

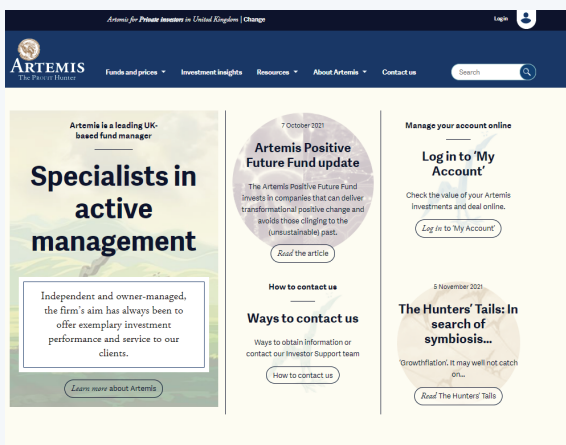
Artemis Strategic *Assets Fund*

Manager's Report
and Financial Statements

for the year ended 31 August 2023

Keep up to date ...

... with the performance of this and other Artemis funds throughout the year on Artemis' website



- Monthly fund commentaries and factsheets
- Market and fund insights
- Fund briefings and research articles
- Daily fund prices
- Fund literature

[artemisfunds.com](https://www.artemisfunds.com)

GENERAL INFORMATION

Company profile

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

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

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

The firm now manages some £23.2 billion* across a range of funds, an investment trust and both pooled and segregated institutional portfolios.

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

* Source: Artemis as at 30 September 2023

Fund status

Artemis Strategic Assets Fund was constituted by a Trust Deed dated 7 April 2009 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 6 or via the website **artemisfunds.com**. Valuation of the fund takes place each dealing day at 12 noon on a forward pricing basis. The current list of non-dealing days impacting the fund is published on our website at www.artemisfunds.com/non-dealing-days. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Changes to the investment policy of Artemis Strategic Assets Fund

A new fund manager, David Hollis, took over as lead manager of the Artemis Strategic Assets Fund with effect from 6 June 2023.

The fund's objective and overall strategy stayed the same – to grow capital by greater than 3% above the Consumer Price Index per annum after fees over a minimum five year period, by strategically allocating the fund's assets within a diversified range of asset classes.

However, some changes to the fund's investment policy have been made so that the new manager can implement a more efficient investment process in a way which we expect will reduce costs to investors.

Further information about the change can be found in the unitholder letter on the website.

OBJECTIVE AND INVESTMENT POLICY

Objective	To grow the value of your investment by greater than 3% above the Consumer Price Index (CPI) per annum after fees over a minimum five year period, by strategically allocating the fund's assets within a diversified range of asset classes in markets around the world. There is no guarantee that the objective will be achieved over this or any other time period, and your capital is at risk.		Investment strategy	<ul style="list-style-type: none"> • The fund is actively managed. • The manager will use its discretion to actively manage the portfolio and the proportion of the fund's assets which are invested in each asset class in response to the manager's view of market conditions and analysis of macro-economic factors. • The fund allocates to, and selects investments in, different asset classes, geographies, industries and individual companies and issuers with the aim of performing well when markets are favourable and preserving capital when markets are poor. For example, if the manager believes that bond market conditions are less favourable then the fund's net bond exposure can be reduced by short-selling bonds or by investing a higher proportion of the fund's assets in asset classes other than bonds.
Investment policy	What the fund invests in	<p>The fund may invest directly, or indirectly via derivatives, in the following instruments:</p> <ul style="list-style-type: none"> • Exchange traded funds and notes • Company shares • Fixed interest securities (also known as bonds), whether issued by a company, a government or another entity • Other funds managed by Artemis • Money market instruments, cash and near cash. 	Benchmarks	<ul style="list-style-type: none"> • UK Consumer Price Index +3% UK CPI is a widely-used indicator of UK inflation. It acts as a 'target benchmark' that the fund aims to outperform by at least 3% per annum over at least five years. • IA Flexible Investment NR A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.
	Use of derivatives	<p>The fund may use derivatives:</p> <ul style="list-style-type: none"> • For investment purposes to take both long and short positions. This may include: futures, options, forwards and total return swaps on both exchange traded and over the counter (i) equity and fixed interest securities (whether individual securities or baskets or indices to obtain wider market exposure); and (ii) currencies other than Pound Sterling • to produce additional income or growth • to reduce risk • to manage the fund efficiently • to create leverage. 		
	Where the fund invests	<ul style="list-style-type: none"> • The fund may invest within the UK and internationally and the manager will not be restricted in the choice of investments either by industry or the geographical spread of the portfolio 		
	Industries the fund invests in	<ul style="list-style-type: none"> • Any 		
	Other limitations specific to this fund	<ul style="list-style-type: none"> • The fund may gain exposure of up to 100% of the fund's Net Asset Value (calculated on a net exposure basis) in any combination of equities, bonds, property or commodities (indirectly). • Investments in money market instruments, cash and near cash will lie in a range of 0%-100% of the fund's Net Asset Value. • The fund will not typically be net short equities. However, in volatile market conditions the fund may be net short equities, but never exceeding 50% of the fund's Net Asset Value. • The fund may have a net short exposure (up to 100%) to bonds. • Total gross exposure to currencies other than Pound Sterling (long and short) via FX forwards, FX futures, exchange traded funds, and cash or cash equivalents, shall lie in the range of 0% - 200% of the fund's Net Asset Value. 		

