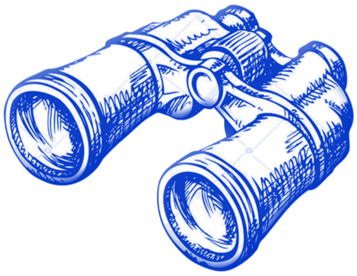
The Profit Hunter



Artemis Income (Exclusions) *Fund*

Manager's Report
and Financial Statements

for the year ended 31 December 2024

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 £28.3 billion* across a range of funds 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 January 2025

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 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 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.	
Investment policy	**What the fund invests in**	• 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	The fund may use derivatives for efficient portfolio management purposes to: • reduce risk • manage the fund efficiently.
	Where the fund invests	• At least 80% in United Kingdom • Up to 20% in other countries.
	Industries the fund invests in	• Any, except for those excluded at the sub-industry level below.
	Other limitations specific to this fund	Shares in the following types of companies (held either directly or indirectly via derivatives) are automatically excluded: • Tobacco: companies which derive more than 20% revenue from tobacco; • Gambling: companies which derive more than 20% revenue from gambling; • Weapons: companies: - involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons); or - which derive more than 20% revenue from conventional or nuclear weapons, related components and systems; or - which derive more than 20% revenue from manufacture or sale of civilian firearms or ammunition; • Fossil fuels: companies which derive more than 20% revenue from: - mining or sale of thermal coal; or - thermal coal based power generation; or - extraction, production or refining of either oil or gas.
Investment strategy	• The fund is actively managed. • 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. • The manager believes that a company's free cashflow yield drives its valuation. • 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.	
Benchmark	• **FTSE All-Share Index TR** 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

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 5.

Alternative Investment Fund Managers Directive ('AIFMD')

A number of disclosures are required to be made under the AIFMD as follows:

- Information in relation to the leverage of the fund is provided in note 17 in the notes to the financial statements.
- Details of the fund's principal risks and their management are provided in note 17 in the notes to the financial statements.
- Details of the monitoring undertaken of the liquidity of the portfolio is provided in note 17 in the notes to the financial statements.
- The manager has not entered into any stocklending agreements, borrowed money against the security of the fund's investments; or created any charges over any of the fund's investments in the year.
- Details of the fund's strategy and policies, administration arrangements and risk management and monitoring, required to be made available to investors in the fund before they invest, are available in its Prospectus.

Any material changes to this information is required to be reported in the annual accounts. There have been no material changes from the prior year to the information above which requires disclosure to unitholders.

Remuneration

Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary Artemis Fund Managers Limited (AFML). Details of the group remuneration policies are available on Artemis' website artemisfunds.com.

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 232 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 2023 is £916,539 of which £422,204 is fixed remuneration and £494,335 is variable remuneration.

The aggregate amount of remuneration paid to Identified Staff that is attributable to duties for the fund for the year ended 31 December 2023 is £331,326. 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. 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.

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.

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

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.

STATEMENTS OF RESPONSIBILITIES

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Artemis Income (Exclusions) Fund ("the Trust") for the year ended 31 December 2024.

The Trustee in its capacity as Trustee of Artemis Income (Exclusions) Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and the Investment Funds 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 Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

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

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust 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 Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the regulations and the Scheme documents of the Trust.

Northern Trust Investor Services Limited
London
3 March 2025

Statement of the manager's responsibilities

COLL and FUND 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 Trust in accordance with its Trust Deed, Prospectus and COLL and FUND.

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 Income (Exclusions) Fund for the year ended 31 December 2024 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL and FUND as issued and amended by the FCA.

M J Murray — S Dougall
Director — Director
Artemis Fund Managers Limited
London
3 March 2025

Auditor's report

Independent auditor's report to the unitholders of the Artemis Income (Exclusions) Fund

Opinion

We have audited the financial statements of the Artemis Income (Exclusions) Fund ("the Fund") for the year ended 31 December 2024, 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 December 2024 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 6, 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 the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. The results of our procedures confirmed no special dividends above our testing threshold were received during the year.
- 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 including specialists where necessary 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
4 March 2025

Investment Review

Overview

The economic news flow was as volatile as ever in 2024. In the UK, inflation declined then began to reaccelerate, interest rates were cut (twice) but the timing and extent of future reductions remains up for debate. The wave of optimism in the run up to the general election now seems something of a distant memory as sentiment has soured in recent months. As ever, we have tried to focus on running a portfolio centred on building a diversified yet focused portfolio of companies that we believe can generate attractive long term free cash flows and is not overly exposed to any single factor or investment style.

