.46)	(0.26)	(0.68)	(0.45)
Retained distributions on accumulation shares	0.23	0.62	0.46	0.26	0.68	0.45
Closing net asset value per share	**156.96**	**146.56**	**118.74**	**175.08**	**157.84**	**117.89**
* after direct transaction costs of	(0.08)	(0.19)	(0.34)	(0.08)	(0.20)	(0.32)
Performance						
Return after charges	7.10%	23.43%	(2.46)%	10.92%	33.89%	5.37%
Other information						
Closing net asset value (£'000)	60	13	9	31,504	25,717	16,217
Closing number of shares	43,112	10,000	10,000	17,994,295	16,292,500	13,755,782
Operating charges	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Direct transaction costs	0.05%	0.15%	0.28%	0.05%	0.15%	0.28%
Prices	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Highest price	159.98	148.09	133.69	178.23	158.05	119.36
Lowest price	137.40	116.37	106.60	152.06	115.83	103.49

	I accumulation USD		
	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**122.58**	**101.96**	**107.79**
Return before operating charges *	30.01	21.74	(3.12)
Operating charges	(1.33)	(1.12)	(2.71)
Return after operating charges	28.68	20.62	(5.83)
Distributions	(0.19)	(0.53)	(0.39)
Retained distributions on accumulation shares	0.19	0.53	0.39
Closing net asset value per share	**151.26**	**122.58**	**101.96**
* after direct transaction costs of	(0.07)	(0.17)	(0.30)
Performance			
Return after charges	23.40%	20.22%	(5.41)%
Other information			
Closing net asset value (£'000)	11	70	53
Closing number of shares	10,000	71,510	71,510
Operating charges	1.00%	1.00%	1.00%
Direct transaction costs	0.05%	0.15%	0.28%
Prices	**(c)**	**(c)**	**(c)**
Highest price	156.42	122.67	111.59
Lowest price	120.93	101.86	95.33

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

Artemis US Equity Fund – Comparative tables (continued)

Ongoing charges

Class	28 February 2018
I accumulation EUR	1.00%
I accumulation GBP	1.00%
I accumulation USD	1.00%

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

Fund performance

	Since launch *	1 year	6 months
Artemis US Equity Fund	75.1	10.9	6.3
S&P 500 Index	71.7	5.8	3.7
Sector average	63.0	4.9	4.1
Position in sector	10/78	12/89	14/91
Quartile	1	1	1

* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 28 February 2018. All performance figures show total return percentage growth. Sector is IA North America.

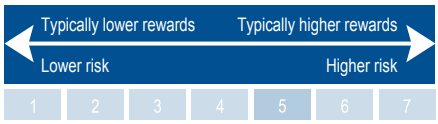
Investment objective and policy

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- Investing in derivatives carries risks. In the case of a 'short' position, for example, where the fund aims to profit from falling prices, if the price of the underlying asset rises in value, the sub-fund will lose money.
- Hedged shares will still be exposed to the market risks that relate to assets of the portfolio and may not be completely protected from all currency fluctuations.

Artemis US Extended Alpha Fund – Investment review

- The fund returned 9.1%*, outperforming the benchmark's 5.8%*.
- Boosted by holdings in technology.
- Increased volatility should provide opportunities.

Performance – Outperforming a rising market …

Despite maintaining a net exposure between 85% and 90% for most of the year, good stock selection saw the fund outperform the rising market, returning 9.1% (in sterling terms), ahead of the S&P 500 Index's 5.8%.

Review – Still negative on banks and bond proxies …

In the immediate wake of President Trump's election, expectations for his administration were high. But lack of progress on fiscal reforms and concerns about conflicts over trade meant scepticism soon set in. Economic growth initially failed to match higher expectations and, by the spring of last year, fears of a slowdown were mounting. Economic data then strengthened globally, renewing investors' confidence in the cycle. Although we remained relatively doubtful about the progress on reforms, a tax bill was eventually passed in December. This lifted sentiment in corporate America and propelled the US market to new highs. February, however, saw the sudden return of more volatility amid fears that the economy might be overheating.

The fund's exposure to technology, particularly to semiconductor-related companies, proved supportive. While these stocks have already performed well, we have held on to some of them. The increasing demand for semiconductors in many areas, consolidation in the sector and the fact that the manufacturing process has become more complex are all driving pricing. We still hold Micron Technology, Lam Research and Applied Materials and have added to them when we have seen buying opportunities.

Elsewhere in the sector, our holdings in videogame producers Activision Blizzard and Take-Two Interactive Software were strong contributors to performance as the market rewarded their growing revenues and improving margins. While we remain positive on the area, we have reduced both stocks after their good performance.

Our positioning in technology hardware and equipment was less rewarding. The fund's underweight position in Apple held back returns. As sales of the new iPhone were disappointing, our concerns about the company's new generation of products were validated. But Apple's return on capital remained strong and the stock did not underperform significantly. We expect that negative revisions to earnings will eventually begin to affect its share price so we have increased our underweight position.

Our stock-picking in industrials was positive, thanks in part to our long positions in defence-related stocks such as Lockheed Martin and Raytheon. We bought into these companies to benefit from the global replacement of defence equipment. A short position in a large industrial stock also helped performance. We have added further to holdings in industrials over the last six months, as we believe the investment cycle in the US will benefit domestic industrial companies. In transport, for example, we have held trucking stocks for some time and have recently increased our exposure to railways. We see growing difficulties for industrial stocks in the rest of the world, where a long-term cycle of investment is likely coming to an end.

Our negative stance on traditional telecoms companies helped performance. But our holding in T-Mobile US suffered on the back of a failed merger with a competitor. We continue to hold it as we believe that it can continue to gain market share from its competitors. We expect further mergers and acquisitions in the sector.

A steadily rising market on the back of the economic recovery and low volatility represented a helpful backdrop for active funds over the year – the first in some time. Rising markets usually make things difficult for short selling, but some of our short positions – notably within industrials and telecoms – were among the top contributors last year.

On the negative side, the fund's performance was held back by its negative position in banks. US banks have benefited from the resolution of bad debts caused by the housing crash, as well as restrictions on the growth of consumer debt during the recovery. But debt levels across the corporate sector have dramatically increased and risk of default has increased. In the long-term, the banks' business model is challenged. Outside of the US, banks are in far worse shape and could even pose a systemic risk to the US. We retain our negative view of the banking sector, favouring instead lenders to consumers.

Within consumer discretionary, we reduced our exposure to cable companies following their strong performance. We still hold Amazon.com and have a negative view on the prospects for mass merchant retailers. But we do own Burlington Stores, a discount retailer. It is relatively sheltered from the pressures of Amazon. Discounters can profit from the demise of the traditional retailers by recycling department stores' unsold inventories. They also benefit from the fact that brands are reluctant to see their goods heavily discounted online, which re-enforces the bricks-and-mortar nature of the discount retailers' business model.

Elsewhere, performance was boosted by our negative view on 'bond proxies' in sectors such as consumer staples and telecommunications. We have reduced our negative stance as the balance between risk and reward had become less attractive – but we still see opportunities.

* Source: Lipper Limited, I accumulation GBP shares, mid to mid basis, in sterling with dividends reinvested. Benchmark is the S&P 500 Index.

Outlook – Volatility ahead….

Excess liquidity is finally being drained from the financial system. That process began later than we would have expected due to the benign inflationary backdrop. In February, there was evidence of resurgent inflation as well as a growing threat of tariffs. Those are valid concerns and with valuations at historically high levels, the outlook for inflation will remain important.

The US economy is well positioned relative to the rest of the world, and the outlook for growth is still positive. Outside of the US, however, we expect structural problems to re-emerge over the course of the year. On the positive side, we expect the fund to benefit from higher levels of volatility. There has already been evidence of this among our short positions.

Stephen Moore
Fund manager

Artemis US Extended Alpha Fund – Investment information

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Facebook A shares	42,840	Activision Blizzard	30,493
Cintas	32,954	KLA-Tencor	22,078
LyondellBasell Industries A shares	31,484	Take-Two Interactive Software	21,686
Micron Technology	30,332	Electronic Arts	16,886
Applied Materials	28,446	Micron Technology	15,870

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 83.03% (59.35%)			
Consumer Discretionary 13.43% (10.41%)			
Amazon.com	34,463	37,636	3.13
Best Buy	157,270	8,120	0.67
Brinker International	327,170	8,082	0.67
Burlington Stores	52,996	4,620	0.38
Caesars Entertainment	783,655	7,217	0.60
Churchill Downs	88,323	16,347	1.36
Dish Network A shares	159,520	5,028	0.42
Hasbro	78,099	5,485	0.45
Liberty Broadband C shares	193,913	12,580	1.04
Liberty Expedia Holdings A shares	425,986	11,867	0.99
Liberty Global C shares	164,143	3,687	0.31
Nike B shares	171,706	8,439	0.70
O'Reilly Automotive	68,295	11,768	0.98
Time Warner	174,260	11,864	0.99
Vail Resorts	16,111	2,437	0.20
William Hill	1,193,203	3,953	0.33
Wynn Resorts	20,764	2,531	0.21
		161,661	**13.43**
Consumer Staples 2.38% (0.00%)			
Lamb Weston Holdings	98,145	3,857	0.32
PepsiCo	133,940	10,728	0.89
Philip Morris International	187,115	14,066	1.17
		28,651	**2.38**
Energy 1.04% (1.16%)			
Baker Hughes	125,212	2,441	0.20
Hess	133,311	4,475	0.37
Newfield Exploration	257,433	4,509	0.38
Southwestern Energy	399,719	1,065	0.09
		12,490	**1.04**
Financials 13.11% (10.48%)			
Athene Holding A shares	79,648	2,764	0.23
Berkshire Hathaway B shares	290,249	43,962	3.65
Chubb	88,068	9,174	0.76
East West Bancorp	125,819	6,029	0.50

Investment	Holding	Valuation £'000	% of net assets
Fairfax Financial Holdings	15,429	5,603	0.47
Fifth Third Bancorp	635,259	15,256	1.27
Goldman Sachs Group	62,276	12,054	1.00
Leucadia National	404,902	7,180	0.60
MSCI	164,385	16,961	1.41
Reinsurance Group of America	35,569	3,997	0.33
S&P Global	89,367	12,464	1.04
US Bancorp	463,520	18,417	1.53
Wells Fargo	90,269	3,861	0.32
		157,722	**13.11**
Health Care 7.04% (6.34%)			
AbbVie	137,079	11,708	0.97
Amgen	50,510	6,779	0.56
Biogen	17,191	3,601	0.30
Gilead Sciences	101,093	5,867	0.49
Novo Nordisk, ADR	91,495	3,478	0.29
UnitedHealth Group	122,673	20,595	1.71
Waters	86,168	12,824	1.07
WellCare Health Plans	21,541	3,033	0.25
Zoetis	285,556	16,847	1.40
		84,732	**7.04**
Industrials 13.21% (4.49%)			
Boeing	77,090	20,292	1.68
Cintas	327,146	40,406	3.36
Fluor	38,926	1,625	0.13
Gardner Denver Holdings	96,999	2,291	0.19
Huntington Ingalls Industries	100,788	19,114	1.59
Knight-Swift Transportation Holdings	330,110	11,574	0.96
Norfolk Southern	113,262	11,681	0.97
Rockwell Automation	191,191	25,484	2.12
Timken	99,826	3,255	0.27
United Rentals	108,183	13,938	1.16
WABCO Holdings	92,051	9,352	0.78
		159,012	**13.21**
Information Technology 25.83% (23.00%)			
Activision Blizzard	332,602	17,438	1.45
Advanced Energy Industries	92,845	4,473	0.37
Alliance Data Systems	26,028	4,555	0.38
Alphabet C shares	65,986	53,298	4.43
Applied Materials	1,112,834	46,330	3.85
Black Knight	90,852	3,146	0.26
Booz Allen Hamilton Holding	335,768	9,327	0.78
Ciena	460,896	7,873	0.65
CoreLogic	149,089	4,895	0.41
eBay	124,787	3,888	0.32
Electronic Arts	157,727	14,332	1.19
Facebook A shares	283,376	37,141	3.09

Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding or nominal value	Global exposure* £'000	Valuation £'000	% of net assets
Juniper Networks	248,473		4,684	0.39
KLA-Tencor	29,520		2,419	0.20
Lumentum Holdings	42,289		1,836	0.15
Mastercard A shares	59,971		7,621	0.63
Micron Technology	928,764		32,589	2.71
Oracle	631,874		23,171	1.93
PayPal Holdings	239,943		13,771	1.14
Synaptics	157,745		5,364	0.45
Take-Two Interactive Software	61,435		4,980	0.41
Teradyne	236,296		7,641	0.64
			310,772	**25.83**
Materials 5.38% (2.29%)				
Crown Holdings	326,150		11,930	0.99
Franco-Nevada	278,925		14,324	1.19
LyondellBasell Industries A shares	334,685		26,499	2.20
Nutrien	68,995		2,473	0.21
Sealed Air	145,874		4,440	0.37
Summit Materials A shares	218,293		5,012	0.42
			64,678	**5.38**
Real Estate 1.22% (0.75%)				
Prologis, REIT	96,093		4,187	0.35
SL Green Realty, REIT	151,594		10,499	0.87
			14,686	**1.22**
Utilities 0.39% (0.43%)				
Vistra Energy	345,574		4,738	0.39
			4,738	**0.39**
Equities total			**999,142**	**83.03**
Government bonds 8.83% (30.01%)				
US Treasury Bill 0.00% 19/07/2018	$147,760,000		106,230	8.83
Government bonds total			**106,230**	**8.83**
Contracts for difference 0.01% (1.10%)				
Consumer Discretionary (0.11)% (0.06%)				
Acushnet Holdings	(109,967)	(1,689)	33	-
Adidas	(14,682)	(2,379)	9	-
Advance Auto Parts	(12,952)	(1,027)	6	-
Aramark	(116,712)	(3,523)	318	0.03
CBS, (Non-Voting) B shares	(43,657)	(1,708)	110	0.01
Charter Communications A shares	(14,288)	(3,625)	240	0.02
Comcast A shares	813,941	21,541	(2,772)	(0.23)
Dave & Buster's Entertainment	(58,794)	(1,920)	111	0.01
Discovery Communications A shares	(202,702)	(3,814)	(121)	(0.01)
Domino's Pizza	(15,172)	(2,482)	(122)	(0.01)
Expedia	(148,526)	(11,126)	2,863	0.24
Genuine Parts	(24,617)	(1,646)	187	0.02
Hanesbrands	(134,398)	(1,938)	255	0.02
Home Depot	89,170	11,913	(1,285)	(0.11)
Las Vegas Sands	305,598	16,120	(1,324)	(0.11)