RISK AND REWARD PROFILE



- The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund may have risen and fallen in the past due to movements in markets, currencies and interest rates). It may not be a reliable indication of the future risk profile of the fund.
- The risk category has been calculated using historic data and may not be a reliable indicator of the fund's future risk profile.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks and the following may affect fund performance:

- **Market volatility risk:** The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- **Currency risk:** The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
- **Derivatives risk:** The fund may invest extensively in derivatives with the aim of profiting from falling ('shorting') as well as rising prices. Should the asset's value vary in an unexpected way, the fund value will reduce. Refer to the investment policy in fund's prospectus for further details on how derivatives may be used.
- **Leverage risk:** The fund may operate with a significant amount of leverage. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested. A leveraged portfolio may result in large fluctuations in its value and therefore entails a high degree of risk including the risk that losses may be substantial.
- **Cash risk:** The fund may hold a large amount of cash. If it does so when markets are rising, the fund's returns could be less than if the cash was fully invested in other types of assets.
- **Government and public securities risk:** The fund may invest more than 35% of its value in transferable securities and money market instruments issued or guaranteed by the United Kingdom, United States or Germany. Refer to the investment policy in the fund's prospectus for further details on how large exposures to government and public securities may be held.

The risk indicator changed from 5 to 6 in the year to 31 August 2023.

Please refer to the fund's prospectus for full details of these and other risks which are applicable to this fund.

OTHER INFORMATION

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 6.

Remuneration

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 Strategic Assets Fund (the "fund") is a UCITS scheme, Artemis Fund Managers Limited ("AFML") as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com. Remuneration levels are set to attract, retain and motivate talented partners and staff and align the 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' Risk and Compliance functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary.

The Artemis remuneration period runs from 1 January to 31 December. Certain partners and staff 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 their 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 both (a) before the end of the vesting period and (b) within two years following the payment of any elements of variable remuneration.

No staff are employed by AFML directly. Staff are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 224 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund for the year ended 31 December 2022 is £887,387 of which £388,396 is fixed remuneration and £498,991 is variable remuneration.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2022 is £315,886. Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages.

For the purposes of UCITS Remuneration Code, the AFML Code staff are the members of Artemis' Management and Executive Committees, certain fund managers and others in specified roles. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

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

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

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

Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment on whether its funds are providing value to unitholders. AFML must publish publicly, on an annual basis, a statement setting out a summary of the outcome of the process and whether or not AFML believes the payments out of the scheme property are justified in the context of the overall value delivered to unitholders. Composite reports on Assessment of Value have been published via the website artemisfunds.com.

Change of Appointed Depositary of the fund

With effect from 6 March 2023, Northern Trust Investor Services Limited has replaced J.P. Morgan Europe Limited as the Depositary of the fund.

Manager

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

Dealing information:
Artemis Fund Managers Limited
Sunderland SR43 4BH
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

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

Trustee and Depositary

J.P. Morgan Europe Limited †
(prior to 6 March 2023)
25 Bank Street
Canary Wharf
London E14 5JP

Northern Trust Investor Services Limited †
(from 6 March 2023)
50 Bank Street
Canary Wharf
London E14 5NT

Registrar

SS&C Financial Services International Limited *
(prior to 2 May 2023)
SS&C House
St Nicholas Lane
Basildon
Essex SS15 5FS

Northern Trust UK Global Services SE †
(from 2 May 2023)
50 Bank Street
Canary Wharf
London
E14 5NT

Auditor

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

*Authorised and regulated by the FCA,
12 Endeavour Square, London E20 1JN.

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

STATEMENTS OF RESPONSIBILITIES

Statement of the Depositary's Responsibilities in respect of the Scheme and Report of the Depositary to the Unitholders of the Artemis Strategic Assets Fund for the period ended 3 March 2023.

The Depositary in its capacity as Trustee of Artemis Strategic Assets Fund must ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Depositary must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund'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 fund is managed in accordance with the regulations and the Scheme documents of the fund in relation to the investment and borrowing powers applicable to the fund.

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's income in accordance with the regulations and the Scheme documents of the fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund in accordance with the regulations and the Scheme documents of the fund.

J.P. Morgan Europe Limited
London
3 March 2023

Statement of the Depositary's Responsibilities in respect of the Scheme and Report of the Depositary to the Unitholders of the Artemis Strategic Assets Fund ("the Fund") for the period from 6 March 2023 to 31 August 2023.

The Depositary in its capacity as Trustee of Artemis Strategic Assets Fund must ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Depositary must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund'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 fund is managed in accordance with the regulations and the Scheme documents of the fund in relation to the investment and borrowing powers applicable to the fund.