The fact that contributions to returns were from a wide range of areas – both some of our longer-term winners like 3i and Wolters Kluwer, as well as some more 'value' oriented names like the UK domestic banks and IG Group – in our view reinforces the merits of our investment approach. Another we would make is that the UK stock market is not the UK economy, and with less than 40% of our revenues derived from the UK the fortunes of our portfolio companies are not tied to the Bank of England's next press conference.

Finally, we are confident that our portfolio is not 'one and done' after a particularly strong period of performance. We believe that we have built a portfolio of high-quality (and in many cases globally relevant companies) that should be able to compound cash flow over time and as such continue to generate attractive returns above and beyond the shorter term horizons.

Performance

The Artemis Income (Exclusions) fund returned 15.4% (net of fees, sterling) in 2024, materially outperforming the FTSE All Share which returned 9.5%.

This healthy outperformance was driven by a number of different portfolio holdings. Some of our longer-term winners – the likes of 3i – continued to impress, while some of the more value-oriented areas (the UK banks being the best example) also produced strong returns.

Contributors

3i's portfolio company Action continues to roll out rapidly across Europe and generate substantial amounts of cash at high returns on capital (in some cases >100%, with the payback period on new stores often less than a year) in the process. The flywheel of ever-greater buying power with increased scale remains in motion, and Action's materially lower prices than its competitors continue to offer value to customers.

Pearson's third-quarter trading update revealed underlying sales growth across all divisions. The North American Higher Education division grew for the first time in many years. A more benign industry backdrop contributed, but this growth was in large part driven by Pearson's work around innovation and significantly improving the user experience. This challenge to one of the most prominent bear cases for Pearson shares has shifted investor focus onto what is a transformed and digitally enabled company with a near-unique brand in digital learning and accreditation, a market well underpinned by structural growth. We believe Pearson sits in a relatively small group of stocks where AI is a clear and demonstrable opportunity to enhance the user experience and create more value for customers. As such, Pearson is now one of our largest positions.

NatWest and **Barclays** both posted a very strong year of returns. After spending 10-15 years rebuilding capital and liquidity post financial crisis, the resilience of both has improved immeasurably. Add to this the fact that interest rates have very simply gone from abnormal to normal (that is, from nothing to something), profitability has increased significantly and as a result so have cash returns. And both banks are buying back significant amounts of their shares to support healthy dividends. The structural hedge – a mechanism by which the UK domestic banks invest a portion of their earnings in fixed-income instruments to smooth earnings volatility – should continue to support earnings upgrades as the hedge rolls off and is invested at higher incremental yields. As such we believe the banks to be well placed to continue delivering attractive returns despite their strong performance over 2024.

Detractors

Spectris has struggled with weakness in demand, particularly from China and electric vehicles. We still believe Spectris to be an attractive collection of assets however, with the portfolio being significantly simplified and improved in recent years. The shares however trade at a significant discount to both long-term average multiples and industry peers. For the quality of these assets, therefore, a P/E of 16x forward earnings – and a 6% free cash flow yield with a robust, net cash balance sheet – looks to be the wrong price in our view. As a result, Spectris is likely an attractive acquisition target for either a US trade buyer or private equity and as such the risk reward looks attractive from here.

RS shares have sold off as a result of falling earnings expectations. However, a late 2024 investor day showed the significant progress being made throughout the business. Management is re-focusing on RS's core proposition of providing products and services to industrial customers, and improved execution could compound significant cost savings. Furthermore, RS is working to organise and make better use of its data (its digital offer is strong versus competitors) to understand its customers better and create more value for them. The chief technology officer suggested that this focus on data is already starting to make a significant difference to the business. These positive developments, combined with a growth opportunity for the business (RS's market share in the UK, France and Mexico, its largest markets, are 6%, 3% and 3% respectively) suggests to us that the risk reward on RS shares (given a 6% free cash flow yield) looks attractive from here. First-half earnings (released in early November) were better than expected (reflecting much of the above), with cost savings running ahead of plan.

