

## Artemis Income (Exclusions) *Fund*

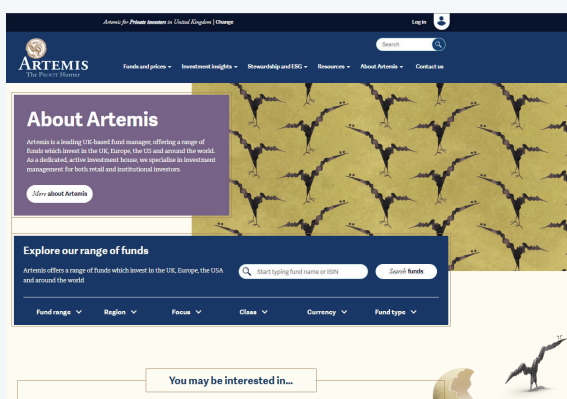
Half-Yearly Report (unaudited)

for the six months ended 30 June 2024

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[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 £25.8 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 31 July 2024

### Fund status

Artemis Income (Exclusions) Fund was constituted by a Trust Deed dated 23 December 2004 and is an authorised unit trust scheme, belonging to the non-UCITS retail category, 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 4 or via the website [artemisfunds.com](https://www.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](https://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

<b>Objective</b>	To grow both income and capital over at least a five year period. The fund also aims to provide investors with a total return in excess of the FTSE All-Share Index, after fees, on an annualised basis over rolling five-year periods.	
<b>Investment policy</b>	<b>What the fund invests in</b>	<ul style="list-style-type: none"> <li>• 80% to 100% in company shares.</li> <li>• 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.</li> </ul>
	<b>Use of derivatives</b>	The fund may use derivatives for efficient portfolio management purposes to: <ul style="list-style-type: none"> <li>• reduce risk</li> <li>• manage the fund efficiently.</li> </ul>
	<b>Where the fund invests</b>	<ul style="list-style-type: none"> <li>• At least 80% in United Kingdom</li> <li>• Up to 20% in other countries.</li> </ul>
	<b>Industries the fund invests in</b>	<ul style="list-style-type: none"> <li>• Any, except for those excluded at the sub-industry level below.</li> </ul>
	<b>Other limitations specific to this fund</b>	Shares in the following types of companies (held either directly or indirectly via derivatives) are automatically excluded: <ul style="list-style-type: none"> <li>• Tobacco: companies which derive more than 20% revenue from tobacco;</li> <li>• Gambling: companies which derive more than 20% revenue from gambling;</li> <li>• Weapons: companies:               <ul style="list-style-type: none"> <li>- involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons); or</li> <li>- which derive more than 20% revenue from conventional or nuclear weapons, related components and systems; or</li> <li>- which derive more than 20% revenue from manufacture or sale of civilian firearms or ammunition;</li> </ul> </li> <li>• Fossil fuels: companies which derive more than 20% revenue from:               <ul style="list-style-type: none"> <li>- mining or sale of thermal coal; or</li> <li>- thermal coal based power generation; or</li> <li>- extraction, production or refining of either oil or gas.</li> </ul> </li> </ul>
<b>Investment strategy</b>	<ul style="list-style-type: none"> <li>• The fund is actively managed.</li> <li>• A number of companies are removed from the investment universe at the outset of the investment process using the criteria set out in the investment policy above.</li> <li>• The manager believes that a company's free cashflow yield drives its valuation.</li> <li>• Accordingly, the fund focuses on companies' free cashflow yield by taking into account current and prospective dividends and the likelihood of the dividend being maintained in the future.</li> </ul>	
<b>Benchmark</b>	<ul style="list-style-type: none"> <li>• <b>FTSE All-Share Index TR</b></li> </ul> A widely-used indicator of the performance of the UK stock market, in which the fund invests. It acts as a 'target benchmark' that the fund aims to outperform. Management of the fund is not restricted by this benchmark.	

## OTHER INFORMATION

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### Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 4.

### 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](https://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](https://artemisfunds.com).