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's income in accordance with the regulations and the Scheme documents of the fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund in accordance with the regulations and the Scheme documents of the fund.

Northern Trust Investor Services Limited
London
26 October 2023

Statement of the manager's responsibilities

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

In preparing the financial statements the manager is required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');
- (iii) follow applicable accounting standards;
- (iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- (v) make judgements and estimates that are reasonable and prudent; and
- (vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

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

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

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Strategic Assets Fund for the year ended 31 August 2023 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
Artemis Fund Managers Limited
London
26 October 2023

L E Cairney
Director

AUDITOR'S REPORT

Independent auditor's report to the unitholders of the Artemis Strategic Assets Fund

Opinion

We have audited the financial statements of the Artemis Strategic Assets Fund ("the Fund") for the year ended 31 August 2023, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 August 2023 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 (the "FCA")

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 FCA and the Trust Deed; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 8, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator and a review of the Fund's documented policies and procedures.

- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk in relation to incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact on amounts available for distribution. We tested the appropriateness of management's classification of a sample of special dividends as either a revenue or capital return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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.

Use of our report

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
26 October 2023

INVESTMENT REVIEW

Fund profile

By way of reminder, this fund can take traditional 'long' positions in shares and bonds as well as short positions. Taking a 'long position' is the familiar act of buying a share or bond in the belief that its price will rise, with the aim of making a gain from the increase.

In taking a 'short' position, we are expressing a belief that the price of a bond or share will fall. We do this by borrowing a share or other financial instrument (for a fee) – and then selling it. We do this in the expectation that its price will fall and the share or position can be bought back at a lower price later, thus making a profit. We then return the borrowed financial instrument.

Main changes to the fund

Our key action in the first half of the period was to reduce our government bond short position from 80% of net asset value (NAV) of the fund to 20%, in three stages. First, we reduced our short in UK government bonds when yields¹ rose sharply in response to Liz Truss's budget in September 2022. Next, we reduced our exposure to Japan following the central bank's relaxation of the yield curve control policy (designed to suppress interest rates and stimulate the economy) in December. Lastly, we made material reductions to our European bond short exposures in December and February as yields spiked.

In June 2023, a new investment team led by David Hollis took over the fund. The new team takes a shorter-term approach, quickly harvesting profits and exiting loss-making positions. The aim is to deliver more stable returns. The approach combines quantitative macroeconomic inputs and the team's experience and judgement with technical market factors to build conviction in investment opportunities across asset classes.

The new team closed out the fund's existing positions in the bonds and shares of individual companies and invested the proceeds in financial instruments whose returns track the performance of broader asset classes. The aim is to give investors exposure to a range of asset classes in a cost-effective way. The team initiated the following new positions:

- Short emerging markets equity. While emerging market stocks rose at the start of the summer on rumours China would support economic growth by providing stimulus, in the event the Chinese central bank cut interest rates less than expected. Our model displayed a clear sell signal. This, coupled with Federal Reserve's Chair Powell's 'higher for longer' rhetoric on US interest rates provided us with a strong rationale to short these equities. We took profits later in the month as our model moved to

neutral. We will look to re-establish this position as the situation evolves.

- European 'yield curve steepener'. A yield curve steepener seeks to gain from a rising spread between short- and long-term bond yields. This is implemented by combining a sale of long-dated bonds with a purchase of short-dated bonds. We have high conviction that yield curves will steepen over the coming months, particularly in Europe. We added to the position over the summer as the technical backdrop improved.

Explaining the fund's performance

The fund returned 13.2%² over the year. In so doing, it outperformed its performance target (CPI inflation +3%), which delivered 9.0% over the period.

Our allocation to equities made a big positive contribution. Long equities rose by 9%, helped by our overweight exposure to the UK market and positive stock selection. Our short equity positions also added value, helped by the derating of 'concept' stocks and financial stocks with high levels of borrowing. Government bond shorts also made a positive contribution.

Looking ahead

Inflation is coming under control in the US, which means that we are likely to be approaching the end of the interest rate cycle. With corporate profits holding up, this is a positive environment for equities. In Europe the picture is less benign because of the region's sensitivity to slowing growth in China. Stagflation (slow growth with high inflation) is becoming an increasing risk.

In bond markets, we expect shorter-dated bonds to outperform longer-dated bonds. As outlined above, we have a 'curve-steepening' position in Europe to reflect this.

Rising interest rates typically impact the economy with a time lag of 12 to 18 months. This probably explains why US economic data has been so robust up until now. Should the data start to deteriorate, we expect corporate bonds and equities to come under pressure. This may happen earlier in Europe and would be an opportunity to take long positions in German government bonds.

Past performance is not a guide to the future.

¹ the rate of return on a bond: a function of the bond's price and the interest it pays

² Source: Artemis/Lipper Limited, class I accumulation units, in sterling with dividends and/or income reinvested to 31 August 2023, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the sector benchmark. Sector is IA Flexible Investment.