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
LG Electronics	(43,354)	(2,895)	37	-
Lululemon Athletica	(25,276)	(1,469)	(9)	-
MakeMyTrip	(37,901)	(862)	(27)	-
Mohawk Industries	(12,069)	(2,149)	222	0.02
Netflix	(11,404)	(2,394)	(50)	-
Newell Brands	(89,749)	(1,748)	(77)	(0.01)
News A shares	(399,399)	(4,725)	151	0.01
Ollie's Bargain Outlet Holdings	(74,022)	(3,184)	(67)	(0.01)
Papa John's International	(41,358)	(1,684)	242	0.02
Restaurant Brands International	(20,109)	(855)	12	-
Sears Holdings	(151,182)	(279)	1	-
Six Flags Entertainment	207,813	9,752	(419)	(0.03)
Swatch Group	(5,815)	(1,768)	28	-
Tesla	(12,624)	(3,200)	(20)	-
Under Armour C shares	(219,474)	(2,395)	(236)	(0.02)
Walt Disney	(22,714)	(1,720)	110	0.01
Wayfair A shares	(17,195)	(948)	224	0.02
		(9,826)	**(1,370)**	**(0.11)**
Consumer Staples 0.08% (0.19%)				
Altria Group	93,703	4,331	(395)	(0.03)
Cal-Maine Foods	(54,035)	(1,694)	(23)	-
Campbell Soup	(51,899)	(1,648)	99	0.01
Church & Dwight	(51,952)	(1,856)	(20)	-
General Mills	(35,523)	(1,303)	225	0.02
Hain Celestial Group	(43,038)	(1,087)	109	0.01
Hershey	(48,586)	(3,446)	345	0.03
Hormel Foods	(85,830)	(2,030)	93	0.01
Kellogg	(37,172)	(1,802)	17	-
Kraft Heinz	(79,507)	(3,898)	476	0.04
Maple Leaf Foods	487,927	8,986	(729)	(0.06)
McCormick, (Non-Voting)	(16,108)	(1,240)	14	-
Molson Coors Brewing B shares	(10,605)	(587)	53	-
Monster Beverage	(38,918)	(1,804)	115	0.01
Nestle	(19,563)	(1,127)	76	-
Procter & Gamble	(29,323)	(1,706)	133	0.01
Unilever, NYRS	(104,379)	(3,980)	311	0.02
Walmart	(9,082)	(601)	118	0.01
		(16,492)	**1,017**	**0.08**
Energy (0.07)% ((0.08)%)				
Exxon Mobil	(58,305)	(3,265)	369	0.03
Schlumberger	172,847	8,347	(1,188)	(0.10)
		5,082	**(819)**	**(0.07)**
Financials 0.08% (0.00%)				
Alleghany	(4,220)	(1,865)	33	-
Ameriprise Financial	(978)	(113)	13	-
BlackRock	(10,403)	(4,154)	(5)	-
Capital One Financial	(23,730)	(1,701)	92	0.01

Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Commerzbank	(171,726)	(1,940)	94	0.01
Commonwealth Bank of Australia	(31,175)	(1,343)	49	-
Credit Acceptance	(7,645)	(1,737)	170	0.01
Deutsche Bank	(172,105)	(2,039)	336	0.03
Discover Financial Services	278,374	15,997	(335)	(0.03)
Eaton Vance	(14,677)	(575)	18	-
Federated Investors B shares	(22,946)	(549)	44	-
HSBC Holdings, ADR	(92,162)	(3,339)	243	0.02
Janus Henderson Group	(130,740)	(3,332)	368	0.03
JPMorgan Chase	(29,428)	(2,495)	(25)	-
Jupiter Fund Management	(202,689)	(1,035)	100	0.01
Morgan Stanley	86,811	3,554	(48)	-
Pinnacle Financial Partners	(57,093)	(2,689)	(43)	-
Sberbank of Russia, ADR	(84,538)	(1,247)	(87)	(0.01)
Societe Generale	(89,074)	(3,685)	(29)	-
Westpac Banking, ADR	(137,778)	(2,393)	(49)	-
		(16,680)	**939**	**0.08**
Health Care (0.22)% (0.14%)				
Anthem	85,022	14,558	(1,225)	(0.10)
Becton Dickinson	96,260	15,649	(1,366)	(0.11)
Dentsply Sirona	(24,501)	(1,015)	82	0.01
Mednax	(15,884)	(638)	(5)	-
Pfizer	263,375	6,993	(430)	(0.04)
Universal Health Services B shares	(35,265)	(2,995)	68	-
Zimmer Biomet Holdings	(29,838)	(2,546)	199	0.02
		30,006	**(2,677)**	**(0.22)**
Industrials 0.28% (0.30%)				
Caterpillar	(15,520)	(1,808)	(51)	-
Colfax	(40,887)	(971)	232	0.02
Deere	(9,956)	(1,177)	40	-
GATX	(30,467)	(1,565)	21	-
General Dynamics	(9,606)	(1,554)	(85)	(0.01)
General Electric	(445,069)	(4,664)	569	0.05
Kansas City Southern	(14,852)	(1,135)	84	0.01
Kennametal	(16,200)	(505)	75	0.01
Lockheed Martin	95,256	24,637	469	0.04
Northrop Grumman	74,081	18,920	830	0.07
Raytheon	183,554	29,061	1,021	0.08
Ritchie Bros Auctioneers	(77,713)	(1,846)	(21)	-
UniFirst	(12,062)	(1,373)	58	-
Wabtec	(79,785)	(4,731)	88	0.01
		51,289	**3,330**	**0.28**
Information Technology 0.00% (0.43%)				
Advanced Micro Devices	(254,696)	(2,305)	172	0.02
Alibaba Group Holding, ADR	(13,460)	(1,831)	143	0.01
Amkor Technology	(118,410)	(872)	12	-
Analog Devices	(84,154)	(5,608)	92	0.01

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Apple	(21,196)	(2,731)	(113)	(0.01)
ASML Holding, NYRS	(93,394)	(13,320)	242	0.02
Atlassian A shares	(35,985)	(1,375)	47	-
AU Optronics, ADR	(753,552)	(2,412)	283	0.02
Baidu, ADR	(7,303)	(1,321)	17	-
Broadcom	(20,525)	(3,734)	(120)	(0.01)
Cirrus Logic	(59,465)	(1,875)	(36)	-
Citrix Systems	(36,499)	(2,436)	13	-
Ebix	(70,451)	(4,407)	(176)	(0.01)
Gartner	(48,573)	(4,068)	596	0.05
Hewlett Packard Enterprise	(182,902)	(2,486)	(244)	(0.02)
Hortonworks	(40,430)	(531)	51	0.01
Intel	(17,915)	(646)	(48)	-
Lam Research	246,612	34,460	(256)	(0.02)
Microchip Technology	(18)	(1)	-	-
Microsoft	711,363	48,406	132	0.01
MKS Instruments	(13,273)	(1,076)	(81)	(0.01)
Nvidia	(7,848)	(1,395)	(73)	(0.01)
NXP Semiconductors	(55,921)	(5,035)	50	-
Okta	(27,449)	(748)	(145)	(0.01)
Pandora Media	(143,750)	(452)	14	-
Paylocity Holding	(54,167)	(1,842)	153	0.01
Proofpoint	(58,233)	(4,542)	(247)	(0.02)
Qorvo	(28,977)	(1,700)	(242)	(0.02)
salesforce.com	(30,892)	(2,598)	(70)	-
Samsung Electronics, GDR	(2,150)	(1,691)	67	0.01
SAP, ADR	(76,779)	(5,779)	513	0.04
Seagate Technology	(36,969)	(1,411)	35	-
ServiceNow	(27,696)	(3,267)	(325)	(0.03)
Shopify A shares	(18,960)	(1,889)	(145)	(0.01)
SK Hynix	(35,368)	(1,816)	(9)	-
Skyworks Solutions	(28,072)	(2,237)	(245)	(0.02)
Taiwan Semiconductor Manufacturing, ADR	(258,704)	(8,153)	250	0.02
Visa A shares	70,580	6,291	(73)	(0.01)
Western Digital	(29,122)	(1,834)	(13)	-
Workday A shares	(26,536)	(2,458)	(225)	(0.02)
Yelp	(83,861)	(2,645)	(4)	-
ZTE H shares	(301,800)	(769)	11	-
		(16,139)	**3**	**-**
Investment Funds 0.02% (0.00%)				
Scottish Mortgage Investment Trust	(1,807,164)	(8,396)	224	0.02
		(8,396)	**224**	**0.02**
Materials 0.01% (0.07%)				
Agnico Eagle Mines	(90,713)	(2,530)	570	0.05
Air Products & Chemicals	(20,189)	(2,386)	(12)	-
Ball	(87,450)	(2,528)	(151)	(0.01)
Southern Copper	(61,253)	(2,363)	(163)	(0.02)

Artemis US Extended Alpha Fund – Investment information (continued)

Investment	Holding	Global exposure* £'000	Valuation £'000	% of net assets
Trinseo	55,375	3,268	(76)	(0.01)
		(6,539)	**168**	**0.01**
Real Estate 0.02% ((0.02)%)				
Kimco Realty, REIT	(233,419)	(2,503)	72	0.01
Regency Centers, REIT	(44,116)	(1,846)	148	0.01
Seritage Growth Properties, REIT A shares	(66,702)	(1,951)	32	-
		(6,300)	**252**	**0.02**
Telecommunication Services (0.08)% (0.01%)				
AT&T	(202,076)	(5,383)	56	-
Sprint	(521,932)	(1,983)	4	-
T-Mobile US	505,476	21,884	(1,622)	(0.13)
Verizon Communications	(144,430)	(5,014)	633	0.05
		9,504	**(929)**	**(0.08)**
Contracts for difference total		**15,509**	**138**	**0.01**
Forward currency contracts (0.17)% (0.00%)				
I accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 6,012,703 dated 29/03/2018			4,610	0.38
Sell US Dollar 6,420,473 dated 29/03/2018			(4,631)	(0.38)
			(21)	**-**
I accumulation EUR (NAV hedged) (0.01)% (0.00%)				
Buy Euro 32,465,312 dated 29/03/2018			28,674	2.39
Sell US Dollar 39,998,963 dated 29/03/2018			(28,851)	(2.40)
			(177)	**(0.01)**
I accumulation GBP (NAV hedged) (0.14)% (0.00%)				
Buy Sterling 218,161,559 dated 29/03/2018			218,162	18.13
Sell US Dollar 304,723,377 dated 29/03/2018			(219,793)	(18.27)
			(1,631)	**(0.14)**
R accumulation CHF (NAV hedged) 0.00% (0.00%)				
Buy Swiss Franc 88,643 dated 29/03/2018			68	0.01
Sell US Dollar 94,654 dated 29/03/2018			(68)	(0.01)
			-	**-**
R accumulation EUR (NAV hedged) (0.02)% (0.00%)				
Buy Euro 32,828,734 dated 29/03/2018			28,994	2.41
Sell US Dollar 40,447,702 dated 29/03/2018			(29,174)	(2.43)
Buy US Dollar 49,032 dated 29/03/2018			35	-
Sell Euro 39,745 dated 29/03/2018			(35)	-
			(180)	**(0.02)**
Forward currency contracts total			**(2,009)**	**(0.17)**
Futures 0.12% (0.06%)				
S&P 500 Emini Index 16/03/2018	612	60,717	1,466	0.12
Futures total		**60,717**	**1,466**	**0.12**
Investment assets (including investment liabilities)			1,104,967	91.82
Net other assets			98,443	8.18
Net assets attributable to shareholders			1,203,410	100.00

The comparative percentage figures in brackets are as at 28 February 2017.
* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		98,302		144,059
Revenue	5	14,219		9,453	
Expenses	6	(11,403)		(3,747)	
Interest payable and similar charges	7	(8,047)		(5,882)	
Net expense before taxation		(5,231)		(176)	
Taxation	8	(1,614)		(276)	
Net expense after taxation			(6,845)		(452)
Total return before distributions			**91,457**		**143,607**
Distributions	9		15		113
Change in net assets attributable to shareholders from investment activities			91,472		143,720

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		623,448		267,877
Amounts receivable on issue of shares	696,201		366,737	
Amounts payable on cancellation of shares	(207,711)		(155,039)	
		488,490		211,698
Dilution adjustment		-		153
Change in net assets attributable to shareholders from investment activities		91,472		143,720
Closing net assets attributable to shareholders		1,203,410		623,448

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	1,124,578	569,889
Current assets			
Debtors	11	5,765	4,647
Cash and bank balances	12	101,449	63,432
Total current assets		**107,214**	**68,079**
Total assets		**1,231,792**	**637,968**
Liabilities			
Investment liabilities	10	19,611	5,539
Creditors			
Bank overdraft		-	178
Other creditors	13	8,771	8,803
Total creditors		**8,771**	**8,981**
Total liabilities		**28,382**	**14,520**
Net assets attributable to shareholders		1,203,410	623,448

Artemis US Extended Alpha Fund – Notes to the financial statements

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Contracts for Difference ('CFDs') held in the portfolio are valued at bid when held long and offer when short. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. The dividend equivalent values on contracts for difference are recognised when the underlying security is quoted ex-dividend. For long contracts a compensatory payment is credited to revenue whereas for short contracts a compensatory payment is debited from revenue. Bank interest is recognised on an accruals basis.

(f) Expenses. All expenses (other than performance fees and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised.