SSP shares were weak, with the market continuing (in our view) to be unduly myopic in its analysis of the company. SSP continues to invest in a significant growth opportunity across different geographies, most notably the US and India, and our analysis suggests that SSP is investing its cash at potential 25-30% returns on capital. A cash-generative company with so many years of accessible growth with attractive, self-funded returns is rare. We anticipate the shares are likely trading on a double-digit free cash flow yield by 2025/2026 as these growth investments start to translate into earnings and cash. SSP is one of the most global mid-cap businesses listed in the UK, and in the past has been owned by private equity. SSP's prior owners were more comfortable with higher leverage and appreciated SSP's global nature and growth characteristics. The fact that the UK market does not – and the current market capitalisation is £1.3bn - renders SSP vulnerable to a takeover in our view. As a result, the risk reward looks attractive to us at this juncture, and we have been adding to the position in recent months.

Activity

We bought:

Whitbread: Whitbread's market cap has fallen significantly over the last 18-24 months. We believe the shares to trade below their book value, and also offer a dividend yield of c.3.5%. We think there is a path for Whitbread to improve returns on capital employed, through transforming pub sites into hotels and, furthermore, Whitbread's German business, which is currently loss-making, could begin to generate profits as the model is rolled out, with investors potentially beginning to think about Whitbread's presence in Dublin and Vienna too if the profitability of the German model is proved out. We believe this 3.5% dividend yield should be able to grow at mid-single digits, and downside should be limited by the prospect of inbound M&A.

Smith & Nephew: We believe the market to be too focused on S&N's orthopaedics business, which has, admittedly, been challenged by sub-par execution and falling market share. However, the rest of the group, which generates around 70% of profits, is made up of high-quality, high-margin businesses across the likes of sports medicine and wound management. These are areas of structural growth in which S&N is a market leader, yet the market remains fixated on an orthopaedics business that accounts for a shrinking proportion of group revenues and cash flow. However, we see ample opportunities for the performance of orthopaedics to stabilise through better management and self-help, which could facilitate investors paying closer attention to the cash flow and growth credentials of S&N's other assets. With this in mind, a current valuation of 16x forward P/E – below both S&N's historical average and relevant industry peers – leaves room for ample upside in our view.

We sold **Boliden** and **Indivior**. Boliden has plenty of attractive attributes, most notably the strong sustainability credentials of its mines and smelting facilities. However, concerns around the medium-term delivery of cash flow have resulted in these characteristics not being recognised by the market. The shares have bounced this year in line with metal prices so we used this strength to exit the position. We reduced Indivior significantly earlier in the year, and given ongoing concerns about the potential for GLP-1s to disrupt Indivior's business model, we believe there to be more downside risk to the shares and as such the risk reward has shifted. We sold the position.

Outlook

Looking to 2025, the outlook seems to be as incomprehensible as ever, but we would note a starting point where sentiment in US equities has rarely been this bullish, US consumer confidence in stock prices increasing at its highest level ever and on a price-to-book value basis the S&P 500 is trading at a record valuation. Consensus this bullish has rarely been a precursor to strong performance; however, some of the same could have been said at various points in the rise of the US market in recent years.

Finally, we have been reminded of late – through a Truth Social barrage on the topics of the Gulf of Mexico (or America?), Greenland and Canada what we can expect with 'Democracy with Donald' and just how disruptive the incoming administration could be.

With all of this in mind, we believe our portfolio to have several attractions. A valuation of 12x forward earnings provides something of a margin of safety, as does a c.3.7% dividend yield that is between 1.5x and 2x covered by free cash flow. We believe this yield should be able to compound at mid-single digits over the medium to long term.

The UK market, however, continues to increasingly focus on the short term and as such is as inefficient as ever. As a result, much of our portfolio remains misunderstood and we are therefore optimistic as to our ability to generate attractive long-term returns for our investors.

