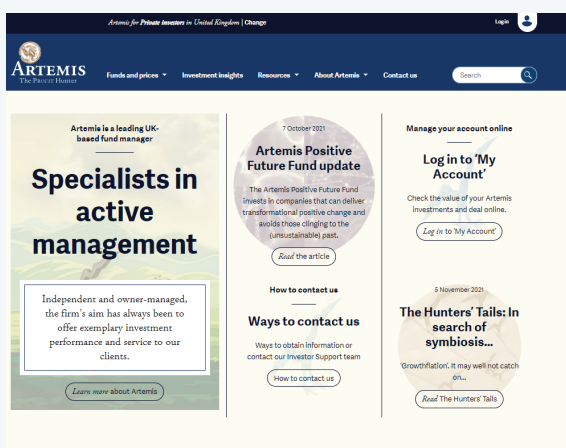


Artemis UK Smaller Companies *Fund*

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

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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 £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 Smaller Companies Fund was constituted by a Trust Deed dated 17 March 1998 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 shares of smaller companies. • 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	The fund may use derivatives for efficient portfolio management purposes to: <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. • The manager adopts a long-term investment approach. • The manager seeks to mostly invest in companies with predictable and/or growing cashflow streams which require little additional capital to sustain. • The manager identifies smaller companies with reference to their relative market capitalisation. 	
Benchmarks	<ul style="list-style-type: none"> • Numis Smaller Companies (-InvTrust) TR A widely-used indicator of the performance of the UK smaller companies 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 Smaller 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.
- **Charges from capital risk:** Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expense of capital, which may constrain or erode capital growth.
- **Smaller companies risk:** Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies may not be as easy to sell, which can cause difficulty in valuing those shares.

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 Smaller Companies 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 started a new holding in Alpha Group, a foreign exchange specialist. It is growing rapidly (few companies have delivered stronger earnings growth over the past few years), it is financially robust (it is expected to end the year with around £200 million net cash on its balance sheet), it is cash generative and should be a beneficiary of higher interest rates.

We also started a new holding in FDM, a recruitment consultant. It has a strong balance sheet and an excellent long-term growth record. A third key addition was Tatton Asset Management. We are attracted by the growth in platform-only discretionary fund management.

We funded these additions by trimming some of our stronger performers including Medica, MoneySupermarket and Dunelm. We also trimmed Mears, whose strong performance had taken the holding above 3% of the fund. We sold out of RPS as its takeover by Tetra Tech (at a 90% premium to the pre-bid share price) completed. Similarly, we sold our holding in Crestchic after the bid from Aggreko completed (at a 44% premium) and Euromoney after a private equity bid completed (at a 34% premium).

Explaining the fund's performance

The fund fell by 3.9% over the reporting period versus a fall of 4.5% in the median fund in its peer group and a gain of 1.4% in the benchmark Numis Smaller Companies (ex-IT) index¹.

It was a period in which 'what we don't own' was a significant factor in the fund's underperformance relative to the index: Carnival (up 124%) and Aston Martin (up 130%) both bounced strongly from earlier weakness but aren't held in the fund.

The single biggest negative for our relative returns, however, was RWS, which came under pressure (down 35%) as it indicated that its profits would be towards the lower end of expectations. Jadestone Energy also fell. Although it recently resumed production at its Montara oil field (a positive) its auditors required it to issue new shares to replace the cash lost whilst it was offline.

Set against those negatives, Mears, our largest holding, reported that it "expects full-year profits to be materially ahead of current market expectations." Its shares ended the period 40% higher. Also on the plus side, we saw strong performances from Jet2, Dunelm, Moonpig and Halfords.

The wider context

The fund has now received 25 recommended takeover bids for its holdings since 2019 and nine since the start of 2022. We see these bids as third-party validation of the value we can see in our holdings.

Looking ahead

UK equities – including the shares of smaller companies – remain deeply out of favour. In our view, this is creating a buying opportunity. The UK economy is proving far more resilient than had been widely expected. Six months ago, the Bank of England was forecasting one of the deepest and the longest recessions in history. It is now forecasting that there will in fact, be no recession at all in 2023. Instead, it now sees real GDP growing from here.

Despite this improving economic backdrop, UK equities – including smaller companies – remain unusually cheap relative to companies in other regions. This reinforces our view that this is a great buying opportunity as small caps continue to price in a recession that we increasingly feel is unlikely.

Past performance is not a guide to the future.

¹ Source: Artemis/Lipper Limited, class I accumulation units, in sterling, 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. Benchmark is Numis UK Smaller Companies (ex-investment trusts) Index.

