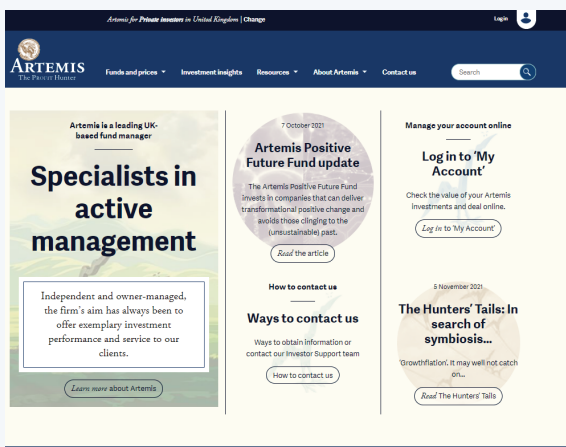


Artemis UK Special Situations *Fund*

Half-Yearly Report (unaudited)
for the six months ended 30 June 2023

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

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 £24.2 billion* across a range of funds, two investment trusts 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 July 2023

Fund status

Artemis UK Special Situations Fund was constituted by a Trust Deed dated 25 and 28 February 2000 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 5 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.

OBJECTIVE AND INVESTMENT POLICY

Objective	To grow capital over a five year period.	
Investment policy	What the fund invests in	<ul style="list-style-type: none"> • 80% to 100% in company shares. • Up to 20% in bonds, cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.
	Use of derivatives	<p>The fund may use derivatives for efficient portfolio management purposes to:</p> <ul style="list-style-type: none"> • reduce risk • manage the fund efficiently.
	Where the fund invests	<ul style="list-style-type: none"> • United Kingdom, including companies in other countries that are headquartered or have a significant part of their activities in the United Kingdom.
	Industries the fund invests in	<ul style="list-style-type: none"> • Any
	Other limitations specific to this fund	<ul style="list-style-type: none"> • None
Investment strategy	<ul style="list-style-type: none"> • The fund is actively managed. • A research-driven, bottom-up stock selection process is used to identify unrecognized growth potential in companies that are often out-of-favour. • The manager seeks companies that are in recovery, need re-financing or are suffering from investor indifference ('special situations'). These companies often have the potential to deliver significant capital growth. • Companies are assessed on the basis of absolute and relative valuation with consideration to potential upside. 	
Benchmarks	<ul style="list-style-type: none"> • FTSE All-Share Index TR A widely-used indicator of the performance of the UK stockmarket, in which the fund invests. 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. • IA UK All Companies 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. 	

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.
- **Concentration risk:** The fund may have investments concentrated in a limited number of holdings. This can be more risky than holding a wider range of investments.
- **Special situations risk:** The fund invests in companies that are in recovery, need re-financing or are suffering from lack of market attention (special situations). These companies are subject to higher-than-average risk of capital loss.

There was no change to the risk indicator in the six months ended 30 June 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 5.

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 of 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.

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis UK Special Situation Fund for the six months ended 30 June 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
24 August 2023

L E Cairney
Director

INVESTMENT REVIEW

Main changes to the fund

We made few material changes to the fund. We did, however, continue to build positions in Next and NatWest.

The largest new addition was IG Group, a company we have invested in before. Levels of trading activity among its customers have been low recently and its share price has been depressed as a result. Our expectation is that trading levels will pick up again as market volatility increases.

The largest sale was Flutter Entertainment. Its US division, FanDuel, is establishing a leading position in the online betting market in the US. Equally, the shares have performed well since we bought them and we now believe its prospects are fully reflected in its share price.

Explaining the fund's performance

The fund returned 6.6% over the six-month period, some way ahead of the FTSE All-Share index, which returned 2.6%¹.

Our strongest contributor was FirstGroup, the UK travel company. New management has improved the margins in its core UK bus business and its recently launched 'open-access' rail services (such as Lumo, on the East Coast Main Line) have moved into profit.

3i and Melrose Industries were also strong performers. Action, a European discount retailer which is 3i's largest holding, continues to go from strength to strength. Revenues are growing, margins are improving and it continues to roll out new stores, driving strong profit growth. Melrose now operates as a pure aerospace business. A recent presentation to investors was well-received and highlighted the favourable backdrop for aerospace orders and underscored the company's strength in engines.

Our holding in telecoms testing firm Spirent was the biggest negative. An upbeat trading statement in mid-November and strong orders had led us to expect the company would enjoy a very positive finish to its financial year. We were wrong. Caution among Spirent's customers is resulting in orders being deferred. That said, its peers in the US are seeing similar delays to orders, suggesting this is a market-wide issue rather than a company-specific problem.