INVESTMENT INFORMATION

Ten largest purchases and sales for the year ended 31 August 2023

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 2.25% 07/09/2023	39,900	UK Treasury 2.25% 07/09/2023	40,091
UK Treasury 1.00% 22/04/2024	35,951	UK Treasury 0.00% 04/09/2023	28,595
UK Treasury 0.00% 29/01/2024	28,527	UK Treasury 0.00% 25/09/2023	28,521
UK Treasury 0.00% 04/09/2023	28,425	UK Treasury 0.00% 14/08/2023	23,257
UK Treasury 0.00% 25/09/2023	28,346	Alphabet 'C'	12,982
UK Treasury 0.00% 02/10/2023	28,319	Dignity	12,037
UK Treasury 0.00% 23/10/2023	28,235	Frasers Group	9,915
UK Treasury 0.00% 22/01/2024	24,621	easyJet	9,743
UK Treasury 0.00% 15/01/2024	23,261	Vinci	9,586
UK Treasury 0.00% 14/08/2023	23,100	Ryanair Holdings	9,274

Portfolio statement as at 31 August 2023

	Holding/ nominal value	Valuation £'000	% of net assets
Collective Investment Schemes 0.00% (1.51%)			
Equities 0.84% (72.02%)			
Australia 0.00% (0.88%)			
Canada 0.00% (3.87%)			
China 0.00% (4.04%)			
France 0.00% (5.57%)			
Ireland 0.00% (3.13%)			
Israel 0.00% (4.06%)			
Japan 0.00% (4.17%)			
Netherlands 0.00% (1.36%)			
South Africa 0.00% (0.64%)			
South Korea 0.00% (2.10%)			
Spain 0.00% (2.12%)			
Taiwan 0.00% (0.49%)			
United Kingdom 0.84% (26.36%)			
Hornby #	11,107,575	1,777	0.84
Equities total		1,777	0.84
United States of America 0.00% (13.23%)			
Government Bonds 89.08% (0.00%)			
United Kingdom 89.08% (0.00%)			
UK Treasury 0.00% 02/10/2023	£28,750,000	28,620	13.54
UK Treasury 0.00% 23/10/2023	£28,750,000	28,531	13.49
UK Treasury 0.00% 30/10/2023	£8,000,000	7,931	3.75
UK Treasury 0.00% 06/11/2023	£8,000,000	7,922	3.75
UK Treasury 0.00% 13/11/2023	£2,500,000	2,473	1.17
UK Treasury 0.00% 15/01/2024	£23,850,000	23,360	11.05
UK Treasury 0.00% 22/01/2024	£25,279,000	24,734	11.70
UK Treasury 0.00% 29/01/2024	£29,325,000	28,662	13.56
United Kingdom Gilt 1.00% 22/04/2024	£37,032,000	36,090	17.07
		188,323	89.08
Government Bonds total		188,323	89.08

	Holding/ nominal value	Global exposure* £'000	Valuation £'000	% of net assets
Contracts for Difference 0.00% ((0.03%))				
Canada 0.00% (0.01%)				
Denmark 00.00% ((0.01%))				
France 0.00% (0.01%)				
Sweden 0.00% ((0.01%))				
Switzerland 0.00% (0.01%)				
United Kingdom 0.00% ((0.01%))				
Forward Currency Contracts 0.00% (0.23%)				
Futures (0.03%) (1.45%)				
CME Emini Energy 15/09/2023	(61)	(4,478)	(17)	(0.01)
CME Emini Financials 15/09/2023	(170)	(14,257)	(66)	(0.03)
CME Emini Materials 15/09/2023	(210)	(14,554)	(228)	(0.11)
CME Emini S&P 500 15/09/2023	276	49,271	619	0.29
Euro E-STOXX 15/09/2023	200	7,419	38	0.02
Euro-STOXX 15/09/2023	325	6,419	15	0.01
Euro-STOXX 600 15/09/2023	275	2,280	45	0.02
FTSE 100 Index 15/09/2023	(200)	(14,980)	(235)	(0.11)
ICUS MSCI 15/09/2023	(216)	(8,363)	(80)	(0.04)
STOXX 600 15/09/2023	(104)	(2,371)	(65)	(0.03)
STOXX Energy 15/09/2023	(434)	(6,425)	(80)	(0.04)
Futures total			(54)	(0.03)
Options 0.00% (0.00%)				
US 10-Year Call Option 22/09/2023	319	252	8	0.01
US 10-Year Put Option 22/09/2023	(319)	(252)	(16)	(0.01)
Options total			(8)	-
Swaps 0.30% (0.00%)				
Interest Rate Swap EURIBOR 6 month Pay 2.67% 31/07/2053	40,000,000	34,298	705	0.33
Interest Rate Swap EURIBOR 6 month Receive 3.24% 31/07/2028	175,000,000	150,054	(48)	(0.02)
OIS SOFR1D Receive 4.82% 18/08/2025	57,000,000	44,953	(14)	(0.01)
Swaps total			643	0.30
Investment assets (including investment liabilities)			190,681	90.19
Net other assets			20,725	9.81
Net assets attributable to unitholders			211,406	100.00

The comparative percentage figures in brackets are as at 31 August 2022.