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

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	56,582	108,519
Derivative contracts	37,103	33,467
Forward currency contracts	15,258	(1,292)
Capital transaction charges	(27)	(17)
Currency (losses)/gains	(10,614)	3,382
Net capital gains	98,302	144,059

4. Direct transaction costs

For purchases and sales of equities and derivatives, broker commissions, transfer taxes and stamp duty are paid by the sub-fund on each transaction and are summarised below. Bonds have no separately identifiable transaction costs; these costs form part of the dealing price.

	Year ended 28 February 2018					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	1,173,695	550	21	1,174,266	0.05	-
Bonds	351,494	-	-	351,494	-	-
Sales						
Equities	619,255	373	15	618,867	0.06	-
Bonds	416,732	-	-	416,732	-	-
Derivative purchases and sales		689	57			
Total		1,612	93			
Percentage of sub-fund average net assets		0.18%	0.01%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	612,091	292	-	612,383	0.05	-
Bonds	637,126	-	-	637,126	-	-
Sales						
Equities	473,927	299	10	473,618	0.06	-
Bonds	550,462	-	-	550,462	-	-
Derivative purchases and sales		828	3			
Total		1,419	13			
Percentage of sub-fund average net assets		0.32%	0.00%			

During the year the sub-fund incurred £27,000 (2017: £17,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.03% (2017: 0.02%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Derivative revenue	6,569	6,867
Overseas dividends	5,665	1,786
Interest on debt securities	1,486	523
Bank interest	474	277
UK dividends	25	-
Total revenue	14,219	9,453

Artemis US Extended Alpha Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	7,042	3,308
Performance fees	3,807	20
Other expenses:		
Administration fees	205	161
Registration fees	102	89
Depositary fees	99	52
Operational fees	97	84
Safe custody fees	28	13
Auditor's remuneration: non-audit fees (taxation)	11	6
Auditor's remuneration: audit fees *	11	11
Price publication fees	1	2
Printing and postage fees	-	1
Total expenses	11,403	3,747

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Interest payable on positions with brokers and counterparties	4,068	2,944
Dividends payable on short positions	3,847	2,927
Interest payable	132	11
Total interest payable and similar charges	8,047	5,882

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	1,614	276
Total taxation (note 8b)	1,614	276
b) Factors affecting the tax charge for the year		
Net expense before taxation	(5,231)	(176)
Corporation tax at 20% (2017: 20%)	(1,046)	(35)
Effects of:		
Unutilised management expenses	2,148	369
Irrecoverable overseas tax	1,614	276
Non-taxable UK dividends	(5)	-
Overseas withholding tax expensed	(6)	(4)
Non-taxable overseas dividends	(1,091)	(330)
Tax charge for the year (note 8a)	1,614	276

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 sub-fund has not recognised a deferred tax asset of £3,020,000 (2017: £872,000) arising as a result of having unutilised management expenses of £15,099,000 (2017: £4,358,000). It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Add: amounts deducted on cancellation of shares	2	72
Deduct: amounts added on issue of shares	(17)	(185)
Distributions	(15)	(113)
Movement between net expense and distribution		
Net expense after taxation	(6,845)	(452)
Expenses paid from capital	6,830	339
	(15)	(113)

The distribution takes account of amounts added on the issue of shares and amounts deducted on the cancellation of shares.

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).

	28 February 2018		28 February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	1,124,578	17,602	569,855	5,534
Level 2	-	2,009	34	5
Total	1,124,578	19,611	569,889	5,539

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	4,607	1,031
Amounts receivable on derivative contracts	617	649
Accrued revenue	538	297
Prepaid expenses	3	3
Sales awaiting settlement	-	2,667
Total debtors	5,765	4,647

Artemis US Extended Alpha Fund – Notes to the financial statements (continued)

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held at futures clearing houses and brokers	62,023	23,518
Amounts held on deposit with HSBC	19,720	21,705
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	13,170	15,820
Cash and bank balances	5,074	773
Amounts held on deposit with RBS	1,462	1,616
Total cash and bank balances	101,449	63,432

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Accrued performance fee	3,807	43
Purchases awaiting settlement	2,287	7,194
Amounts payable on derivative contracts	1,019	175
Amounts payable for cancellation of shares	798	690
Accrued annual management charge	702	348
Accrued other expenses	158	353
Total other creditors	8,771	8,803

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation CHF (NAV hedged)	361,650	4,051,752	(89,786)	4,323,616
I accumulation EUR	25,777,712	76,225,629	(24,322,752)	77,680,589
I accumulation EUR (NAV hedged) *	-	30,389,625	(1,203,812)	29,185,813
I accumulation GBP	140,611,130	48,091,336	(14,717,840)	173,984,626
I accumulation GBP (NAV hedged)	1,015,748	153,498,886	(655,360)	153,859,274
I accumulation USD	294,748,645	132,596,518	(91,543,033)	335,802,130
R accumulation CHF	10,000	161,225	-	171,225
R accumulation CHF (NAV hedged)	10,000	59,441	(5,000)	64,441
R accumulation EUR	12,323	54,046,480	(10,491,525)	43,567,278
R accumulation EUR (NAV hedged)	19,203,956	29,718,091	(24,345,601)	24,576,446
R accumulation USD	778,599	27,115,554	(1,361,302)	26,532,851

* Share class launched 2 August 2017.

16. Risk disclosures

The sub-fund's financial instruments comprise equities, contracts for difference, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 106. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's investment portfolio. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a

particular company or sector. The ACD'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 sub-fund disclosed in the balance sheet. The ACD uses a value-at-risk approach to measure the sub-funds exposure to market risk.

(i) Value at Risk ('VaR')

The ACD is currently empowered to enter into derivative transactions on behalf of the sub-fund. The use of these strategies is subject to a risk management process and the ACD analyses the overall risk position of the sub-fund on a daily basis, which is then used by the ACD to evaluate the exposures and risks in the portfolio. As part of the process, the VaR is used on a daily basis to calculate the market price risk on the sub-fund relative to a reference portfolio, the S&P 500 Index. The maximum limit for UCITS funds is twice the VaR of the reference portfolio, i.e. +100%, in accordance with the Committee of European Securities Regulators ('CESR') guidance. A relative VaR of zero indicates that the sub-fund is estimated to have the same market price risk as the reference portfolio. A negative relative VaR indicates that the sub-fund's market price risk is estimated to be lower than the reference portfolio. VaR expresses the maximum expected loss by the sub-fund in a defined period, at a specified confidence level. The parameters used are: a confidence level of 99%, uses one year risk factor data and a 20 business day holding period. From 16 October 2017 the VaR methodology was changed from using two years risk factor data to one year. It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

	For the period from 16 October 2017 to 28 February 2018 %	For the period from 1 March 2017 to 15 October 2017 %	For the period from 12 January 2017 to 28 February 2017 %	For the period from 1 March 2016 to 11 January 2017 %
At 28 February	1.44		6.90	
Average utilisation during the period	(0.98)	(1.56)	5.76	2.89
Highest utilisation during the period	6.78	7.28	8.86	13.77
Lowest utilisation during the period	(4.76)	(15.64)	0.02	(11.11)

(ii) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	206.2	193.1
Commitment	157.7	148.4

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-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 sub-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 sub-fund could experience delays in liquidating the position and may incur significant losses. There may

Artemis US Extended Alpha Fund – Notes to the financial statements (continued)

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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages with. On a daily basis the ACD 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. Cash accounts are maintained at several counterparties. The derivatives are disclosed in the portfolio statement and Goldman Sachs International ('Goldman Sachs'), JPMorgan Chase Bank N.A. ('JPMorgan') and Morgan Stanley are the counterparties for the CFD's and JPMorgan is the counterparty for the futures 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 28 February 2018 or 28 February 2017.

In order to diversify counterparty risk the sub-fund holds cash with a number of other counterparties. The other counterparties were Goldman Sachs International ('Goldman Sachs'), Morgan Stanley ('Morgan Stanley'), J.P. Morgan Asset Management ('JPMorgan Liquidity Funds') and HSBC Holdings ('HSBC').

Counterparty exposure

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

	Contracts for difference £'000	Forward currency contracts £'000	Futures £'000	Total net exposure £'000	Net collateral held/ (pledged) £'000
28 February 2018					
Goldman Sachs	81,373	-	-	81,373	(239)
JPMorgan	(14,244)	(2,009)	1,466	(14,787)	3,816
Morgan Stanley	(51,620)	-	-	(51,620)	58,446
28 February 2017					
Goldman Sachs	113,100	-	-	113,100	(5,401)
JPMorgan	41,457	29	25,692	67,178	457
Morgan Stanley	2,772	-	-	2,772	28,291

Only cash collateral is held or pledged by the sub-fund.

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 116 and notes 6, 9, 11 and 13 on pages 119 to 121 including all issues and cancellations where the ACD acted as principal. The balance due to the ACD as at 28 February 2018 in respect of these transactions was £700,000 (2017: £50,000).

18. Share classes

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

I accumulation CHF (NAV hedged)	0.75%
I accumulation EUR	0.75%
I accumulation GBP	0.75%
I accumulation GBP (NAV hedged)	0.75%
I accumulation USD	0.75%
R accumulation CHF	1.50%
R accumulation CHF (NAV hedged)	1.50%
R accumulation EUR	1.50%
R accumulation EUR (NAV hedged)	1.50%
R accumulation USD	1.50%

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation CHF (NAV hedged)	134.13c	137.36c	(2.4)%
I accumulation EUR	176.75c	170.93c	3.4%
I accumulation EUR (NAV hedged)	108.97c	111.46c	(2.2)%
I accumulation GBP	196.98p	190.72p	3.3%
I accumulation GBP (NAV hedged)	137.34p	139.97p	(1.9)%
I accumulation USD	162.80c	164.81c	(1.2)%
R accumulation CHF	143.38c	138.71c	3.4%
R accumulation CHF (NAV hedged)	132.26c	135.81c	(2.6)%
R accumulation EUR	136.07c	131.88c	3.2%
R accumulation EUR (NAV hedged)	126.16c	129.34c	(2.5)%
R accumulation USD	139.06c	141.15c	(1.5)%

Artemis US Extended Alpha Fund – Comparative tables

	I accumulation CHF (NAV hedged)		I accumulation EUR			I accumulation EUR (NAV hedged)
	2018	2017**	2018	2017	2016	2018**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**116.22**	**100.00**	**162.15**	**127.99**	**123.46**	**100.00**
Return before operating charges *	22.18	17.08	10.12	35.35	6.13	12.00
Operating charges	(1.04)	(0.86)	(1.34)	(1.19)	(1.60)	(0.54)
Return after operating charges	21.14	16.22	8.78	34.16	4.53	11.46
Distributions	-	-	-	-	(0.08)	-
Retained distributions on accumulation shares	-	-	-	-	0.08	-
Closing net asset value per share	**137.36**	**116.22**	**170.93**	**162.15**	**127.99**	**111.46**
* after direct transaction costs of	(0.24)	(0.33)	(0.31)	(0.42)	(0.45)	(0.21)
Performance						
Return after charges	18.19%	16.22%	5.41%	26.69%	3.67%	11.46%
Other information						
Closing net asset value (£'000)	4,548	336	117,171	35,616	21,287	28,708
Closing number of shares	4,323,616	361,650	77,680,589	25,777,712	21,168,130	29,185,813
Operating charges	0.82%	0.78%	0.82%	0.85%	0.90%	0.50%
Performance fees	0.32%	0.08%	0.26%	0.02%	1.01%	0.13%
Direct transaction costs	0.19%	0.30%	0.19%	0.30%	0.35%	0.19%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	141.91	116.24	173.79	163.46	100.92	115.08
Lowest price	114.81	97.77	153.21	125.15	85.41	98.55

	I accumulation GBP			I accumulation GBP (NAV hedged)	
	2018	2017	2016	2018	2017**
Change in net assets per share	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**174.88**	**127.25**	**113.88**	**117.16**	**100.00**
Return before operating charges *	17.32	48.89	14.44	23.90	18.02
Operating charges	(1.48)	(1.26)	(1.07)	(1.09)	(0.86)
Return after operating charges	15.84	47.63	13.37	22.81	17.16
Distributions	-	-	(0.02)	-	-
Retained distributions on accumulation shares	-	-	0.02	-	-
Closing net asset value per share	**190.72**	**174.88**	**127.25**	**139.97**	**117.16**
* after direct transaction costs of	(0.35)	(0.45)	(0.41)	(0.26)	(0.33)
Performance					
Return after charges	9.06%	37.43%	11.74%	19.47%	17.16%
Other information					
Closing net asset value (£'000)	331,818	245,899	149,647	215,360	1,190
Closing number of shares	173,984,626	140,611,130	117,596,771	153,859,274	1,015,748
Operating charges	0.82%	0.85%	0.91%	0.82%	0.78%
Performance fees	0.51%	-	1.55%	0.15%	0.01%
Direct transaction costs	0.19%	0.30%	0.35%	0.19%	0.30%
Prices	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Highest price	193.46	174.91	127.77	144.47	117.18
Lowest price	169.08	123.90	108.15	115.86	97.58

	I accumulation USD			R accumulation CHF	
	2018	2017	2016	2018	2017
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**135.78**	**110.05**	**109.34**	**122.94**	**100.00**
Return before operating charges *	30.24	26.79	2.26	17.83	24.56
Operating charges	(1.21)	(1.06)	(1.55)	(2.06)	(1.62)
Return after operating charges	29.03	25.73	0.71	15.77	22.94
Distributions	-	-	(0.05)	-	-
Retained distributions on accumulation shares	-	-	0.05	-	-
Closing net asset value per share	**164.81**	**135.78**	**110.05**	**138.71**	**122.94**
* after direct transaction costs of	(0.28)	(0.38)	(0.40)	(0.25)	(0.33)
Performance					
Return after charges	21.38%	23.38%	0.65%	12.83%	22.94%
Other information					
Closing net asset value (£'000)	399,750	321,662	96,943	182	10
Closing number of shares	335,802,130	294,748,645	122,053,885	171,225	10,000
Operating charges	0.82%	0.85%	0.90%	1.57%	1.46%
Performance fees	0.53%	0.01%	0.01%	1.43%	-
Direct transaction costs	0.19%	0.30%	0.35%	0.19%	0.30%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	169.86	135.81	79.70	143.99	123.71
Lowest price	134.52	109.90	67.35	119.38	98.46