The wider context

Central banks continue to raise interest rates in an attempt to slow the economy and bring inflation down. Oil prices and input costs are now falling but wage inflation remains high and unemployment is low, which is supporting consumer spending in the UK. Many households, meanwhile, own their homes outright or on long-term fixed-rate mortgages, so the impact of higher interest rates is blunted.

Higher interest costs are, however, putting pressure on more indebted companies that need to refinance their borrowing. We have little exposure to companies like this. Instead, we prefer to invest in companies whose financial strength allows them to invest and so strengthen their competitive position for the years ahead.

Looking ahead

Improving UK consumer confidence is being reflected in trading updates from companies in our portfolio such as Next and Jet2. We are, however, wary of a potential slowdown into 2024 as recent interest-rate increases begin to take full effect.

Past performance is not a guide to the future.

¹ Source: Artemis/Lipper Limited, class I accumulation units, in sterling, with dividend and/or income reinvested to 30 June 2023. All figures show total returns with income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Our benchmark is the FTSE All-Share index.

INVESTMENT INFORMATION

Ten largest purchases and sales for the six months ended 30 June 2023

Purchases	Cost £'000	Sales	Proceeds £'000
IG Group	24,550	Flutter Entertainment	14,937
Next	6,357	J D Wetherspoon	6,504
Hill & Smith Holdings	3,135	Standard Chartered	6,084
Ashtead Group	2,642	Melrose Industries	5,834
Barclays	2,025	C&C Group	4,999
Grafton Group	1,895	Johnson Service Group	4,756
Standard Chartered	1,369	Computacenter	4,092
Spirent Communications	1,312	3i Group	3,617
Prudential	1,186	Tesco	3,557
BP	433	Firstgroup	2,946

Portfolio statement as at 30 June 2023

	Holding	Valuation £'000	% of net assets
Equities 98.82% (97.50%)			
Basic Materials 4.47% (3.89%)			
Anglo American	466,220	10,411	2.09
Bodycote	1,313,900	8,415	1.69
Hill & Smith Holdings	232,676	3,448	0.69
		22,274	4.47
Consumer Discretionary 28.15% (24.57%)			
Burberry Group	627,446	13,308	2.67
Dowlais Group	2,579,027	3,282	0.66
Entain	1,178,637	14,698	2.94
Firstgroup	12,815,906	18,263	3.66
Howden Joinery Group	1,156,552	7,464	1.49
Inchcape	1,822,497	14,115	2.83
ITV	10,771,571	7,435	1.49
JET2*	1,192,986	14,805	2.97
Moonpig Group	2,876,352	4,185	0.84
Next	185,558	12,807	2.57
Pearson	1,546,088	12,792	2.56
Restaurant Group	8,192,115	3,133	0.63
Ryanair Holdings	549,085	8,070	1.62
Watches of Switzerland Group	995,587	6,118	1.22
		140,475	28.15
Consumer Staples 4.72% (6.73%)			
Britvic	213,821	1,828	0.37
Imperial Brands	752,001	13,164	2.64
Tesco	3,427,455	8,514	1.71
		23,506	4.72
Energy 7.40% (7.85%)			
BP	4,637,899	21,397	4.29
Shell	662,756	15,528	3.11
		36,925	7.40
Financials 23.26% (19.98%)			
3i Group	1,027,564	19,873	3.98
AdvancedAdvT	5,699,109	4,673	0.94
Barclays	14,547,966	22,287	4.46
Conduit Holdings	980,273	4,514	0.90

	Holding	Valuation £'000	% of net assets
IG Group Holdings	1,092,204	7,389	1.48
Intermediate Capital Group	1,334,813	18,494	3.70
NatWest Group	7,098,642	17,115	3.43
Prudential	779,260	8,548	1.71
Rok Entertainment Group [^]	410,914	–	–
ROK Global [^]	66,096	–	–
Standard Chartered	1,933,061	13,284	2.66
		116,177	23.26
Health Care 5.86% (5.32%)			
AstraZeneca	133,818	15,156	3.04
GSK	1,011,243	14,081	2.82
		29,237	5.86
Industrials 21.89% (24.75%)			
Ashtead Group	251,326	13,572	2.72
Babcock International Group	3,021,781	8,425	1.69
Dyson Group [^]	518,632	–	–
Genuit Group	1,193,935	3,540	0.71
Grafton Group	1,349,687	10,625	2.13
Johnson Service Group [#]	8,503,481	8,912	1.78
MBA Polymers [^]	2,105,625	–	–
Melrose Industries	2,106,625	10,672	2.14
Oxford Instruments	504,530	13,673	2.74
Redde Northgate	2,892,941	10,848	2.17
Smiths Group	932,207	15,265	3.06
Spectris	382,113	13,741	2.75
		109,273	21.89
Technology 1.56% (2.18%)			
Computacenter	343,003	7,779	1.56
Intechnology [^]	25,361,944	–	–
		7,779	1.56
Telecommunications 1.51% (2.23%)			
Spirent Communications	4,583,271	7,517	1.51
		7,517	1.51
Investment assets		493,163	98.82
Net other assets		5,866	1.18
Net assets attributable to unitholders		499,029	100.00

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

[#] Security listed on the Alternative Investment Market ('AIM').