*Security listed on the Alternative Investment Market ('AIM').

^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.

FINANCIAL STATEMENTS

Statement of total return for the year ended 31 August 2023

	Note	31 August 2023		31 August 2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		24,377		2,324
Revenue	5	6,220		3,261	
Expenses	6	(2,578)		(2,650)	
Interest payable and similar charges	7	(666)		(2,935)	
Net revenue/(expense) before taxation		2,976		(2,324)	
Taxation	8	(103)		(164)	
Net revenue/(expense) after taxation			2,873		(2,488)
Total return before distributions			27,250		(164)
Distributions	9		(2,877)		–
Change in net assets attributable to unitholders from investment activities			24,373		(164)

Statement of change in net assets attributable to unitholders for the year ended 31 August 2023

	31 August 2023		31 August 2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		217,483		246,152
Amounts receivable on issue of units		102,571		545
Amounts payable on cancellation of units		(136,437)		(29,050)
		(33,866)		(28,505)
Dilution adjustment		28		–
Change in net assets attributable to unitholders from investment activities		24,373		(164)
Retained distribution on accumulation units		3,388		–
Closing net assets attributable to unitholders		211,406		217,483

Balance Sheet as at 31 August 2023

	Note	31 August 2023		31 August 2022	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments	10		191,530		165,322
Current assets					
Debtors	11		424		1,203
Cash and cash equivalents	12		21,587		54,376
Total current assets			22,011		55,579
Total assets			213,541		220,901
Liabilities					
Investment liabilities	10		849		1,809
Creditors					
Bank overdraft	13		625		–
Other creditors	14		661		1,609
Total creditors			1,286		1,609
Total liabilities			2,135		3,418
Net assets attributable to unitholders			211,406		217,483

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 Statement of Recommended Practice ("SORP") issued by the Investment Management Association in May 2014 and amended in June 2017 and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis. The manager believes that the fund has adequate resources to continue in operational existence for the foreseeable future. No material events have been identified that may cast significant doubt about the fund's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue.

(b) Valuation of investments. All investments, including any derivatives, have been valued at 12 noon on the last working day of the accounting period. The last valuation point in the period has been used for the purposes of preparing the report and financial statements and in the manager's opinion there have been no material movements in the fund between the last valuation point and close of business on the balance sheet date. Where a fund invests in markets that are closed for trading at the fund's valuation point, the manager will allow for the net asset value to be adjusted (based on movements of index futures or other suitable proxies in markets closed at the fund valuation point, since the last market close), to reflect more accurately the fair value of the fund's investments. Listed investments are valued at fair value which is generally deemed to be the bid price. Unquoted investments are valued at fair value which is determined by the manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board. Exchange traded derivatives, including options and futures, are shown in the portfolio statement, and are priced at fair value, which is deemed to be the quoted bid price for long positions and quoted offer price for short positions. Open forward currency contracts are shown in the portfolio statement at market value and the net gains/(losses) are reflected within forward currency contracts under net capital (losses)/gains. Over-the-counter derivatives, including interest rate swaps and credit default swaps, are shown in the portfolio statement, and are priced at fair value using valuation models or data sourced from market data providers. Contracts for difference and equity swaps are valued based on the prices of the underlying equities which will be deemed to be the quoted bid price for long positions and quoted offer price for short positions.

(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) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts ("REITs"), 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. Dividends are recognised gross of any overseas tax. Overseas tax is included as part of the tax charge. A provision is made for any overseas tax not considered recoverable at the balance sheet date, whether due to uncertainty as to receipt either due to circumstances or recovery experience in specific jurisdictions, or due to the significant time lag since the receipt of the dividend. Special dividends are reviewed on a case by case basis when determining if a 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. Income from US REITs is split between revenue and capital depending on the composition of the distribution from the REIT. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Interest from debt securities bought or sold is excluded from the capital cost of such securities, and accounted for as part of revenue. Bank interest and interest on margin accounts held with brokers is recognised as revenue on an accruals basis. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Net gains are reflected within derivative contracts under net capital gains in the notes to the financial statements. Where futures generate total returns the returns are apportioned between capital and income to reflect the nature of the transaction. Any capital gains/losses are included within net capital gains/(losses) and any revenue or expense is included within revenue or interest payable and similar charges respectively in the statement of total return. The revenue return element in respect of futures is calculated by reference to the quoted yield of the index upon which the future is based. Interest receivable or payable on interest rate swaps and premiums on credit default swaps are recognised as revenue on an accruals basis and included within derivative revenue or interest payable and similar charges respectively in the statement of total return. The dividend equivalent values on contracts for difference are recognised when the underlying security is quoted ex-dividend. For long positions this is included in revenue whereas for short positions this is included in interest payable and similar charges. Premiums received from options, where these have been written for the purpose of generating additional revenue, are accounted for as revenue on an accruals basis. Otherwise these are treated as capital.