INVESTMENT INFORMATION

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

Purchases	Cost £'000	Sales	Proceeds £'000
Tatton Asset Management	6,662	RPS Group	10,546
FDM Group Holdings	5,362	Medica Group	9,022
Vanquis Banking Group	4,466	Crestchic	8,325
Alpha Group International	4,334	Mears Group	5,469
Kin & Carta	4,187	Appreciate Group	4,690
Videndum	2,078	Moneysupermarket.com Group	4,499
Telecom Plus	1,916	XPS Pensions Group	3,935
MJ Gleeson	1,822	QinetiQ Group	3,859
Secure Trust Bank	1,797	EMIS Group	3,174
NCC Group	1,667	Dunelm Group	3,102

Portfolio statement as at 30 June 2023

	Holding	Valuation £'000	% of net assets
Equities 99.44% (98.82%)			
Basic Materials 0.73% (0.84%)			
Central Asia Metals *	1,422,950	2,570	0.73
Thistle Mining ^	2,376,532	–	–
		2,570	0.73
Consumer Discretionary 28.91% (26.37%)			
Centaur Media	4,416,502	2,076	0.59
DFS Furniture	2,613,942	2,797	0.79
Dunelm Group	509,653	5,718	1.62
Ebiquity *	11,135,085	5,122	1.45
Fuller Smith & Turner 'A'	1,077,975	6,295	1.78
Future	543,901	3,710	1.05
Halfords Group	2,919,105	6,200	1.75
Headlam Group	1,990,887	4,957	1.40
Hollywood Bowl Group	3,254,697	8,153	2.31
J D Wetherspoon	667,712	4,517	1.28
JET2 *	412,260	5,116	1.45
LBG Media	3,176,485	2,961	0.84
Lookers	4,690,266	5,591	1.58
MJ Gleeson	404,545	1,481	0.42
Moonpig Group	5,322,413	7,744	2.19
On the Beach Group	4,604,999	4,296	1.21
Redrow	1,012,736	4,509	1.27
Revolution Bars Group #	18,034,313	1,100	0.31
RM	6,108,883	5,003	1.41
ScS Group	2,634,543	3,925	1.11
SSP Group	559,702	1,408	0.40
Wilmington	3,409,476	9,547	2.70
		102,226	28.91
Consumer Staples 5.09% (4.84%)			
Bakkavor Group	3,754,678	3,567	1.01
Britvic	419,854	3,590	1.01
Carr's Group	3,006,177	4,329	1.22
PZ Cussons	3,197,623	5,193	1.47
REA Holdings	2,022,530	1,355	0.38
		18,034	5.09

	Holding	Valuation £'000	% of net assets
Energy 1.25% (2.03%)			
Harbour Energy	662,239	1,509	0.43
Jadestone Energy [#]	8,455,950	2,917	0.82
Jadestone Energy Rights 28/06/2023 [^]	281,865	–	–
Timan Oil & Gas [^]	1,431,667	–	–
		4,426	1.25
Financials 11.99% (10.04%)			
Alpha Group International	181,522	4,160	1.18
Brooks Macdonald Group [#]	375,990	7,670	2.17
Curtis Banks Group [#]	1,741,060	5,571	1.57
H&T Group [#]	2,074,040	8,856	2.50
Rok Entertainment Group [^]	410,914	–	–
ROK Global [^]	66,097	–	–
Secure Trust Bank	919,823	5,721	1.62
Tatton Asset Management	1,464,009	6,471	1.83
Vanquis Banking Group	2,065,676	3,966	1.12
		42,415	11.99
Health Care 2.88% (3.39%)			
Alliance Pharma [*]	9,766,943	4,854	1.37
Eco Animal Health Group [#]	1,687,647	1,688	0.48
Medica Group	1,724,793	3,639	1.03
		10,181	2.88
Industrials 29.43% (34.17%)			
Alpha Financial Markets Consulting [#]	1,298,862	5,001	1.41
Babcock International Group	2,228,907	6,214	1.76
Chemring Group	1,660,373	4,699	1.33
Costain Group	5,398,176	2,489	0.70
EER [^]	14,000	–	–
Keller Group	1,006,439	6,965	1.97
Mears Group	4,064,979	11,809	3.34
Morgan Advanced Materials	2,267,894	6,157	1.74
Morgan Sindall Group	350,185	6,429	1.82
Mycelx Technologies [#]	1,217,612	365	0.10
Norcros	3,437,356	5,861	1.66
QinetiQ Group	985,334	3,498	0.99
Redde Northgate	1,442,249	5,408	1.53
RWS Holdings [#]	3,512,256	8,401	2.38
Serco Group	6,295,940	9,589	2.71
Severfield	4,485,901	3,086	0.87
SIG	5,811,307	2,037	0.58
SigmaRoc [#]	12,122,057	6,861	1.94
Somero Enterprises [#]	615,844	1,725	0.49
Tyman	1,153,335	2,970	0.84
Videndum	657,706	4,492	1.27
		104,056	29.43
Real Estate 1.82% (1.40%)			
Harworth Group	2,758,033	2,924	0.83
Henry Boot	1,661,041	3,488	0.99
		6,412	1.82
Technology 14.64% (13.46%)			
Beeks Financial Cloud Group [#]	4,219,281	4,768	1.35
Computacenter	384,937	8,730	2.47
Eckoh [#]	6,470,476	2,329	0.66
EMIS Group [#]	282,743	3,874	1.10