	R accumulation CHF (NAV hedged)		R accumulation EUR		R accumulation EUR (NAV hedged)		R accumulation USD	
	2018	2017**	2018	2017**	2018	2017**	2018	2017**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**115.50**	**100.00**	**126.26**	**100.00**	**109.88**	**100.00**	**117.17**	**100.00**
Return before operating charges *	22.30	17.06	7.61	27.89	21.32	10.81	25.99	18.93
Operating charges	(1.99)	(1.56)	(1.99)	(1.63)	(1.86)	(0.93)	(2.01)	(1.76)
Return after operating charges	20.31	15.50	5.62	26.26	19.46	9.88	23.98	17.17
Distributions	-	-	-	-	-	-	-	-
Retained distributions on accumulation shares	-	-	-	-	-	-	-	-
Closing net asset value per share	**135.81**	**115.50**	**131.88**	**126.26**	**129.34**	**109.88**	**141.15**	**117.17**
* after direct transaction costs of	(0.24)	(0.31)	(0.25)	(0.33)	(0.23)	(0.32)	(0.25)	(0.35)
Performance								
Return after charges	17.58%	15.50%	4.45%	26.26%	17.71%	9.88%	20.47%	17.17%
Other information								
Closing net asset value (£'000)	67	9	50,704	13	28,051	17,980	27,051	733
Closing number of shares	64,441	10,000	43,567,278	12,323	24,576,446	19,203,956	26,532,851	778,599
Operating charges	1.57%	1.46%	1.57%	1.46%	1.57%	0.86%	1.57%	1.46%
Performance fees	0.80%	0.05%	0.05%	0.08%	0.22%	-	0.28%	-
Direct transaction costs	0.19%	0.30%	0.19%	0.30%	0.19%	0.30%	0.19%	0.30%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	140.49	115.53	133.96	127.21	133.68	109.90	145.56	117.19
Lowest price	114.04	97.59	118.45	98.14	108.41	98.10	115.98	97.75

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to the issue of shares and subtracted from the cancellation of shares.
** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Artemis US Extended Alpha Fund – Comparative tables (continued)

Ongoing charges

Class	28 February 2018
I accumulation CHF (NAV hedged)	0.82%
I accumulation EUR	0.82%
I accumulation GBP	0.82%
I accumulation GBP (NAV hedged)	0.82%
I accumulation USD	0.82%
R accumulation CHF	1.57%
R accumulation CHF (NAV hedged)	1.57%
R accumulation EUR	1.57%
R accumulation EUR (NAV hedged)	1.57%
R accumulation USD	1.57%

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

Fund performance

	Since launch *	1 year	6 months
Artemis US Extended Alpha Fund	90.8	9.1	4.6
S&P 500 Index	71.7	5.8	3.7
Sector average	63.0	4.9	4.1
Position in sector	3/78	14/89	44/91
Quartile	1	1	2

* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 28 February 2018 . All performance figures show total return percentage growth. Sector is IA North America.

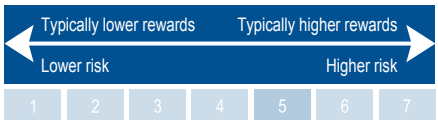
Investment objective and policy

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- The sub-fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains; however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this sub-fund.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.
- Hedged shares will still be exposed to the market risks that relate to assets of the portfolio and may not be completely protected from all currency fluctuations.

Artemis US Select Fund – Investment review

- The fund returns 13.8%* versus the benchmark up 5.8%*.
- Holdings in technology and industrials are two particular areas of strength.
- Trump's tax cuts have prolonged the economic cycle.

Performance – Ahead of a rising market …

The fund outperformed the rising US market over the year, returning 13.8% versus 5.8% for the S&P 500 Index. Although our sector allocation was positive, stock selection was the main reason for this good performance. Highlights included our holdings in Activision Blizzard, Take-Two Interactive Software, Micron Technology, Lam Research and Applied Materials.

While the market's initial reaction to Trump's victory had been extremely positive, a lack of progress on reforms promised during the campaign meant scepticism had set in by the summer of 2017. Initially, at least, data on the economy also failed to meet the market's heightened expectations. On the policy front, the long-awaited tax reforms finally appeared in December, with the passing of the Tax Cuts and Jobs Act. And, as the year progressed, economic data increasingly began to point towards faster-than-expected growth in the US economy. For their part, US companies continued to report growth in earnings. So the US market rose over much of the year and volatility was notably low.

After a very strong start to 2018, however, sudden fears of higher inflation and rising interest rates applied pressure on the market in early February. Volatility increased from very low levels and the gains made early in the year were quickly erased.

Review – A tale of technology …

For a good part of the year, 'growth' stocks in general – and technology companies in particular – led the market higher. In this climate, our holdings in semiconductor and semiconductor-equipment companies proved particularly beneficial: returns from Micron Technology, Lam Research and Applied Materials were excellent. We had increased our exposure to stocks in this area last year. Our belief was that the cycle of expenditure on semiconductor capital equipment (machines used for making microchips) had become more sustainable than it had been in the past. A range of devices are incrementally incorporating more semiconductors and demand for semiconductors from an increasing number of end markets (not just smartphones and PCs). The semiconductor industry, meanwhile, is more committed than it once was to shrinking manufacturing capacity. The process of manufacturing semiconductors has become more challenging and therefore requires more equipment than it once did. This is helpful for companies like Lam Research and Applied Materials. And while their shares have already performed well, we have maintained our exposure to them – and even added to them on weakness. The prospects continue to be good for these stocks and their price-to-earnings multiples are undemanding.

Our videogame stocks, Activision Blizzard and Take-Two Interactive Software, both delivered strong performance. We have taken profits here. While we are still positive on the longer-term prospects for this industry, in the medium-term these companies no longer offer such an attractive balance between risk and reward as they once did. Not everything in the technology sector went in our favour this year. So, although our exposure to semiconductors and to software and services was rewarding, our negative stance towards hardware and equipment was detrimental to returns, particularly our underweight exposure to Apple.

The fund's performance also benefited from its holdings in a number of industrial stocks. In anticipation of increased spending on defence by the US government after a long period of underinvestment, the fund has had exposure to the defence sector for some time. As an oligopolistic sector, it seemed likely that a handful of companies would benefit from this renewed investment. We have further added to our holdings in the industrials sector over the past year in the belief they will be beneficiaries of the extended economic cycle and from an increase in spending on infrastructure. For example, we added United Rentals, an equipment rental company whose earnings will respond to increased spending on construction. Staying in this area, not holding General Electric was also beneficial: its performance over the last 12 months has been poor.

Outlook – Continued growth, the 'Amazon effect' and buying banks …

We believe that the US economy will remain supportive of the stock market in the year ahead. Although we are clearly late in the current business cycle, Trump's tax cuts are helping to extend and prolong it. Inflation and interest rates will rise – but we expect increases in both to be gradual. Growth in earnings seems likely to be strong for the second consecutive year: the market is expecting growth of over 20% this year, with approximately half coming from the tax cut. Tax cuts aside, underlying growth in earnings remains solid, especially in the technology sector. We expect to see a more balanced market leadership this year, with less dominance from 'growth' stocks. The fund is positioned accordingly, with more exposure to economically sensitive stocks through its holdings in consumer stocks and industrials.

We continue to favour technology stocks. The fund retains its exposure to semiconductor companies as well

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

as to Alphabet and Microsoft. But we have increased its exposure to the consumer sector. In part, we are looking for companies that are less vulnerable to the 'Amazon effect'. We have, for example, a holding in discount retailer Burlington Stores. We believe this part of the retail sector is less likely to be affected by Amazon and could even benefit from the impact it is having on department stores. As a discounter, Burlington Stores can pick up inventories of unsold goods from department stores at attractive prices. They also benefit from the fact that the brands that they are discounting are reluctant to see these discounts advertised on the internet. This supports its traditional 'bricks-and-mortar' retail model. Burlington Stores also has scope to increase margins and footfall in its stores. Elsewhere, we have added to holdings in the restaurant sector. Consumers also benefit from a measure of tax relief and we have already seen trends improving in dining.

Because we believe economic growth will tick higher during the year (thanks in part to the recent tax cuts) we have maintained our exposure to industrial companies. But we have also added to banks which are beneficiaries both of improved economic growth and rising interest rates. Our exposure here ranges from large national lenders such as Bank of America through to Silicon Valley Bank ('SVB Financial Group'), a smaller, regional bank that provides financing for tech start-ups.

Offsetting these overweight positions we have underweight positions in companies whose valuations tend to come under pressure during periods of faster economic growth and rising interest rates, namely 'bond proxies'. These are stocks whose high dividends make them an alternative to bonds. And because bond yields tend to rise when economic growth gets better, the valuation of these companies tends to decline. A prime example are real estate investment trusts (REITs), in which the fund is significantly underweight.

Although we see robust fundamentals in the form of both corporate earnings and the economy we can expect volatility to remain higher given the market's strong performance in the last few years. So, perhaps more than ever, careful stock selection and active management will be key.

Cormac Weldon
Fund manager

Artemis US Select Fund – Investment information

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Micron Technology	39,408	Bank of America	31,547
Alphabet C shares	37,179	Activision Blizzard	30,043
Boeing	35,893	Applied Materials	28,853
Facebook A shares	34,101	Lam Research	28,258
Applied Materials	30,788	Alphabet C shares	25,217

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 99.62% (92.53%)			
Consumer Discretionary 9.21% (15.91%)			
Amazon.com	21,353	23,319	2.75
Brinker International	246,904	6,099	0.72
Burlington Stores	84,389	7,357	0.87
Las Vegas Sands	158,022	8,336	0.98
Liberty Broadband C shares	119,554	7,756	0.91
McDonald's	64,544	7,490	0.88
O'Reilly Automotive	66,861	11,521	1.36
Royal Caribbean Cruises	67,567	6,288	0.74
		78,166	**9.21**
Consumer Staples 4.29% (2.47%)			
Altria Group	418,768	19,355	2.28
Estee Lauder A shares	119,081	12,021	1.42
Philip Morris International	67,249	5,055	0.59
		36,431	**4.29**
Energy 2.82% (5.68%)			
Cimarex Energy	65,063	4,601	0.54
Diamondback Energy	102,922	9,377	1.10
Patterson-UTI Energy	406,564	5,571	0.66
QEP Resources	708,674	4,402	0.52
		23,951	**2.82**
Financials 15.05% (12.61%)			
Bank of America	1,099,926	25,685	3.03
Charles Schwab	444,289	17,264	2.03
Citizens Financial Group	533,928	16,872	1.99
Goldman Sachs Group	89,074	17,242	2.03
S&P Global	97,241	13,562	1.60
SVB Financial Group	136,515	24,421	2.88
Synchrony Financial	477,076	12,681	1.49
		127,727	**15.05**
Health Care 12.19% (9.15%)			
Abbott Laboratories	280,803	12,293	1.45
Agilent Technologies	328,833	16,391	1.93
Anthem	148,159	25,369	2.99
Centene	162,996	12,042	1.42
UnitedHealth Group	142,089	23,855	2.81
Zoetis	229,503	13,540	1.59
		103,490	**12.19**
Industrials 19.77% (11.65%)			
Boeing	99,534	26,200	3.09

Investment	Holding	Valuation £'000	% of net assets
Cintas	244,932	30,252	3.56
Huntington Ingalls Industries	142,332	26,992	3.18
Knight-Swift Transportation Holdings	249,781	8,757	1.03
Norfolk Southern	119,136	12,287	1.45
Raytheon	163,972	25,961	3.06
Rockwell Automation	98,248	13,095	1.54
Timken	257,540	8,399	0.99
United Rentals	123,195	15,872	1.87
		167,815	**19.77**
Information Technology 32.55% (30.61%)			
2U	112,342	6,778	0.80
Activision Blizzard	244,823	12,836	1.51
Alphabet C shares	47,833	38,635	4.55
Applied Materials	474,876	19,770	2.33
Booz Allen Hamilton Holding	255,758	7,105	0.84
Electronic Arts	183,750	16,696	1.97
Facebook A shares	128,613	16,857	1.98
Intuit	150,380	18,500	2.18
Lam Research	128,662	17,978	2.12
Leidos Holdings	155,388	7,320	0.86
Micron Technology	1,071,764	37,607	4.43
Microsoft	447,340	30,440	3.59
Nutanix A shares	451,945	11,725	1.38
Oracle	464,437	17,031	2.01
PayPal Holdings	101,563	5,829	0.69
Visa A shares	124,640	11,110	1.31
		276,217	**32.55**
Materials 2.83% (2.19%)			
Summit Materials A shares	372,132	8,545	1.01
Trinseo	105,594	6,231	0.73
Vulcan Materials	107,513	9,230	1.09
		24,006	**2.83**
Telecommunication Services 0.91% (2.26%)			
T-Mobile US	178,521	7,729	0.91
		7,729	**0.91**
Equities total		**845,532**	**99.62**
Forward currency contracts 0.00% (0.00%)			
I accumulation CHF (NAV hedged) 0.00% (0.00%)			
Buy Swiss Franc 71,417 dated 29/03/2018		55	0.01
Sell US Dollar 76,261 dated 29/03/2018		(55)	(0.01)
		-	**-**
I accumulation EUR (NAV hedged) 0.00% (0.00%)			
Buy Euro 1,475,731 dated 29/03/2018		1,303	0.15
Sell US Dollar 1,818,170 dated 29/03/2018		(1,311)	(0.15)
		(8)	**-**
I accumulation GBP (NAV hedged) 0.00% (0.00%)			
Buy Sterling 1,336,542 dated 29/03/2018		1,336	0.16

Artemis US Select Fund – Investment information (continued)