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

(f) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(g) Dilution adjustment. The fund is priced on a single swinging price basis. The manager has the discretion to charge a dilution adjustment as part of its daily valuation policy. This will mean that in certain circumstances the fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. In the usual course of business the application of a dilution adjustment will be applied systematically and on a consistent basis.

2. Distribution policy

The distribution policy of the fund is to distribute/accumulate all available revenue, after deduction of expenses and taxation properly chargeable against revenue. The fund did not satisfy the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 and where applicable will pay a dividend distribution. Gains and losses on investments and derivatives whether realised or unrealised, if taken to capital are not available for 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. For accumulation shares this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these shares. Distributions which have remained unclaimed by shareholders for six years are credited to the capital property of the fund.

3. Net capital gains

	31 August 2023 £'000	31 August 2022 £'000
Derivative contracts	13,795	44,286
Non-derivative securities	11,185	(47,775)
Forward currency contracts	181	4,780
Rebate of capital management fees from underlying investments	2	14
Currency (losses)/gains	(786)	1,019
Net capital gains	24,377	2,324

4. Direct transaction costs

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

	Year ended 31 August 2023					
	Principal £'000	Commissions £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	35,640	7	117	35,763	0.02	0.33
Bonds	311,184	–	–	311,184	–	–
Sales						
Equities	208,165	7	52	208,106	–	0.02
Bonds	124,676	–	–	124,676	–	–
Derivative purchases and sales		–	–			
Total		14	169			
Percentage of fund average net assets		0.00%	0.07%			

4. Direct transaction costs

	Year ended 31 August 2022					
	Principal £'000	Commissions £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	101,819	19	211	102,049	0.02	0.21
Funds	204	–	–	204	–	–
Sales						
Equities	104,499	21	–	104,478	0.02	–
Funds	1,252	–	–	1,252	–	–
Derivative purchases and sales		30	–			
Total		70	211			
Percentage of fund average net assets		0.03%	0.10%			

During the year, the fund incurred £nil (2022: £nil) in capital transaction charges.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.18% (2022: 0.34%). 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

	31 August 2023 £'000	31 August 2022 £'000
Interest on debt securities	2,732	–
UK dividends	1,476	1,132
Overseas dividends	920	1,281
Bank interest	932	69
Revenue from other derivatives	160	779
Total revenue	6,220	3,261

6. Expenses

	31 August 2023 £'000	31 August 2022 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	2,298	2,372
Administration fees	280	278
Total expenses	2,578	2,650

All expenditure stated above is inclusive of irrecoverable VAT where applicable.

The audit fee (excluding VAT) accrued during the period was £11,600 (2022: £11,450). This fee is paid by the manager via the administration fee.

7. Interest payable and similar charges

	31 August 2023 £'000	31 August 2022 £'000
Interest payable on short futures	448	1,806
Interest payable	150	417
Interest payable on interest rate swaps	68	–
Dividends payable on short positions	–	712
Total interest payable and similar charges	666	2,935

8. Taxation

	31 August 2023 £'000	31 August 2022 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	103	164
Total taxation (note 8b)	103	164
b) Factors affecting the tax charge for the year		
Net revenue/(expense) before taxation	2,976	(2,324)
Corporation tax of 20% (2022: 20%)	595	(465)
Effects of:		
Irrecoverable overseas tax	103	164
Tax on capital items	–	3
Unutilised non-trade deficit	–	417
Unutilised management expenses	(116)	527
Non-taxable overseas dividends	(184)	(256)
Non-taxable UK dividends	(295)	(226)
Tax charge for the year (note 8a)	103	164
c) Provision for deferred tax		
No provision for deferred tax has been made in the current or prior accounting year.		
d) Factors that may affect future tax charges		
The fund has not recognised a deferred tax asset of £29,077,000 (2022: £29,193,000) arising as a result of having unutilised management expenses of £105,941,000 (2022: £106,523,000) and non-trade loan relationship deficits of £39,443,000 (2022: £39,443,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.		

9. Distributions

	31 August 2023 £'000	31 August 2022 £'000
Final dividend distribution	3,388	–
Add: amounts deducted on cancellation of units	603	–
Deduct: amounts added on issue of units	(1,114)	–
Distributions	2,877	–
Movement between net revenue/(expense) and distributions		
Net revenue/(expense) after taxation	2,873	(2,488)
Expenses paid from capital	4	–
Deficit transferred to capital	–	2,488
	2,877	–

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

	31 August 2023		31 August 2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	190,825	787	164,644	1,642
Level 2	705	62	678	167
Total	191,530	849	165,322	1,809

11. Debtors

	31 August 2023 £'000	31 August 2022 £'000
Amounts receivable for issue of units	178	–
Accrued revenue	171	512
Expense fee rebate receivable	51	–
Overseas withholding tax recoverable	24	125
Amounts receivable on derivative contracts	–	566
Total debtors	424	1,203