[^] Unlisted, suspended or delisted security.

FINANCIAL STATEMENTS

Statement of total return for the six months ended 30 June 2023

	30 June 2023 £'000	30 June 2022 £'000
Income		
Net capital gains/(losses)	25,773	(83,130)
Revenue	8,428	7,693
Expenses	<u>(3,235)</u>	<u>(3,372)</u>
Net revenue before taxation	5,193	4,321
Taxation	<u>(59)</u>	<u>1</u>
Net revenue after taxation	5,134	4,322
Total return before distributions	30,907	(78,808)
Distributions	<u>(126)</u>	<u>(34)</u>
Change in net assets attributable to unitholders from investment activities	30,781	(78,842)

Statement of change in net assets attributable to unitholders for the six months ended 30 June 2023

	30 June 2023 £'000	30 June 2022 £'000	30 June 2022 £'000
Opening net assets attributable to unitholders	481,523		570,584
Amounts receivable on issue of units	14,325		19,404
Amounts payable on cancellation of units	<u>(27,600)</u>		<u>(31,409)</u>
Amounts receivable on issue of units by in specie transfer *	<u>-</u>		<u>15,232</u>
	(13,275)		3,227
Dilution adjustment	-		36
Change in net assets attributable to unitholders from investment activities	<u>30,781</u>		<u>(78,842)</u>
Closing net assets attributable to unitholders	499,029		495,005

* On 2 March 2022, the Artemis Institutional UK Special Situations Fund was closed and its remaining assets were transferred into the Artemis UK Special Situations Fund.

Balance sheet as at 30 June 2023

	30 June 2023 £'000	31 December 2022 £'000
Assets		
Fixed assets		
Investments	493,163	469,488
Current assets		
Debtors	4,284	1,404
Cash and cash equivalents	<u>3,184</u>	<u>11,723</u>
Total current assets	7,468	13,127
Total assets	500,631	482,615
Liabilities		
Creditors		
Distribution payable	-	134
Other creditors	<u>1,602</u>	<u>958</u>
Total creditors	1,602	1,092
Total liabilities	1,602	1,092
Net assets attributable to unitholders	499,029	481,523

1. Basis of preparation

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022 as set out therein.

2. Post balance sheet event

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

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 December 2020	544,139,459		
C accumulation		643.16	4,736,037
I distribution		591.43	1,283,401
I accumulation		706.14	28,582,349
R accumulation		641.53	47,426,781
31 December 2021	570,584,495		
C accumulation		730.69	6,220,934
I distribution		663.55	1,161,322
I accumulation		805.84	29,796,481
R accumulation		726.63	38,163,956
31 December 2022	481,522,548		
C accumulation		659.91	6,239,722
I distribution		590.44	1,139,323
I accumulation		731.05	27,581,447
R accumulation		654.28	35,456,443
30 June 2023	499,028,826		
C accumulation		702.06	6,082,965
I distribution		629.73	1,119,311
I accumulation		779.50	26,998,115
R accumulation		695.02	34,362,162

Ongoing charges

Class	30 June 2023
C accumulation	1.31%
I distribution	0.86%
I accumulation	0.86%
R accumulation	1.61%

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

Class I accumulation performance

	Since launch*	10 years	5 years	3 years	1 year	6 months
Artemis UK Special Situations Fund**	719.4	73.3	16.8	35.8	11.6	6.6
Artemis UK Special Situations Fund***	721.4	73.0	17.1	36.8	11.3	6.9
FTSE All-Share Index	190.4	78.0	16.5	33.2	7.9	2.6
IA UK All Companies average	184.6	67.9	7.4	23.5	6.0	1.8
Position in sector	1/72	74/160	39/191	30/201	26/206	11/206
Quartile	1	2	1	1	1	1

Past performance is not a guide to the future.

* Source: Artemis/Lipper Limited, data from 9 March 2000 to 7 March 2008 reflects class R accumulation units, and from 7 March 2008 reflects class I accumulation units, in sterling with dividends reinvested to 30 June 2023. All figures show total returns with income reinvested, 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 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

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