Investment	Valuation £'000	% of net assets
Sell US Dollar 1,866,522 dated 29/03/2018	(1,346)	(0.16)
	(10)	**-**
R accumulation CHF (NAV hedged) 0.00% (0.00%)		
Buy Swiss Franc 13,820 dated 29/03/2018	11	-
Sell US Dollar 14,757 dated 29/03/2018	(11)	-
	-	**-**
R accumulation EUR (NAV hedged) 0.00% (0.00%)		
Buy Euro 573,690 dated 29/03/2018	507	0.06
Sell US Dollar 706,813 dated 29/03/2018	(510)	(0.06)
	(3)	**-**
Forward currency contracts total	**(21)**	**-**
Investment assets (including investment liabilities)	845,511	99.62
Net other assets	3,235	0.38
Net assets	848,746	100.00

The comparative percentage figures in brackets are as at 28 February 2017.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		93,197		143,217
Revenue	5	7,461		7,064	
Expenses	6	(5,578)		(4,195)	
Interest payable and similar charges	7	(5)		(16)	
Net revenue before taxation		1,878		2,853	
Taxation	8	(1,340)		(995)	
Net revenue after taxation			538		1,858
Total return before distributions			**93,735**		**145,075**
Distributions	9		(541)		(1,858)
Change in net assets attributable to shareholders from investment activities			93,194		143,217

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		558,652		403,889
Amounts receivable on issue of shares	301,913		129,076	
Amounts payable on cancellation of shares	(105,614)		(119,060)	
		196,299		10,016
Dilution adjustment		30		1
Change in net assets attributable to shareholders from investment activities		93,194		143,217
Retained distribution on accumulation shares		571		1,529
Closing net assets attributable to shareholders		848,746		558,652

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	845,532	516,904
Current assets			
Debtors	11	12,004	21,971
Cash and bank balances	12	5,769	33,173
Total current assets		**17,773**	**55,144**
Total assets		**863,305**	**572,048**
Liabilities			
Investment liabilities	10	21	-
Creditors			
Bank overdraft		-	2
Distribution payable		88	264
Other creditors	13	14,450	13,130
Total creditors		**14,538**	**13,396**
Total liabilities		**14,559**	**13,396**
Net assets attributable to shareholders		848,746	558,652

Artemis US Select Fund – Notes to the financial statements

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Contracts for Difference ('CFDs') held in the portfolio are valued at bid when held long and offer when short. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. 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.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised. Distributions which have remained unclaimed by shareholders for six years are credited to the capital property of the sub-fund.

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	92,568	141,400
Currency gains	346	1,791
Forward currency contracts	291	34
Capital transaction charges	(8)	(8)
Net capital gains	93,197	143,217

4. Direct transaction costs

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

	Year ended 28 February 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	1,303,598	477	-	1,304,075	0.04	-
Sales						
Equities	1,068,303	388	24	1,067,891	0.04	-
Total		865	24			
Percentage of sub-fund average net assets		0.13%	0.00%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	1,356,615	1,127	-	1,357,742	0.08	-
Sales						
Equities	1,377,586	1,133	30	1,376,423	0.08	-
Total		2,260	30			
Percentage of sub-fund average net assets		0.45%	0.01%			

During the year the fund incurred £8,000 (2017: £8,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.02% (2017: 0.03%). This spread represents the difference between the bid and offer prices of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	7,295	6,978
Bank interest	166	86
Total revenue	7,461	7,064

Artemis US Select Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	5,062	3,733
Other expenses:		
Administration fees	164	158
Registration fees	148	136
Operational fees	82	70
Depositary fees	77	60
Safe custody fees	23	18
Auditor's remuneration: non-audit fees (taxation)	12	7
Auditor's remuneration: audit fees *	9	9
Price publication fees	1	2
Printing and postage fees	-	2
Total expenses	5,578	4,195

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Interest payable	5	16
Total interest payable and similar charges	5	16

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	1,340	995
Total taxation (note 8b)	1,340	995
b) Factors affecting the tax charge for the year		
Net revenue before taxation	1,878	2,853
Corporation tax at 20% (2017: 20%)	376	571
Effects of:		
Irrecoverable overseas tax	1,340	995
Unutilised management expenses	1,081	764
Overseas withholding tax expensed	-	(11)
Non-taxable overseas dividends	(1,457)	(1,324)
Tax charge for the year (note 8a)	1,340	995

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 sub-fund has not recognised a deferred tax asset of £2,366,000 (2017: £1,285,000) arising as a result of having unutilised management expenses of £11,834,000 (2017: £6,427,000). It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	659	1,793
Add: amounts deducted on cancellation of shares	49	302
Deduct: amounts added on issue of shares	(167)	(237)
Distributions	541	1,858
Movement between net revenue and distributions		
Net revenue after taxation	538	1,858
Deficit transferred to capital	2	-
Expenses paid from capital	1	-
	541	1,858

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution table on page 144.

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).

	28 February 2018		28 February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	845,532	-	516,903	-
Level 2	-	21	1	-
Total	845,532	21	516,904	-

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Sales awaiting settlement	8,362	20,673
Amounts receivable for issue of shares	3,098	823
Accrued revenue	541	470
Prepaid expenses	3	5
Total debtors	12,004	21,971

Artemis US Select Fund – Notes to the financial statements (continued)

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	5,706	33,077
Cash and bank balances	58	96
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	5	-
Total cash and bank balances	5,769	33,173

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	7,285	12,372
Amounts payable for cancellation of shares	6,562	350
Accrued annual management charge	455	308
Accrued other expenses	148	100
Total other creditors	14,450	13,130

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares converted	Shares in issue at 28 February 2018
I accumulation CHF (NAV hedged)	10,000	41,000	-	-	51,000
I accumulation EUR	10,253,188	54,007	(10,114,940)	-	192,255
I accumulation EUR (NAV hedged)	11,133	6,415,127	(5,377,444)	-	1,048,816
I distribution GBP	58,091,049	19,607,342	(6,979,806)	184,007	70,902,592
I accumulation GBP	264,181,909	136,386,687	(19,620,150)	(163,487)	380,784,959
I accumulation GBP (NAV hedged)	134,877	1,646,736	(845,895)	-	935,718
I accumulation USD	46,395,241	36,018,953	(40,760,362)	-	41,653,832
R accumulation CHF (NAV hedged)	10,000	-	-	-	10,000
R accumulation EUR	8,732	-	-	-	8,732
R accumulation EUR (NAV hedged)	582,743	1,147,375	(1,327,619)	-	402,499
R accumulation USD	9,093	-	-	-	9,093

16. Risk disclosures

The sub-fund's financial instruments comprise equities, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 128. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk, arises mainly from uncertainty about future values of financial instruments in the sub-fund's portfolio statement. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-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 sub-fund's financial assets are non-interest bearing, the sub-fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been provided.

(ii) Currency risk

A portion of the net assets of the sub-fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the ACD may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the sub-fund's exposure to currency risk is reduced. The gain on forward currency contracts for the year was £291,000 (2017: £34,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt. For hedged share classes, the hedging is undertaken with regard to managing the currency movement risk on accrued revenue.

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
US Dollar	845,532	3,085	(3,233)	845,384
Euro	-	-	1,810	1,810
Sterling	-	150	1,336	1,486
Swiss Franc	-	-	66	66
28 February 2017				
US Dollar	510,632	42,741	(732)	552,641
Canadian Dollar	6,271	-	-	6,271
Euro	-	-	563	563
Swiss Franc	-	-	18	18
Sterling	-	(993)	152	(841)

A five per cent increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets by £42,363,000 (2017: £27,975,000). A five per cent decrease would have an equal and opposite effect.

I accumulation CHF (NAV hedged)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
Swiss Franc	-	-	55	55
US Dollar	54	-	(55)	(1)
28 February 2017				
US Dollar	8	1	(9)	-
Swiss Franc	-	-	9	9

I accumulation EUR (NAV hedged)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
Euro	-	-	1,303	1,303
US Dollar	1,282	5	(1,311)	(24)
28 February 2017				
US Dollar	10	1	(11)	-
Euro	-	-	11	11

Artemis US Select Fund – Notes to the financial statements (continued)

I accumulation GBP (NAV hedged)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
Sterling	-	-	1,336	1,336
US Dollar	1,316	5	(1,346)	(25)
28 February 2017				
Sterling	-	-	152	152
US Dollar	139	12	(152)	(1)
Canadian Dollar	2	-	-	2

R accumulation CHF (NAV hedged)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
Swiss Franc	-	-	11	11
US Dollar	10	-	(11)	(1)
28 February 2017				
US Dollar	8	1	(9)	-
Swiss Franc	-	-	9	9

R accumulation EUR (NAV hedged)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
28 February 2018				
Euro	-	-	507	507
US Dollar	499	2	(510)	(9)
28 February 2017				
US Dollar	506	42	(551)	(3)
Canadian Dollar	6	-	-	6
Euro	-	-	552	552
Sterling	-	(1)	-	(1)

(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 as detailed in the portfolio statement 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 ACD monitors and reviews these factors. A five per cent increase in the value of the sub-fund's portfolio would have the effect of increasing the return and net assets by £42,277,000 (2017: £25,845,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	102.1	112.2
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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-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 sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages with. On a daily basis the ACD 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. Aside from the custodian, and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 28 February 2018 or 28 February 2017.

Counterparty and collateral exposure

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

	Forward currency contracts £'000
28 February 2018	
JPMorgan	(21)
28 February 2017	
JPMorgan	1

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 134 and notes 6, 9, 11 and 13 on pages 137 to 139 including all issues and cancellations where the ACD acted as principal. The balance due to the ACD as at 28 February 2018 in respect of these transactions was £3,919,000 (2017: due from the ACD £165,000).

Artemis US Select Fund – Notes to the financial statements (continued)

18. Share classes

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

I accumulation CHF (NAV hedged)	0.75%
I accumulation EUR	0.75%
I accumulation EUR (NAV hedged)	0.75%
I distribution GBP	0.75%
I accumulation GBP	0.75%
I accumulation GBP (NAV hedged)	0.75%
I accumulation USD	0.75%
R accumulation CHF (NAV hedged)	1.50%
R accumulation EUR	1.50%
R accumulation EUR (NAV hedged)	1.50%
R accumulation USD	1.50%

The net asset value per share and the number of shares in each class are given in the comparative tables on pages 145 to 147. The distribution per share class are given in the distribution tables on page 144. All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation CHF (NAV hedged)	137.83c	138.30c	(0.3)%
I accumulation EUR	171.05c	161.69c	5.8%
I accumulation EUR (NAV hedged)	139.05c	138.93c	0.1%
I distribution GBP	168.75p	159.74p	5.6%
I accumulation GBP	190.10p	179.92p	5.7%
I accumulation GBP (NAV hedged)	141.76p	141.17p	0.4%
I accumulation USD	157.50c	155.88c	1.0%
R accumulation CHF (NAV hedged)	135.98c	136.49c	(0.4)%
R accumulation EUR	139.97c	132.66c	5.5%
R accumulation EUR (NAV hedged)	140.58c	140.76c	(0.1)%
R accumulation USD	143.17c	142.04c	0.8%

Final dividend distribution for the year ended 28 February 2018 (payable on 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I accumulation CHF (NAV hedged)				
Group 1	0.0042c	-	0.0042c	0.2186c
Group 2	0.0042c	-	0.0042c	0.2186c
I accumulation EUR				
Group 1	0.0723c	-	0.0723c	0.4714c
Group 2	0.0312c	0.0411c	0.0723c	0.4714c
I accumulation EUR (NAV hedged)				
Group 1	0.0564c	-	0.0564c	0.2152c
Group 2	0.0205c	0.0359c	0.0564c	0.2152c
I distribution GBP				
Group 1	0.1237p	-	0.1237p	0.4552p
Group 2	0.0318p	0.0919p	0.1237p	0.4552p
I accumulation GBP				
Group 1	0.1401p	-	0.1401p	0.5076p
Group 2	0.0495p	0.0906p	0.1401p	0.5076p
I accumulation GBP (NAV hedged)				
Group 1	0.1085p	-	0.1085p	0.2678p
Group 2	0.0613p	0.0472p	0.1085p	0.2678p
I accumulation USD				
Group 1	0.1199c	-	0.1199c	0.3925c
Group 2	0.0463c	0.0736c	0.1199c	0.3925c
R accumulation CHF (NAV hedged)				
Group 1	-	-	-	-
Group 2	-	-	-	-
R accumulation EUR				
Group 1	-	-	-	-
Group 2	-	-	-	-
R accumulation EUR (NAV hedged)				
Group 1	-	-	-	-
Group 2	-	-	-	-
R accumulation USD				
Group 1	-	-	-	-
Group 2	-	-	-	-

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

Artemis US Select Fund – Comparative tables

	I accumulation CHF (NAV hedged)		I accumulation EUR		
	2018	2017	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**111.93**	**100.00**	**147.13**	**120.35**	**122.38**
Return before operating charges *	27.39	12.73	15.77	27.86	(0.55)
Operating charges	(1.02)	(0.80)	(1.21)	(1.08)	(1.48)
Return after operating charges	26.37	11.93	14.56	26.78	(2.03)
Distributions	0.00	(0.22)	(0.07)	(0.47)	(0.26)
Retained distributions on accumulation shares	0.00	0.22	0.07	0.47	0.26
Closing net asset value per share	**138.30**	**111.93**	**161.69**	**147.13**	**120.35**
* after direct transaction costs of	(0.16)	(0.48)	(0.19)	(0.59)	(0.67)
Performance					
Return after charges	23.56%	11.93%	9.90%	22.25%	(1.66)%
Other information					
Closing net asset value (£'000)	54	9	274	12,853	11,789
Closing number of shares	51,000	10,000	192,255	10,253,188	12,468,585
Operating charges	0.83%	0.77%	0.83%	0.84%	0.86%
Direct transaction costs	0.13%	0.46%	0.13%	0.46%	0.54%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	142.47	112.68	164.41	149.31	137.01
Lowest price	109.48	95.30	138.76	116.45	107.95