12. Cash and cash equivalents

	31 August 2023 £'000	31 August 2022 £'000
Cash and bank balances	14,361	46,467
Amounts held at brokers	3,753	4,612
Collateral held with brokers	3,473	3,297
Total cash and cash equivalents	21,587	54,376

13. Bank overdraft

	31 August 2023 £'000	31 August 2022 £'000
Collateral pledged with brokers	625	–
Total bank overdraft	625	–

14. Other creditors

	31 August 2023 £'000	31 August 2022 £'000
Amounts payable for cancellation of units	461	224
Accrued annual management charge	112	191
Amounts payable on derivative contracts	63	484
Accrued administration fee payable to the manager	25	23
Purchases awaiting settlement	–	687
Total other creditors	661	1,609

15. Contingent liabilities and commitments

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

16. Reconciliation of unit movements

	Units in Issue at 31 August 2022	Units issued	Units cancelled	Units converted	Units In Issue at 31 August 2023
C accumulation	2,918,293	269,983	(410,478)	1,048	2,778,846
I accumulation	138,766,332	102,912,174	(37,342,327)	245,474	204,581,653
R accumulation	116,295,038	729,741	(111,613,617)	(272,767)	5,138,395

17. Risk disclosures

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

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

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

(a) Market risk

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

(i) Value-at-risk ('VaR')

The manager is currently empowered to enter into derivative transactions on behalf of the fund. The use of these strategies is subject to a risk management process and the manager analyses the overall risk position of the fund on a daily basis, which is then used by the manager 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 fund in absolute terms. The maximum absolute VaR limit for UCITS funds is 20% of its net asset value, in accordance with the Committee of European Securities Regulators ('CESR') guidance. VaR expresses the maximum expected loss by the 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.

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.

	31 August 2023 %	31 August 2022 %
At 31 August	1.74	12.14
Average utilization during the period	7.31	11.08
Highest utilization during the period	13.27	15.98
Lowest utilization during the period	0.25	7.40

(ii) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The leverage of a fund is expressed as a percentage of the exposure of the fund and its net asset value. The fund can use cash borrowing and financial derivatives (subject to the restrictions as set out in its Prospectus and COLL) as sources of leverage. The expected level of leverage for this fund is between 200% and 300%.

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with Northern Trust Investor Services Limited, the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of Northern Trust Investor Services Limited may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The fund is also exposed to counterparty risk through holding specific financial instruments.

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

The derivatives are disclosed in the portfolio statement, Northern Trust is the counterparty for 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 31 August 2023 or 31 August 2022.

Counterparty and collateral exposure

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

Currency	Swaps £'000	Options £'000	Contracts for difference £'000	Forward currency contracts £'000	Futures £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
31 August 2023							
J.P. Morgan	643	(8)	–	–	(54)	581	6,601
31 August 2022							
Goldman Sachs	–	–	–	(167)	3,153	2,986	4,612
J.P. Morgan	–	–	(49)	–	–	(49)	2,959
UBS	–	–	(18)	678	–	660	338

Only cash collateral is pledged or held by the fund.

(c) Liquidity risk

Liquidity risk is the risk that through market liquidity conditions, requests for redemptions from investors cannot be met in an orderly and appropriate manner. Artemis adopts a policy of mitigation and control to manage liquidity risks. Mitigation occurs through maintaining prudent levels of liquidity in each fund and a well-diversified investor base. As a result, redemption requests can be satisfied in all but exceptional circumstances.

Artemis has a dedicated liquidity risk management policy which is owned by the independent investment risk team which reports to the Chief Risk Officer. Its purpose is to ensure the portfolio manager acts in the client's best interest with regards to this liquidity risk.

Through the use of 3rd party modeling and assumptions, the investment risk team conduct regular monitoring and analyses of the liquidity profile of the funds and investor base. This includes but is not limited to what percentage of the fund can be liquidated within certain redemption horizons, whether the largest investors in the fund can redeem without affecting the fair treatment of remaining investors, liquidity stress testing and other analysis deemed to cover a risk specific to the strategy considered.

There was no significant concentration of liquidity risk as at 31 August 2023 or 31 August 2022.

18. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 14 and notes 6, 9, 11 and 14 on pages 17 to 19 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 August 2023 in respect of these transactions was £369,000 (2022: £438,000).

19. Unit classes

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

C accumulation	1.05%
I accumulation	0.60%
R accumulation	1.35%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 24.

The distributions per unit class are given in the distribution tables on page 23. All classes have the same rights on winding up.

20. Post balance sheet event

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

DISTRIBUTION TABLES

This fund pays annual dividend distributions. The following table sets out the distribution period.