### Taskforce for Climate-Related Financial Disclosures ("TCFD")

In accordance with the FCA's requirements under the Environmental, Social and Governance Sourcebook, Artemis is required to publish disclosures consistent with the Taskforce on Climate-Related Financial Disclosures ("TCFD") for the period 1 January 2023 to 31 December 2023. The entity-level TCFD report contains information about how Artemis manages climate-related risks and opportunities in investment portfolios and across its business operations and the product-level TCFD report contains certain climate related metrics required to be published for Artemis Income (Exclusions) Fund. These TCFD reports, which were published on 30 June 2024, can be found here: [www.artemisfunds.com/tcfd](https://www.artemisfunds.com/tcfd).

### Manager and Alternative Investment Fund Manager ('AIFM')

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](https://artemisfunds.com)

### Investment adviser

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

### Trustee and Depositary

Northern Trust Investor Services Limited \*  
50 Bank Street  
Canary Wharf  
London E14 5NT

### Registrar

Northern Trust UK Global Services SE †  
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 Financial Conduct Authority.

† 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 Income (Exclusions) Fund for the six months ended 30 June 2024 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  
28 August 2024

S Dougall  
Director

## INVESTMENT REVIEW

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### Performance

The Artemis Income (Exclusions) Fund made 8.8% over the six-month period, outperforming the FTSE All-Share index, which was up 7.4%<sup>1</sup>.

Performance during the period was aided by some of our key long-term contributors to portfolio returns.

These included:

- Private equity firm 3i, with discount retailer Action increasing its store footprint in Europe and delivering strong earnings and cashflow growth.
- Wolters Kluwer, thanks to a long-term increase in cashflow. We think this is sustainable, given both structurally growing end markets and opportunities from artificial intelligence (AI) were healthy contributors to relative returns over the period.

In addition, some of the more 'value' oriented areas of the portfolio delivered strong performance. The UK banks – given a more favourable macroeconomic backdrop, higher interest rates and large dividend and buyback programmes – had their best period for some time. Given valuations remain low and the lagged impact of structural hedges (meaning the banks have yet to receive the full benefits of rising interest rates), we think this can continue.

ITV has also recovered strongly, given a better outlook for advertising spending and encouraging progress across its various digital initiatives. Its Planet V advertising platform continues to attract clients, while streaming hours on ITVX are growing significantly. The sale of ITV's stake in BritBox – the proceeds from which were returned to investors through a share buyback – was well received by the market.

### Main changes to the fund

Given our long-term approach and current average holding period of about six years, portfolio activity was fairly limited over the period.

LXi REIT was acquired by LondonMetric Property in an all-share deal. The two entities have combined to form the fourth largest REIT (real estate investment trust) in the UK, containing a diversified portfolio of attractive assets with long-term inflation-linked income, helmed by an experienced management team. We remain invested in the new entity.

We exited Boliden and Indivior. Boliden has plenty of attractive attributes, most notably the strong sustainability credentials of its mines and smelting facilities, but concerns around medium-term cashflows mean these characteristics have not been recognised by the market. The shares bounced this year in line with metal prices, so we used this strength to sell the position.

We significantly reduced our holding in pharmaceutical Indivior earlier this year. Given ongoing concerns about the potential for weight-loss drugs to disrupt Indivior's business model, we believe there to be more downside risk to the shares.

### The wider context

The much-derided UK economy has continued to fare better than expected, avoiding a meaningful recession and beating GDP forecasts.

Sterling has also been relatively stable, after several years of volatility. The Labour party, which so far appears to be pro-business and fiscally sensible, won the third-largest majority in the general election since 1900. We are hopeful this can finally usher in a period of political stability for the UK after several years of volatility – many of our portfolio companies have commented on constructive engagement with the party.

It is also important to consider the UK's relative political stability compared with other parts of the world, particularly Europe and the US where the future course of both domestic and foreign policy looks uncertain.

### Looking ahead

Though the domestic situation in the UK is only of modest importance to many FTSE companies, it plays an important role in the eyes of international investors.

With a growing number of these showing up on UK shareholder registers, it looks as if sentiment towards the UK is finally beginning to change. Buybacks remain a powerful catalyst, too, with 65% of our portfolio by value having purchased their own shares over the past 12 months.

All in all, we see tangible evidence that the conditions surrounding the UK equity market are improving, and as such believe we could be on the precipice of a better period of returns for patient investors.

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Past performance is not a guide to the future.

<sup>1</sup> Source: Artemis/Lipper Limited, accumulation units, in sterling. All figures show total returns with dividends and/or income reinvested, gross of 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 you invest in a different currency class.