	I accumulation EUR (NAV hedged)		I distribution GBP		
	2018	2017	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**112.26**	**100.00**	**140.44**	**106.29**	**100.00**
Return before operating charges *	27.72	13.06	20.65	35.65	7.21
Operating charges	(1.05)	(0.80)	(1.23)	(1.04)	(0.73)
Return after operating charges	26.67	12.26	19.42	34.61	6.48
Distributions	(0.06)	(0.22)	(0.12)	(0.46)	(0.19)
Retained distributions on accumulation shares	0.06	0.22	-	-	-
Closing net asset value per share	**138.93**	**112.26**	**159.74**	**140.44**	**106.29**
* after direct transaction costs of	(0.17)	(0.48)	(0.19)	(0.57)	(0.55)
Performance					
Return after charges	23.76%	12.26%	13.83%	32.56%	6.48%
Other information					
Closing net asset value (£'000)	1,286	11	113,258	81,581	25,897
Closing number of shares	1,048,816	11,133	70,902,592	58,091,049	24,364,005
Operating charges	0.83%	0.77%	0.83%	0.84%	0.72%
Direct transaction costs	0.13%	0.46%	0.13%	0.46%	0.54%
Prices	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Highest price	143.31	113.01	161.80	141.68	108.98
Lowest price	109.81	95.17	134.78	102.82	94.67

	I accumulation GBP			I accumulation GBP (NAV hedged)	
	2018	2017	2016	2018	2017**
Change in net assets per share	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**158.06**	**119.22**	**112.21**	**113.09**	**100.00**
Return before operating charges *	23.24	39.99	7.99	29.14	13.93
Operating charges	(1.38)	(1.15)	(0.98)	(1.06)	(0.84)
Return after operating charges	21.86	38.84	7.01	28.08	13.09
Distributions	(0.14)	(0.51)	(0.26)	(0.11)	(0.27)
Retained distributions on accumulation shares	0.14	0.51	0.26	0.11	0.27
Closing net asset value per share	**179.92**	**158.06**	**119.22**	**141.17**	**113.09**
* after direct transaction costs of	(0.22)	(0.63)	(0.62)	(0.17)	(0.50)
Performance					
Return after charges	13.83%	32.58%	6.25%	24.83%	13.09%
Other information					
Closing net asset value (£'000)	685,124	417,575	311,499	1,321	152
Closing number of shares	380,784,959	264,181,909	261,276,283	935,718	134,877
Operating charges	0.83%	0.84%	0.86%	0.83%	0.77%
Direct transaction costs	0.13%	0.46%	0.54%	0.13%	0.46%
Prices	**(p)**	**(p)**	**(p)**	**(p)**	**(p)**
Highest price	182.11	158.95	122.01	145.41	113.83
Lowest price	151.69	115.34	105.99	110.78	94.92

	I accumulation USD			R accumulation CHF (NAV hedged)	
	2018	2017	2016	2018	2017**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**123.06**	**103.37**	**108.36**	**111.22**	**100.00**
Return before operating charges *	33.95	20.62	(3.58)	27.19	12.73
Operating charges	(1.13)	(0.93)	(1.41)	(1.92)	(1.51)
Return after operating charges	32.82	19.69	(4.99)	25.27	11.22
Distributions	(0.12)	(0.39)	(0.23)	-	-
Retained distributions on accumulation shares	0.12	0.39	0.23	-	-
Closing net asset value per share	**155.88**	**123.06**	**103.37**	**136.49**	**111.22**
* after direct transaction costs of	(0.18)	(0.51)	(0.59)	(0.16)	(0.48)
Performance					
Return after charges	26.67%	19.05%	(4.61)%	22.72%	11.22%
Other information					
Closing net asset value (£'000)	46,899	45,891	54,704	11	9
Closing number of shares	41,653,832	46,395,241	73,320,373	10,000	10,000
Operating charges	0.83%	0.84%	0.86%	1.58%	1.45%
Direct transaction costs	0.13%	0.46%	0.54%	0.13%	0.46%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	160.26	123.89	114.30	140.71	112.00
Lowest price	120.61	103.25	96.57	108.73	95.15

Artemis US Select Fund – Comparative tables (continued)

	R accumulation EUR		R accumulation EUR (NAV hedged)		R accumulation USD	
	2018	2017**	2018	2017**	2018	2017**
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**121.62**	**100.00**	**111.59**	**100.00**	**113.00**	**100.00**
Return before operating charges *	12.99	23.19	31.15	13.20	31.01	14.52
Operating charges	(1.95)	(1.57)	(1.98)	(1.61)	(1.97)	(1.52)
Return after operating charges	11.04	21.62	29.17	11.59	29.04	13.00
Distributions	-	-	-	-	-	-
Retained distributions on accumulation shares	-	-	-	-	-	-
Closing net asset value per share	**132.66**	**121.62**	**140.76**	**111.59**	**142.04**	**113.00**
* after direct transaction costs of	(0.16)	(0.50)	(0.16)	(0.51)	(0.16)	(0.48)
Performance						
Return after charges	9.08%	21.62%	26.14%	11.59%	25.70%	13.00%
Other information						
Closing net asset value (£'000)	10	9	500	554	9	8
Closing number of shares	8,732	8,732	402,499	582,743	9,093	9,093
Operating charges	1.58%	1.45%	1.58%	1.45%	1.58%	1.45%
Direct transaction costs	0.13%	0.46%	0.13%	0.46%	0.13%	0.46%
Prices	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**	**(c)**
Highest price	134.99	123.44	145.13	112.37	146.12	113.78
Lowest price	114.28	96.88	109.08	95.01	110.67	95.30

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

** The operating charges are calculated on an ex-post basis and as such may differ from the ongoing charges figure where the ongoing charge has been annualised for a class that has not been open for a full year.

Ongoing charges

Class	28 February 2018
I accumulation EUR (NAV hedged)	0.83%
I accumulation EUR	0.83%
I distribution GBP	0.83%
I accumulation CHF (NAV hedged)	0.83%
I accumulation GBP (NAV hedged)	0.83%
I accumulation GBP	0.83%
I accumulation USD	0.83%
R accumulation CHF (NAV hedged)	1.58%
R accumulation EUR (NAV hedged)	1.58%
R accumulation EUR	1.58%
R accumulation USD	1.58%

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

Fund performance

	Since launch *	1 year	6 months
Artemis US Select Fund	79.9	13.8	8.2
S&P 500 Index	71.7	5.8	3.7
Sector average	63.0	4.9	4.1
Position in sector	7/78	6/89	5/91
Quartile	1	1	1

* Data from 19 September 2014. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 28 February 2018. All performance figures show total return percentage growth. Sector is IA North America.

Artemis US Smaller Companies Fund

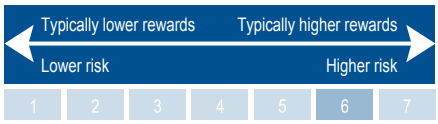
Investment objective and policy

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

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

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

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the sub-fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risks of investing in the sub-fund include:

- The price of shares, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the sub-fund's assets may be invested in a currency other than the sub-fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies are often not as easy to sell as shares in larger companies are. This can cause difficulty in buying, valuing and selling those shares. Also, reliable information for deciding their value or the risks may not be available.

- The fund returns 4.1%*, versus a benchmark down 0.2%*.
- Holdings in technology and healthcare perform particularly well.
- Domestically oriented companies will benefit from the tax cuts.

Performance – Outpacing a rising index …

The fund performed well over the year. In US dollar terms, it returned 15.8%* against the Russell 2000 Index's 10.5%*. In sterling terms, it returned 4.1%* against a 0.2%* decline in the benchmark. The sources for this good performance were varied, embracing a wide range of stocks and sectors.

Review – Domestic stocks boosted by tax cuts …

After an initial strong surge following Trump's election, the performance of US small- and mid-cap stocks was more muted than that of large caps over the year. The reforms promised during the election campaign took their time to materialise, which meant that scepticism set in. The long-awaited tax reform was finally passed at the end of the year. The changes to taxation will have a particularly big impact on smaller companies as – not having the option of using overseas domiciles – they tend to be high tax-payers. This should give a significant boost to their earnings, but it has not yet translated into share-price performance.

Since the end of the summer, economic data has been strong. Activity in the manufacturing sector is solid; consumer spending has picked up and unemployment is at the lowest in decades. We think that the economic cycle has been extended and that conditions will remain good for the next two years. There are concerns now that inflation could rise too fast, leading to the economy overheating. But our assumption is that inflation and interest rates will rise gradually over the course of the year. This economic background remains supportive for smaller companies, which tend to have a domestic focus.

Among the positive contributors to performance was Abiomed, the maker of heart pumps. The company has a unique product, which is seeing strong take-up. Nutanix, a specialist in cloud computing, also made a good contribution. Nutanix has a compelling offering in technology infrastructure which is disrupting higher-priced alternatives.

Take-Two Interactive Software, the videogame producer, was again a strong contributor to performance. The market has gained confidence in their growing revenues and improving profits. While we are still positive on the outlook for Take-Two, we have taken profits.

Leading trucking company Swift Transportation was taken over by its larger competitor Knight. The shares had suffered prior to this but recovered over the last 12 months. The recovery started with the takeover, but persisted as the improving trends in pricing and volumes that we had been anticipating eventually came through. We are still positive on the outlook for trucking and we have kept a holding in the new combined entity of Knight Swift Transportation Holdings.

As the retail sector continues to see pressure from e-commerce and from Amazon, we remain cautious on retailers in general. However, we think that discount retailers are relatively sheltered from Amazon. They benefit from struggling department stores wanting to get rid of unsold inventory and also from the reluctance of luxury brands to offer heavy discounts online. We therefore bought a position in discount retailer Burlington Stores.

The fund's exposure to the banking sector worked well, and we added to it during the year. The background of rising interest rates is positive for banks and there is also scope for consolidation in the sector. We hold a couple of regional banks: Silicon Valley Bank ('SVB Financial Group') provides financing to tech start-ups and Zions operates in the western United States.

While the fund performed well, there were two detractors of note. In technology, our holding in Lumentum was disappointing. It supplies the laser technology that underpins the face-recognition feature of the new iPhone X. While this technology is unique and we expect it to be more widely used, the company suffered from the disappointing sales of the new iPhone. We sold the holding. We also sold our position in Spirit Airlines at the beginning of the summer. Our investment thesis has been challenged by incumbent airlines launching a price war. This will undermine Spirit's plans to grow market share by opening new routes.

Outlook – The cycle is extending …

We think economic growth will continue to remain solid this year and that the cycle has now been prolonged to 2020. While we expect inflation to rise, we expect the increase to be gradual. Tax cuts will boost already-strong earnings growth. We believe that this environment is supportive for smaller companies as they tend to be more geared to the domestic economy. They are also very likely to benefit from a rise in meregers and acquisitions activity. While valuations are not cheap, neither are they overly demanding.

Our holdings are split between two main types of companies. First, we have significant holdings in companies whose earnings we believe can continue to grow irrespective of the economic environment. A number of these 'growth' stocks are in technology and healthcare. In addition, as we believe the economy will continue to expand, we hold a number of cyclical stocks (particularly banks and industrials) that will benefit from this. We are underweight in companies which tend to suffer during periods of rising economic growth, namely 'bond proxies'. These include real estate investment trusts, in which the fund is significantly underweight.

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

Artemis US Smaller Companies Fund – Investment review (continued)

A relatively new holding that should benefit from the elongated economic cycle is Timken, which makes ball-bearings for heavy industrial machinery. So far, its performance has been disappointing but we continue to hold this company as we believe its results will improve through the year.

We added to holdings in consumer stocks as we are seeing an improvement in consumer spending that the individual tax cut is likely to boost further. Additions included restaurant chain Brinker Inernational, Vail Resorts (ski resorts) and horse racing and betting company Churchill Downs.

Smaller companies remain under-appreciated by investors in terms of size and breadth of opportunities. Often overlooked by investors, we believe they deserve renewed attention due to their gearing to the economy and the positive impact of the tax cuts.

Cormac Weldon
Fund manager

Five largest purchases and sales for the year ended 28 February 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Timken	9,383	Advanced Energy Industries	10,049
Lumentum Holdings	9,152	Lumentum Holdings	8,219
Zions Bancorporation	8,411	Liberty Media Corp-Liberty Formula One C shares	7,944
Power Integrations	7,928	Versum Materials	7,766
Triton International	7,638	Power Integrations	7,764

Portfolio statement as at 28 February 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 99.36% (94.84%)			
Consumer Discretionary 19.69% (4.80%)			
Bright Horizons Family Solutions	67,539	4,689	2.02
Brinker International	115,504	2,853	1.23
Burlington Stores	76,640	6,682	2.87
Canada Goose Holdings	98,370	2,328	1.00
Carvana	302,276	4,524	1.94
Chegg	161,692	2,340	1.01
Churchill Downs	41,123	7,611	3.27
Five Below	83,846	4,030	1.73
Live Nation Entertainment	152,179	5,249	2.26
Vail Resorts	36,354	5,498	2.36
		45,804	**19.69**
Consumer Staples 2.41% (4.19%)			
Lamb Weston Holdings	142,542	5,602	2.41
		5,602	**2.41**
Energy 3.22% (6.72%)			
Matador Resources	130,150	2,789	1.20
Patterson-UTI Energy	217,634	2,982	1.28
QEP Resources	276,978	1,721	0.74
		7,492	**3.22**
Financials 21.41% (19.95%)			
E-Trade Financial	131,909	5,060	2.17
MarketAxess Holdings	32,356	4,695	2.02
MSCI	33,732	3,480	1.50
Santander Consumer USA Holdings	371,611	4,421	1.90
ServisFirst Bancshares	138,027	4,119	1.77
SVB Financial Group	13,878	2,483	1.07
Synovus Financial	170,268	6,163	2.65
Voya Financial	92,805	3,472	1.49
Webster Financial	79,817	3,198	1.37
Western Alliance Bancorp	119,395	5,113	2.20
Zions Bancorporation	188,967	7,608	3.27
		49,812	**21.41**
Health Care 9.00% (5.87%)			
Abiomed	25,598	5,013	2.16