Annual distribution period	Start	End	Ex-dividend date	Pay date
Final	1 September 2022	31 August 2023	1 September 2023	31 October 2023

Group 1 units are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation applies only to group 2 units purchased during the period. It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

C accumulation

Dividend distributions for the year ended 31 August 2023	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2022 Distribution per unit (p)
	Net revenue per unit(p)	Equalisation per unit (p)		Franked	Unfranked	
Final	0.8927	0.1826	1.0753	100.00%	0.00%	-

I accumulation

Dividend distributions for the year ended 31 August 2023	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2022 Distribution per unit (p)
	Net revenue per unit(p)	Equalisation per unit (p)		Franked	Unfranked	
Final	0.5804	1.0411	1.6215	100.00%	0.00%	-

R accumulation

Dividend distributions for the year ended 31 August 2023	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2022 Distribution per unit (p)
	Net revenue per unit(p)	Equalisation per unit (p)		Franked	Unfranked	
Final	0.6927	0.1069	0.7996	100.00%	0.00%	-

COMPARATIVE TABLES

	C accumulation			I accumulation		
	2023	2022	2021	2023	2022	2021
Change in net assets per unit (p)						
Opening net asset value per unit	80.38	80.10	70.23	88.17	87.47	76.34
Return before operating charges*	11.28	1.30	10.90	12.38	1.44	11.86
Operating charges	(1.04)	(1.02)	(1.03)	(0.70)	(0.74)	(0.73)
Return after operating charges*	10.24	0.28	9.87	11.68	0.70	11.13
Distributions	(1.08)	–	–	(1.62)	–	–
Retained distributions on accumulation units	1.08	–	–	1.62	–	–
Closing net asset value per units	90.62	80.38	80.10	99.85	88.17	87.47
*after direct transaction costs of	(0.06)	(0.10)	(0.05)	(0.07)	(0.11)	(0.06)
Performance						
Return after charges	12.74%	0.35%	14.05%	13.25%	0.80%	14.58%
Other information						
Closing net asset value (£'000)	2,518	2,346	2,680	204,280	122,356	139,281
Closing number of units	2,778,846	2,918,293	3,345,167	204,581,653	138,766,332	159,230,422
Operating charges	1.18%	1.32%	1.31%	0.73%	0.87%	0.86%
Direct transaction costs	0.07%	0.13%	0.07%	0.07%	0.13%	0.07%
Prices						
Highest unit price (p)	94.09	81.97	85.42	103.54	89.61	93.14
Lowest unit price (p)	78.70	67.35	66.46	86.37	73.72	72.27

	R accumulation		
	2023	2022	2021
Change in net assets per unit (p)			
Opening net asset value per unit	79.78	79.74	70.12
Return before operating charges*	11.17	1.28	10.87
Operating charges	(1.28)	(1.24)	(1.25)
Return after operating charges*	9.89	0.04	9.62
Distributions	(0.80)	–	–
Retained distributions on accumulation units	0.80	–	–
Closing net asset value per units	89.67	79.78	79.74
*after direct transaction costs of	(0.06)	(0.10)	(0.05)
Performance			
Return after charges	12.40%	0.06%	13.72%
Other information			
Closing net asset value (£'000)	4,608	92,781	104,191
Closing number of units	5,138,395	116,295,038	130,661,061
Operating charges	1.48%	1.62%	1.61%
Direct transaction costs	0.07%	0.13%	0.07%
Prices			
Highest unit price (p)	93.19	81.60	85.11
Lowest unit price (p)	78.09	66.94	66.34

High and low price disclosures are based on quoted unit prices. Therefore opening and closing NAV prices may fall outside the high/low price threshold.

Ongoing charges

Class	31 August 2023
C accumulation	1.18%
I accumulation	0.73%
R accumulation	1.48%

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

Securities Financing Transactions Regulations (“SFTR”)

The Fund may enter into total return swaps. No such transactions have been entered into as at 31 August 2023.

Class I accumulation performance

	Since launch*	10 years	5 years	3 years	1 year	6 months
Artemis Strategic Assets Fund**	110.3	26.5	9.3	30.7	13.2	0.1
Artemis Strategic Assets Fund***	110.4	26.7	10.1	31.0	13.4	0.3
UK Consumer Price Index +300bps	129.3	76.4	41.3	30.7	9.0	3.6
IA Flexible Investment Average	162.5	73.1	17.5	13.5	0.6	(0.2)
Position in sector	42/46	64/67	79/96	4/109	1/128	60/130
Quartile	4	4	4	1	1	2

Past performance is not a guide to the future.

* Data from 26 May 2009. Source: Lipper Limited, class I accumulation units, in sterling to 31 August 2023. All performance figures show total returns with dividends and/or income reinvested, net of all charges. Sector is IA Flexible Investment. This class may have charges or a hedging approach different from those in the IA sector benchmark.

** Value at 12 noon valuation point.

*** Value at close of business.

Class I accumulation is disclosed as it is the primary unit class.

Artemis Fund Managers Limited

Cassini House, 57 St James's Street, London SW1A 1LD
6th floor, Exchange Plaza, 50 Lothian Road, Edinburgh EH3 9BY

Fund Service Centre 0800 092 2051

Facsimile 0207 643 3708

Website www.artemisfunds.com