## INVESTMENT INFORMATION

### Ten largest purchases and sales for the six months ended 30 June 2024

Purchases	Cost £'000	Sales	Proceeds £'000
SSE	2,450	RELX	6,534
Tesco	2,168	Boliden	4,771
Lloyds Banking Group	2,150	M&G	4,512
Barclays	2,003	Wolters Kluwer	3,926
Legal & General Group	1,369	3i Group	3,447
GSK	1,344	AstraZeneca	2,752
SSP Group	1,227	Indivior	2,481
Direct Line Insurance Group	1,037	Nintendo	1,412
NatWest Group	921	Travis Perkins	993
Spectris	902	London Stock Exchange Group	952

### Portfolio statement as at 30 June 2024

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 97.92% (98.10%)</b>			
<b>Basic Materials 2.43% (3.38%)</b>			
Anglo American	326,254	8,225	2.43
		<b>8,225</b>	<b>2.43</b>
<b>Consumer Discretionary 20.58% (31.93%)</b>			
Burberry Group	254,301	2,281	0.68
Card Factory	1,432,643	1,321	0.39
Dr Martens	2,500,540	1,907	0.56
Informa	1,760,266	15,195	4.50
ITV	9,794,492	7,958	2.35
Next	164,961	15,041	4.45
Nintendo	146,100	6,157	1.82
Pearson	1,531,083	15,194	4.50
SSP Group	2,965,735	4,481	1.33
		<b>69,535</b>	<b>20.58</b>
<b>Consumer Staples 8.35% (7.91%)</b>			
C&C Group	2,697,162	4,294	1.27
Corbion	195,277	3,125	0.92
Ebro Foods	327,874	4,300	1.27
Origin Enterprises *	693,796	1,905	0.57
Tesco	4,725,686	14,583	4.32
		<b>28,207</b>	<b>8.35</b>
<b>Financials 34.45% (31.76%)</b>			
3i Group	645,565	20,051	5.93
Aviva	2,796,200	13,517	4.00
Barclays	4,788,000	10,107	2.99
Direct Line Insurance Group	1,209,635	2,504	0.74
IG Group	1,135,635	9,312	2.76
Legal & General Group	4,444,190	10,208	3.02
Lloyds Banking Group	20,418,855	11,382	3.37
London Stock Exchange Group	175,090	16,560	4.90
M&G	1,954,408	4,028	1.19
NatWest Group	3,280,225	10,375	3.07
NextEnergy Solar Fund	3,343,132	2,698	0.80
Phoenix Group	1,075,492	5,679	1.68
Speymill Deutsche Immobilien ^	1,098,007	–	–
		<b>116,421</b>	<b>34.45</b>

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 97.92% (98.10%) (continued)</b>			
<b>Health Care 7.70% (8.28%)</b>			
AstraZeneca	67,555	8,390	2.48
GSK	781,737	11,953	3.54
Haleon	1,744,085	5,694	1.68
		<b>26,037</b>	<b>7.70</b>
<b>Industrials 17.56% (8.38%)</b>			
easyJet	1,116,501	5,135	1.52
RELX	410,139	14,987	4.43
RS Group	772,488	5,473	1.62
Smiths Group	699,729	12,000	3.55
Spectris	145,580	4,059	1.20
Travis Perkins	536,817	4,155	1.23
Wolters Kluwer	103,055	13,546	4.01
		<b>59,355</b>	<b>17.56</b>
<b>Real Estate 3.59% (3.62%)</b>			
LondonMetric Property	2,953,595	5,724	1.69
Segro	716,348	6,426	1.90
		<b>12,150</b>	<b>3.59</b>
<b>Technology 2.03% (2.25%)</b>			
Sage Group	632,216	6,872	2.03
		<b>6,872</b>	<b>2.03</b>
<b>Utilities 1.23% (0.59%)</b>			
SSE	230,871	4,141	1.23
		<b>4,141</b>	<b>1.23</b>
<b>Equities total</b>		<b>330,943</b>	<b>97.92</b>
<b>Forward Currency Contracts 0.08% ((0.18%))</b>			
Buy Sterling 21,126,325, sell Euro 24,789,551 dated 08/07/2024		146	0.04
Buy Sterling 5,869,317, sell Japanese Yen 1,165,857,488 dated 08/07/2024		124	0.04
<b>Forward Currency Contracts total</b>		<b>270</b>	<b>0.08</b>
<b>Investment assets</b>		<b>331,213</b>	<b>98.00</b>
<b>Net other assets</b>		<b>6,747</b>	<b>2.00</b>
<b>Net assets attributable to unitholders</b>		<b>337,960</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31 December 2023.