Artemis US Smaller Companies Fund – Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
AxoGen	59,852	1,349	0.58
Canopy Growth	54,819	815	0.35
Catalent	66,532	2,050	0.88
K2M Group Holdings	277,421	4,096	1.76
Nevro	53,270	3,185	1.37
WellCare Health Plans	31,390	4,420	1.90
		20,928	**9.00**
Industrials 13.51% (18.39%)			
Cintas	47,656	5,886	2.53
Healthcare Services Group	57,221	1,941	0.84
Huntington Ingalls Industries	25,284	4,795	2.06
Knight-Swift Transportation Holdings	173,599	6,086	2.62
Mercury Systems	33,805	1,142	0.49
Spirit AeroSystems Holdings A shares	49,110	3,217	1.38
Timken	255,955	8,347	3.59
		31,414	**13.51**
Information Technology 19.51% (26.19%)			
2U	91,639	5,529	2.38
Advanced Energy Industries	100,242	4,829	2.08
Aspen Technology	41,051	2,320	1.00
Booz Allen Hamilton Holding	144,661	4,019	1.73
Cognex	53,715	2,077	0.89
DST Systems	71,294	4,288	1.84
Finisar	180,466	2,371	1.02
Jack Henry & Associates	59,920	5,173	2.23
Leidos Holdings	57,392	2,704	1.16
Nutanix A shares	382,220	9,916	4.26
Take-Two Interactive Software	26,450	2,144	0.92
		45,370	**19.51**
Materials 7.66% (4.46%)			
Graphic Packaging Holding	633,418	7,119	3.06
Ivanhoe Mines A shares	1,057,624	2,016	0.87
Stelco Holdings	58,763	825	0.35
Summit Materials A shares	129,851	2,981	1.28
Trinseo	47,072	2,778	1.19
Venator Materials	146,774	2,107	0.91
		17,826	**7.66**
Real Estate 0.86% (2.81%)			
Rexford Industrial Realty, REIT	55,985	1,095	0.47
Sun Communities, REIT	14,513	910	0.39
		2,005	**0.86**
Utilities 2.09% (1.46%)			
NextEra Energy Partners	170,455	4,863	2.09
		4,863	**2.09**
Investment assets		231,116	99.36
Net other assets		1,487	0.64
Net assets attributable to shareholders		232,603	100.00

The comparative percentage figures in brackets are as at 28 February 2017.

Statement of total return for the year ended 28 February 2018

	Note	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Income					
Net capital gains	3		7,426		32,290
Revenue	5	1,809		892	
Expenses	6	(1,679)		(764)	
Interest payable and similar charges	7	(6)		(4)	
Net revenue before taxation		124		124	
Taxation	8	(191)		(94)	
Net (expense)/revenue after taxation			(67)		30
Total return before distributions			**7,359**		**32,320**
Distributions	9		13		(30)
Change in net assets attributable to shareholders from investment activities			7,372		32,290

Statement of change in net assets attributable to shareholders for the year ended 28 February 2018

	28 February 2018 £'000	£'000	28 February 2017 £'000	£'000
Opening net assets attributable to shareholders		163,531		60,550
Amounts receivable on issue of shares	103,740		88,067	
Amounts payable on cancellation of shares	(42,084)		(17,512)	
		61,656		70,555
Dilution adjustment		44		55
Change in net assets attributable to shareholders from investment activities		7,372		32,290
Retained distribution on accumulation shares		-		81
Closing net assets attributable to shareholders		232,603		163,531

Balance sheet as at 28 February 2018

	Note	28 February 2018 £'000	28 February 2017 £'000
Assets			
Fixed assets			
Investments	10	231,116	155,096
Current assets			
Debtors	11	4,741	634
Cash and bank balances	12	489	10,837
Total current assets		**5,230**	**11,471**
Total assets		**236,346**	**166,567**
Liabilities			
Creditors			
Other creditors	13	3,743	3,036
Total creditors		**3,743**	**3,036**
Total liabilities		**3,743**	**3,036**
Net assets attributable to shareholders		232,603	163,531

Artemis US Smaller Companies Fund – Notes to the financial statements

1. Accounting policies

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

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

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

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Interest on margin accounts held with brokers is included in the revenue return. All other gains/losses and cash flows from derivatives are included in the capital return.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. 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. 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.

The ACD has agreed to cap the expenses of the sub-fund. Any reimbursement due back to the sub-fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 6.

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

2. Distribution policy

The sub-fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The sub-fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. With the exception of the ACD's annual management charge, which is directly attributable to each share class, all income and expenses are apportioned to each share class pro-rata to the value of the net assets of the relevant share class on the day that the income or expense is recognised. Distributions which have remained unclaimed by shareholders for six years are credited to the capital property of the sub-fund.

3. Net capital gains

	28 February 2018 £'000	28 February 2017 £'000
Non-derivative securities	7,813	31,881
Capital transaction charges	(6)	(5)
Currency (losses)/gains	(132)	165
Forward currency contracts	(249)	230
Derivative contracts	-	19
Net capital gains	7,426	32,290

4. Direct transaction costs

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

	Year ended 28 February 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	319,602	107	-	319,709	0.03	-
Sales						
Equities	251,543	89	6	251,448	0.04	-
Total		196	6			
Percentage of sub-fund average net assets		0.10%	0.00%			

	Year ended 28 February 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage principal %	Taxes as a percentage of principal %
Purchases						
Equities	207,613	141	-	207,754	0.07	-
Sales						
Equities	144,047	119	3	143,925	0.08	-
Total		260	3			
Percentage of sub-fund average net assets		0.31%	0.00%			

During the year the sub-fund incurred £6,000 (2017: £5,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.05% (2017: 0.06%). This spread represents the difference between the bid and offer values of each underlying investment of the sub-fund expressed as a percentage of its offer price.

5. Revenue

	28 February 2018 £'000	28 February 2017 £'000
Overseas dividends	1,755	882
Bank interest	42	10
UK dividends	12	-
Total revenue	1,809	892

Artemis US Smaller Companies Fund – Notes to the financial statements (continued)

6. Expenses

	28 February 2018 £'000	28 February 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	1,458	623
Other expenses:		
Administration fees	68	48
Registration fees	54	30
Operational fees	52	36
Depositary fees	22	10
Auditor's remuneration: audit fees *	9	9
Auditor's remuneration: non-audit fees (taxation)	8	3
Safe custody fees	7	3
Price publication fees	1	1
Printing and postage fees	-	1
Total expenses	1,679	764

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

7. Interest payable and similar charges

	28 February 2018 £'000	28 February 2017 £'000
Interest payable	6	4
Total interest payable and similar charges	6	4

8. Taxation

	28 February 2018 £'000	28 February 2017 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	191	94
Total taxation (note 8b)	191	94
b) Factors affecting the tax charge for the year		
Net revenue before taxation	124	124
Corporation tax at 20% (2017: 20%)	25	25
Effects of:		
Unutilised management expenses	320	124
Irrecoverable overseas tax	191	94
Overseas withholding tax expensed	(2)	(5)
Non-taxable UK dividends	(2)	-
Non-taxable overseas dividends	(341)	(144)
Tax charge for the year (note 8a)	191	94

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 sub-fund has not recognised a deferred tax asset of £526,000 (2017: £206,000) arising as a result of having unutilised management expenses of £2,628,000 (2017: £1,029,000).It is unlikely that the sub-fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	28 February 2018 £'000	28 February 2017 £'000
Final dividend distribution	-	81
Add: amounts deducted on cancellation of shares	7	6
Deduct: amounts added on issue of shares	(20)	(57)
Distributions	(13)	30
Movement between net (expense)/revenue and distributions		
Net (expense)/revenue after taxation	(67)	30
Expenses paid from capital	54	-
	(13)	30

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. Details of the distributions per share are set out in the distribution table on page 162.

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).

	28 February 2018	28 February 2017
	Assets £'000	Assets £'000
Level 1	231,116	155,096
Total	231,116	155,096

11. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Amounts receivable for issue of shares	4,433	584
Sales awaiting settlement	224	-
Accrued revenue	83	44
Prepaid expenses	1	2
Overseas withholding tax recoverable	-	4
Total debtors	4,741	634

Artemis US Smaller Companies Fund – Notes to the financial statements (continued)

12. Cash and bank balances

	28 February 2018 £'000	28 February 2017 £'000
Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.)	439	4,973
Cash and bank balances	50	5,864
Total cash and bank balances	489	10,837

13. Other creditors

	28 February 2018 £'000	28 February 2017 £'000
Purchases awaiting settlement	3,522	2,873
Accrued annual management charge	124	87
Accrued other expenses	68	47
Amounts payable for cancellation of shares	29	29
Total other creditors	3,743	3,036

14. Contingent liabilities and commitments

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

15. Reconciliation of share movements

Class	Shares in issue at 28 February 2017	Shares issued	Shares cancelled	Shares in issue at 28 February 2018
I accumulation EUR	6,700,000	415,556	-	7,115,556
I accumulation GBP	34,887,983	41,796,394	(18,362,847)	58,321,530
I accumulation USD	81,998,902	23,023,567	(7,543,009)	97,479,460

16. Risk disclosures

The sub-fund's financial instruments comprise equities, cash balances and liquid resources which include debtors and creditors. The sub-fund holds such financial assets in accordance with its investment objective and policy which is provided on page 149. The sub-fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks which the sub-fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the sub-fund's investment portfolio. The sub-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 and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The ACD'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 sub-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 sub-fund's financial assets are non-interest bearing, the sub-fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been provided.

(ii) Currency risk

A portion of the net assets of the sub-fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the ACD may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the sub-fund's exposure to currency risk is reduced. There were no open forward currency contracts as at 28 February 2018 or 28 February 2017.

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Total £'000
28 February 2018			
US Dollar	227,460	1,609	229,069
Canadian Dollar	3,656	-	3,656
Sterling	-	(122)	(122)
28 February 2017			
US Dollar	151,688	8,595	160,283
Canadian Dollar	3,408	-	3,408
Sterling	-	(160)	(160)

A five per cent increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets by £11,636,000 (2017: £8,185,000). A five per cent 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 as detailed in the portfolio statement 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 ACD monitors and reviews these factors. A five per cent increase in the value of the sub-fund's portfolio would have the effect of increasing the return and net assets by £11,556,000 (2017: £7,755,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

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

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

As at 28 February 2018 and 28 February 2017 the leverage ratios of the sub-fund were:

	28 February 2018 %	28 February 2017 %
Sum of the notionals	100.4%	110.3%
Commitment	100.0%	100.0%

Artemis US Smaller Companies Fund – Notes to the financial statements (continued)

(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 sub-fund, resulting in a financial loss. From time to time, the sub-fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The ACD 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 JPMorgan Chase Bank N.A. ('JPMorgan'), the sub-fund's custodian and banker, who holds the sub-fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JPMorgan may cause the sub-fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The depositary receives and reviews a semi-annual report on the internal controls in place at JPMorgan. The sub-fund is also exposed to counterparty risk through holding specific financial instruments.

The ACD is permitted to use one or more separate counterparties for derivative transactions. The sub-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 sub-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 sub-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 sub-fund. To minimise such risk the ACD will assess the creditworthiness of any counterparty that it engages with. On a daily basis the ACD 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. Aside from the custodian, and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 28 February 2018 or 28 February 2017.

(c) Liquidity risk

Some of the sub-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 sub-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 sub-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 sub-fund may be unable to meet investor redemptions. Market liquidity considers a sub-fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the sub-fund that is realisable within a redemption cycle measured against the largest shareholder.

17. Related party transactions

The ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the statement of total return, statement of change in net assets attributable to shareholders and the balance sheet on page 154 and notes 6, 9, 11 and 13 on pages 157 to 159 including all issues and cancellations where the ACD acted as principal.

The balance due from the ACD as at 28 February 2018 in respect of these transactions was £4,280,000 (2017: due to the ACD £468,000).

18. Share classes

The annual management charge on each share class is 0.75%.

The net asset value per share and the number of shares in each class are given in the comparative tables on page 163. The distribution per share class are given in the distribution table on page 162. All classes have the same rights on winding up.

19. Post balance sheet event

Since 28 February 2018, the net asset values per share, have changed as follows:

	Net asset value per share		
	26 June 2018	28 February 2018	Movement
I accumulation EUR	192.99c	166.71c	15.8%
I accumulation GBP	216.03p	186.86p	15.6%
I accumulation USD	177.70c	160.71c	10.6%

Artemis US Smaller Companies Fund – Distribution table

Final dividend distribution for the year ended 28 February 2018 (payable on 30 April 2018) per share.

Group 1 - Shares purchased prior to 1 March 2017.
Group 2 - Shares purchased from 1 March 2017 to 28 February 2018.