	Holding	Valuation £'000	% of net assets
FDM Group Holdings	736,555	4,191	1.18
GB Group [#]	2,309,482	5,284	1.49
Kin & Carta	2,962,449	1,792	0.51
Moneysupermarket.com Group	3,393,812	9,170	2.59
NCC Group	7,272,388	7,025	1.99
TT Electronics	2,889,709	4,606	1.30
		51,769	14.64
Telecommunications 2.70% (2.28%)			
Gamma Communications [#]	357,902	4,094	1.16
Telecom Plus	323,283	5,451	1.54
		9,545	2.70
Investment assets		351,634	99.44
Net other assets		1,997	0.56
Net assets attributable to unitholders		353,631	100.00

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

[#] Security listed on another regulated market.

[^] Unlisted, suspended or delisted security.

FINANCIAL STATEMENTS

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

	30 June 2023		30 June 2022	
	£'000	£'000	£'000	£'000
Income				
Net capital losses		(19,412)		(58,028)
Revenue	7,000		6,783	
Expenses	(2,333)		(2,460)	
Interest payable and similar charges	–		(14)	
Net revenue before taxation	4,667		4,309	
Taxation	(19)		(147)	
Net revenue after taxation		4,648		4,162
Total return before distributions		(14,764)		(53,866)
Distributions		(246)		(79)
Change in net assets attributable to unitholders from investment activities		(15,010)		(53,945)

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

	30 June 2023		30 June 2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		416,265		457,580
Amounts receivable on issue of units	13,299		3,224	
Amounts payable on cancellation of units	(60,923)		(24,664)	
		(47,624)		(21,440)
Change in net assets attributable to unitholders from investment activities		(15,010)		(53,945)
Closing net assets attributable to unitholders		353,631		382,195

Balance sheet as at 30 June 2023

	30 June 2023	31 December 2022
	£'000	£'000
Assets		
Fixed assets		
Investments	351,634	411,332
Current assets		
Debtors	2,248	865
Cash and cash equivalents	3,057	4,998
Total current assets	5,305	5,863
Total assets	356,939	417,195
Liabilities		
Creditors		
Distribution payable	–	193
Other creditors	3,308	737
Total creditors	3,308	930
Total liabilities	3,308	930
Net assets attributable to unitholders	353,631	416,265

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 events

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	394,026,600		
C accumulation		1,569.36	1,448,104
I distribution		1,504.14	203,548
I accumulation		1,692.54	12,703,270
R accumulation		1,565.38	9,788,783
31 December 2021	457,579,733		
C accumulation		2,032.70	1,850,294
I distribution		1,914.01	387,515
I accumulation		2,202.08	10,994,764
R accumulation		2,021.42	8,431,583
31 December 2022	416,264,682		
C accumulation		1,858.39	1,828,652
I distribution		1,706.28	369,488
I accumulation		2,022.31	11,644,172
R accumulation		1,842.54	7,625,094
30 June 2023	353,630,713		
C accumulation		1,784.09	1,747,448
I distribution		1,642.40	373,160
I accumulation		1,945.83	9,632,992
R accumulation		1,766.22	7,297,189

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 Smaller Companies Fund**	1,936.2	117.8	2.5	36.8	0.1	(3.9)
Artemis UK Smaller Companies Fund***	1,953.1	117.5	3.0	37.0	0.1	(4.0)
Numis Smaller Companies (ex-Inv Trust) Index	558.4	79.6	4.2	29.5	4.4	1.4
IA UK Smaller Companies average	620.5	98.3	(1.1)	11.5	(6.0)	(4.5)
Position in sector	1/14	12/38	14/42	5/43	6/45	18/45
Quartile	1	2	2	1	1	2

Past performance is not a guide to the future.

* Source: Artemis/ Lipper Limited, data from 3 April 1998 to 1 September 2010 reflects class R accumulation units, and from 1 September 2010 to 30 June 2023 reflects class I accumulation units. All figures show total returns with dividends and/or 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. Sector is IA UK Smaller Companies.
 ** Value at 12 noon valuation point.
 *** Value at close of business.

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

Artemis Fund Managers Limited

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