# 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 2024

	30 June 2024		30 June 2023	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		21,962		771
Revenue	7,307		7,457	
Expenses	(1,290)		(1,210)	
Interest payable and similar charges	(3)		(3)	
Net revenue before taxation	6,014		6,244	
Taxation	(74)		(175)	
Net revenue after taxation		5,940		6,069
<b>Total return before distributions</b>		27,902		6,840
Distributions		(7,202)		(7,253)
<b>Change in net assets attributable to unitholders from investment activities</b>		20,700		(413)

### Statement of change in net assets attributable to unitholders for the six months ended 30 June 2024

	30 June 2024		30 June 2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		331,982		298,623
Amounts receivable on issue of units	10,141		3,006	
Amounts payable on cancellation of units	(30,866)		(2,024)	
		(20,725)		982
Dilution adjustment		22		–
Change in net assets attributable to unitholders from investment activities		20,700		(413)
Retained distribution on accumulation units		5,981		5,610
<b>Closing net assets attributable to unitholders</b>		337,960		304,802

### Balance Sheet as at 30 June 2024

	30 June 2024	31 December 2023
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	331,213	325,683
<b>Current assets</b>		
Debtors	1,481	1,249
Cash and cash equivalents	6,853	6,935
<b>Total current assets</b>	8,334	8,184
<b>Total assets</b>	339,547	333,867
<b>Liabilities</b>		
Investment liabilities	–	581
<b>Creditors</b>		
Bank overdraft	190	–
Distribution payable	1,101	1,012
Other creditors	296	292
<b>Total creditors</b>	1,587	1,304
<b>Total liabilities</b>	1,587	1,885
<b>Net assets attributable to unitholders</b>	337,960	331,982

## 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 2023 as set out therein.

## 2. Post balance sheet event

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

## DISTRIBUTION TABLES

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

Semi-annual distribution period	Start	End	Ex-dividend date	Pay date
Interim	1 January 2024	30 June 2024	1 July 2024	30 August 2024

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.

### Distribution

Dividend distributions for the six months ended 30 June 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit(p)	Equalisation per unit (p)		Franked	Unfranked	
Interim	0.1383	1.9527	2.0910	100.00%	0.00%	2.0844

### Accumulation

Dividend distributions for the six months ended 30 June 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit(p)	Equalisation per unit (p)		Franked	Unfranked	
Interim	3.2012	1.3805	4.5817	100.00%	0.00%	4.3961

## Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
<b>31 December 2021</b>	<b>323,702,577</b>		
Distribution		91.22	89,052,384
Accumulation		184.74	131,245,513
<b>31 December 2022</b>	<b>298,622,623</b>		
Distribution		85.96	81,277,869
Accumulation		181.30	126,174,890
<b>31 December 2023</b>	<b>331,981,850</b>		
Distribution		92.06	77,655,505
Accumulation		201.68	129,160,099
<b>30 June 2024</b>	<b>337,960,438</b>		
Distribution		98.04	52,642,568
Accumulation		219.36	130,539,022

## Ongoing charges

Class	30 June 2024
Distribution	0.780%
Accumulation	0.780%

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.

## Fund performance

	Since launch *	10 years	5 Years	3 years	1 Year	6 months
Artemis Income Exclusions Fund (gross of fees)	829.3	87.4	38.1	26.2	18.3	8.8
Artemis Income Exclusions Fund (net of fees)	658.2	85.8	37.0	25.2	17.4	8.1
FTSE All-Share Index (gross of fees)	228.8	77.8	30.9	23.9	13.0	7.4

Past performance is not a guide to the future.

\* Source: Lipper Limited/Artemis. Data from 16 March 2005, accumulation units, in sterling to 30 June 2024. All figures show total returns based on close of business prices with dividends and/or income reinvested. 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. Benchmark is FTSE All-Share Index.

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