	Net revenue per share	Equalisation per share	Distribution per share 30 April 2018	Distribution per share 28 April 2017
I accumulation EUR				
Group 1	-	-	-	0.0952c
Group 2	-	-	-	0.0952c
I accumulation GBP				
Group 1	-	-	-	0.0911p
Group 2	-	-	-	0.0911p
I accumulation USD				
Group 1	-	-	-	0.0667c
Group 2	-	-	-	0.0667c

Corporate shareholders should note that:
1. 100.00% of the revenue distribution is received as franked investment income.
2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

Artemis US Smaller Companies Fund – Comparative tables

	I accumulation EUR			I accumulation GBP		
	2018	2017	2016	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Opening net asset value per share	**165.87**	**121.96**	**127.60**	**179.50**	**121.70**	**117.86**
Return before operating charges *	2.25	45.22	(3.91)	8.94	59.17	5.01
Operating charges	(1.41)	(1.31)	(1.73)	(1.58)	(1.37)	(1.17)
Return after operating charges	0.84	43.91	(5.64)	7.36	57.80	3.84
Distributions	-	(0.10)	(0.02)	-	(0.09)	-
Retained distributions on accumulation shares	-	0.10	0.02	-	0.09	-
Closing net asset value per share	**166.71**	**165.87**	**121.96**	**186.86**	**179.50**	**121.70**
* after direct transaction costs of	(0.15)	(0.39)	(0.41)	(0.16)	(0.40)	(0.38)
Performance						
Return after charges	0.51%	36.00%	(4.42)%	4.10%	47.49%	3.26%
Other information						
Closing net asset value (£'000)	10,468	9,469	2,980	108,978	62,623	25,623
Closing number of shares	7,115,556	6,700,000	3,110,000	58,321,530	34,887,983	21,053,674
Operating charges	0.87%	0.92%	1.00%	0.87%	0.92%	1.00%
Direct transaction costs	0.09%	0.27%	0.32%	0.09%	0.27%	0.32%
Prices	**(c)**	**(c)**	**(c)**	**(p)**	**(p)**	**(p)**
Highest price	172.87	168.47	139.61	194.67	180.66	127.52
Lowest price	151.73	121.12	106.65	166.70	120.11	106.57

	I accumulation USD		
	2018	2017	2016
Change in net assets per share	**(c)**	**(c)**	**(c)**
Opening net asset value per share	**138.74**	**104.74**	**112.99**
Return before operating charges *	23.25	35.14	(6.56)
Operating charges	(1.28)	(1.14)	(1.69)
Return after operating charges	21.97	34.00	(8.25)
Distributions	-	(0.07)	-
Retained distributions on accumulation shares	-	0.07	-
Closing net asset value per share	**160.71**	**138.74**	**104.74**
* after direct transaction costs of	(0.13)	(0.34)	(0.36)
Performance			
Return after charges	15.84%	32.46%	(7.30)%
Other information			
Closing net asset value (£'000)	113,157	91,439	31,947
Closing number of shares	97,479,460	81,998,902	42,256,255
Operating charges	0.87%	0.92%	1.00%
Direct transaction costs	0.09%	0.27%	0.32%
Prices	**(c)**	**(c)**	**(c)**
Highest price	167.74	139.56	120.73
Lowest price	132.43	105.28	95.40

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

Ongoing charges

Class	28 February 2018
I accumulation EUR	0.87%
I accumulation GBP	0.87%
I accumulation USD	0.87%

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

Fund performance

	Since launch *	1 year	6 months
Artemis US Smaller Companies Fund	86.9	4.1	2.1
Russell 2000 Index	66.0	(0.2)	1.3
Sector average	63.8	1.2	3.9
Position in sector	2/8	2/8	6/9
Quartile	1	1	3

* Data from 27 October 2015. Source: Lipper Limited, class I accumulation GBP shares, mid to mid in sterling with dividends reinvested to 28 February 2018. All performance figures show total return percentage growth. Sector is IA North American Smaller Companies.

Information for Swiss Investors (unaudited)

Performance information

The performance returns below have been calculated in accordance with the guidelines issued by the Swiss Funds Association and are provided for each share class within the sub-funds.

	Launch date	For the year ended 28 February 2018	Period from launch to 28 February 2018	For the year ended 28 February 2017
Artemis Global Emerging Markets Fund				
I accumulation EUR	8 April 2015	16.4	18.5	36.4
MSCI Emerging Markets Index (EUR)		13.7	10.8	32.4
I distribution GBP	8 April 2015	20.4	43.8	48.1
I accumulation GBP	8 April 2015	20.5	44.0	48.2
MSCI Emerging Markets Index (GBP)		17.9	35.6	45.0
I accumulation USD	8 April 2015	34.1	33.2	32.9
MSCI Emerging Markets Index (USD)		30.5	25.3	29.5
Artemis Global Equity Income Fund				
I accumulation EUR	3 June 2015	2.6	5.5	20.0
I distribution EUR	3 June 2015	2.6	5.2	19.6
MSCI All Country World Index (EUR)		3.5	15.5	24.8
I accumulation GBP	3 June 2015	6.3	28.0	30.1
I distribution GBP	3 June 2015	6.2	27.8	30.0
MSCI All Country World Index (GBP)		7.3	39.2	36.7
I accumulation USD	3 June 2015	18.2	15.9	16.8
I distribution USD	3 June 2015	18.2	15.7	16.7
MSCI All Country World Index (USD)		18.8	25.1	22.1
R accumulation EUR	30 July 2015	1.9	6.1	19.1
MSCI All Country World Index (EUR)		3.5	14.7	24.8
R accumulation USD	30 July 2015	17.4	18.2	16.0
MSCI All Country World Index (USD)		18.8	28.1	22.1
Artemis Pan European Absolute Return Fund				
I accumulation GBP (Hedged)	14 July 2014	4.5	23.6	17.2
LIBOR GBP 3 Months		0.4	1.5	0.8
I accumulation EUR (Hedged)	27 October 2014	3.8	21.9	15.4
LIBOR EUR 3 Month		(0.4)	(0.7)	(0.3)
I accumulation USD (Hedged)	27 October 2014	6.3	27.3	17.8
LIBOR USD 3 Month		1.4	2.4	1.0
R accumulation EUR (Hedged)	31 August 2016	3.3	7.3	-
LIBOR EUR 3 Month		(0.4)	(0.5)	-
Artemis US Absolute Return Fund				
I accumulation EUR (NAV Hedged)	27 October 2014	2.8	10.3	0.3
LIBOR EUR 3 Month		(0.4)	(0.7)	(0.2)
I accumulation GBP (NAV Hedged)	27 October 2014	3.6	13.0	1.2
LIBOR GBP 3 Months		0.4	1.4	0.4
I accumulation USD	27 October 2014	4.9	14.7	1.6
LIBOR USD 3 Month		1.4	2.4	0.7
I accumulation CHF (NAV Hedged)	1 April 2016	2.5	3.2	-
LIBOR CHF 3 Month		(0.7)	(1.4)	-
R accumulation CHF (NAV hedged)	1 April 2016	1.8	2.0	-
LIBOR CHF 3 Month		(0.7)	(1.4)	-
R accumulation EUR (NAV hedged)	1 April 2016	2.2	2.6	-
LIBOR EUR 3 Month		(0.4)	(0.7)	-
R accumulation USD	1 April 2016	4.2	5.9	-
LIBOR USD 3 Month		1.4	2.0	-
Artemis US Equity Fund				
I accumulation GBP	19 September 2014	10.9	75.1	33.9
S&P 500 Index (GBP)		5.8	71.7	40.0
I accumulation EUR	27 October 2014	7.1	57.0	23.4
S&P 500 Index (EUR)		2.0	54.7	27.8
I accumulation USD	27 October 2014	23.4	51.3	20.2
S&P 500 Index (USD)		17.1	48.4	25.0

	Launch date	For the year ended 28 February 2018	Period from launch to 28 February 2018	For the year ended 28 February 2017
Artemis US Extended Alpha Fund				
I accumulation GBP	19 September 2014	9.1	90.8	10.6
S&P 500 Index (GBP)		5.8	71.7	7.8
I accumulation EUR	27 October 2014	5.4	71.0	37.4
S&P 500 Index (EUR)		2.0	54.7	40.0
I accumulation USD	27 October 2014	21.4	64.9	23.4
S&P 500 Index (USD)		17.1	48.4	25.0
I accumulation CHF (NAV hedged)	1 April 2016	18.2	37.4	-
S&P 500 Index (CHF Hedged)		13.9	30.2	-
I accumulation GBP (NAV hedged)	1 April 2016	19.5	40.0	26.8
S&P 500 Index (GBP)		15.1	33.0	27.8
R accumulation CHF	1 April 2016	12.8	38.7	-
S&P 500 Index (CHF)		10.5	33.7	-
R accumulation CHF (NAV hedged)	1 April 2016	17.6	35.8	-
S&P 500 Index (CHF Hedged)		13.9	30.2	-
R accumulation EUR	1 April 2016	4.5	31.9	-
S&P 500 Index (EUR)		2.0	26.7	-
R accumulation USD	1 April 2016	20.5	41.2	-
S&P 500 Index (USD)		17.1	36.2	-
R accumulation EUR (NAV hedged)	15 August 2016	17.7	29.4	-
S&P 500 Index (Hedged to EUR)		14.3	23.8	-
I accumulation EUR (NAV hedged)	2 August 2017	18.1	11.5	-
S&P 500 Index (EUR)		14.3	9.2	-
Artemis US Select Fund				
I accumulation GBP	19 September 2014	13.8	79.9	32.6
S&P 500 Index (GBP)		5.8	71.7	40.0
I accumulation EUR	27 October 2014	9.9	61.7	22.2
S&P 500 Index (EUR)		2.0	54.7	27.8
I accumulation USD	27 October 2014	26.7	55.9	19.1
S&P 500 Index (USD)		17.1	48.4	25.0
I distribution GBP	6 May 2015	13.8	60.7	32.6
S&P 500 Index (GBP)		5.8	53.2	40.0
I accumulation CHF (NAV hedged)	1 April 2016	23.6	38.3	-
S&P 500 Index (CHF Hedged)		13.9	30.2	-
I accumulation EUR (NAV hedged)	1 April 2016	23.7	38.9	-
S&P 500 Index (Hedged to EUR)		14.3	31.4	-
I accumulation GBP (NAV hedged)	1 April 2016	24.8	41.2	-
S&P 500 Index (Hedged to GBP)		15.1	33.0	-
R accumulation CHF (NAV hedged)	1 April 2016	22.7	36.5	-
S&P 500 Index (CHF Hedged)		13.9	30.2	-
R accumulation EUR (NAV hedged)	1 April 2016	26.1	40.8	-
S&P 500 Index (Hedged to EUR)		14.3	31.4	-
R accumulation EUR	1 April 2016	9.1	32.7	-
S&P 500 Index (EUR)		2.0	26.7	-
R accumulation USD	1 April 2016	25.7	42.1	-
S&P 500 Index (USD)		17.1	36.2	-
Artemis US Smaller Companies Fund				
I accumulation EUR	27 October 2014	0.5	66.8	36.0
Russell 2000 Index (EUR)		(3.7)	47.8	39.2
I accumulation GBP	27 October 2014	4.1	86.9	47.5
Russell 2000 Index (GBP)		(0.2)	66.0	52.4
I accumulation USD	27 October 2014	15.8	60.8	32.5
Russell 2000 Index (USD)		10.5	41.8	36.1

Information for Swiss Investors (unaudited) (continued)

Total expense ratios

The total expense ratios below have been calculated as at 28 February 2018 in accordance with the guidelines issued by the Swiss Funds Association and are provided for each share class within the sub-funds.

			28 February 2018
Artemis Global Emerging Markets Fund	Operating expenses	Performance fee	Total expense ratio
I accumulation EUR	0.99%	-	0.99%
I distribution GBP	0.99%	-	0.99%
I accumulation GBP	0.99%	-	0.99%
I accumulation USD	0.99%	-	0.99%
Artemis Global Equity Income Fund			
I distribution EUR	0.94%	-	0.94%
I distribution GBP	0.94%	-	0.94%
I distribution USD	0.94%	-	0.94%
I accumulation EUR	0.94%	-	0.94%
I accumulation GBP	0.94%	-	0.94%
I accumulation USD	0.94%	-	0.94%
R accumulation EUR	1.69%	-	1.69%
R accumulation USD	1.69%	-	1.69%
Artemis Pan-European Absolute Return Fund			
I accumulation EUR (Hedged)	0.91%	0.24%	1.15%
I accumulation GBP (Hedged)	0.91%	0.38%	1.29%
I accumulation USD (Hedged)	0.91%	0.03%	0.94%
R accumulation EUR (Hedged)	1.66%	0.13%	1.79%
Artemis US Absolute Return Fund			
I accumulation CHF (NAV Hedged)	0.85%	0.60%	1.45%
I accumulation EUR (NAV Hedged)	0.85%	0.50%	1.35%
I accumulation GBP (NAV Hedged)	0.85%	0.62%	1.47%
I accumulation USD	0.85%	0.46%	1.31%
R accumulation CHF (NAV hedged)	1.60%	0.41%	2.01%
R accumulation EUR (NAV hedged)	1.60%	0.38%	1.98%
R accumulation USD	1.60%	0.70%	2.30%
Artemis US Equity Fund			
I accumulation EUR	1.00%	-	1.00%
I accumulation GBP	1.00%	-	1.00%
I accumulation USD	1.00%	-	1.00%
Artemis US Extended Alpha Fund			
I accumulation CHF (NAV hedged)	0.82%	0.30%	1.12%
I accumulation EUR	0.82%	0.24%	1.06%
I accumulation EUR (NAV Hedged)	0.82%	0.11%	0.93%
I accumulation GBP	0.82%	0.49%	1.31%
I accumulation GBP (NAV hedged)	0.82%	0.15%	0.97%
I accumulation USD	0.82%	0.43%	1.25%
R accumulation CHF	1.57%	1.42%	2.99%
R accumulation CHF (NAV hedged)	1.57%	0.79%	2.36%
R accumulation EUR	1.57%	0.04%	1.61%
R accumulation EUR (NAV hedged)	1.57%	0.12%	1.69%
R accumulation USD	1.57%	0.26%	1.83%

			28 February 2018
Artemis US Select Fund			
I accumulation EUR (NAV hedged)	0.83%	-	0.83%
I accumulation EUR	0.83%	-	0.83%
I distribution GBP	0.83%	-	0.83%
I accumulation CHF (NAV hedged)	0.83%	-	0.83%
I accumulation GBP (NAV hedged)	0.83%	-	0.83%
I accumulation GBP	0.83%	-	0.83%
I accumulation USD	0.83%	-	0.83%
R accumulation CHF (NAV hedged)	1.58%	-	1.58%
R accumulation EUR (NAV hedged)	1.58%	-	1.58%
R accumulation EUR	1.58%	-	1.58%
R accumulation USD	1.58%	-	1.58%
Artemis US Smaller Companies Fund			
I accumulation EUR	0.87%	-	0.87%
I accumulation GBP	0.87%	-	0.87%
I accumulation USD	0.87%	-	0.87%

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

General information

Investment in the company

Investments in Artemis Investment Funds ICVC are intended to be medium to long term investments and should not be considered a short term investment.

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

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

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

Publication of prices

The most recent prices are published on the ACD's website artemis.co.uk, which is the primary method of price publication.

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

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