Adrian Frost, Nick Shenton and Andy Marsh
Fund managers

Investment Information

Ten largest purchases and sales for the year ended 31 December 2024

Purchases	Cost £'000	Sales	Proceeds £'000
Whitbread	5,510	3i Group	8,846
GSK	4,062	Wolters Kluwer	8,354
SSE	3,937	RELX	7,696
Smith & Nephew	3,672	Boliden	4,771
M&G	3,131	M&G	4,512
Burberry Group	2,529	AstraZeneca	2,752
Tesco	2,168	Indivior	2,481
Lloyds Banking Group	2,150	Smiths Group	1,899
Barclays	2,003	Nintendo	1,412
Direct Line Insurance Group	1,956	Sage Group	1,172

Portfolio statement as at 31 December 2024

Investment	Holding	Valuation £'000	% of net assets
Equities 98.91% (98.10%)			
Basic Materials 2.15% (3.38%)			
Anglo American	326,254	7,740	2.15
		7,740	**2.15**
Consumer Discretionary 23.32% (31.93%)			
Burberry Group	503,336	4,932	1.37
Card Factory	1,432,643	1,403	0.39
Dr Martens	3,995,278	2,871	0.80
Informa	1,760,266	14,036	3.90
ITV	9,794,492	7,219	2.00
Next	164,961	15,731	4.37
Nintendo	149,000	7,020	1.95
Pearson	1,531,083	19,705	5.47
SSP Group	3,304,056	5,961	1.65
Whitbread	173,801	5,134	1.42
		84,012	**23.32**
Consumer Staples 8.59% (7.91%)			
C&C Group	2,697,162	3,965	1.10
Corbion	204,682	3,667	1.02
Ebro Foods	327,874	4,301	1.19
Origin Enterprises #	693,796	1,575	0.44
Tesco	4,725,686	17,424	4.84
		30,932	**8.59**
Financials 35.45% (31.76%)			
3i Group	477,805	17,091	4.74
Aviva	2,796,200	13,089	3.63
Barclays	4,788,000	12,815	3.56
Direct Line Insurance Group	1,699,162	4,323	1.20
IG Group	1,135,635	11,277	3.13
Legal & General Group	4,444,190	10,213	2.83
Lloyds Banking Group	20,418,855	11,226	3.12
London Stock Exchange Group	175,090	19,846	5.51
M&G	3,365,294	6,645	1.84

Investment	Holding	Valuation £'000	% of net assets
Equities 98.91% (98.10%) (continued)			
Financials 35.45% (31.76%) (continued)			
NatWest Group	3,280,225	13,213	3.67
NextEnergy Solar Fund	3,343,132	2,206	0.61
Phoenix Group	1,075,492	5,463	1.52
Rosebank Industries	37,580	327	0.09
		127,734	**35.45**
Health Care 8.30% (8.28%)			
AstraZeneca	67,555	7,066	1.96
GSK	960,947	12,920	3.59
Haleon	1,744,085	6,563	1.82
Smith & Nephew	337,320	3,341	0.93
		29,890	**8.30**
Industrials 14.82% (8.38%)			
easyJet	1,116,501	6,290	1.75
RELX	377,786	13,687	3.80
RS Group	826,216	5,602	1.55
Smiths Group	619,106	10,605	2.94
Spectris	167,310	4,186	1.16
Travis Perkins	536,817	3,887	1.08
Wolters Kluwer	69,154	9,171	2.54
		53,428	**14.82**
Real Estate 2.88% (3.62%)			
LondonMetric Property	2,953,595	5,322	1.48
Segro	716,348	5,034	1.40
		10,356	**2.88**
Technology 2.00% (2.25%)			
Sage Group	565,050	7,213	2.00
		7,213	**2.00**
Utilities 1.40% (0.59%)			
SSE	311,469	5,041	1.40
		5,041	**1.40**
Equities total		**356,346**	**98.91**
Forward Currency Contracts 0.05% ((0.18%))			
Buy Sterling 17,187,039, sell Euro 20,747,221 dated 08/01/2025		(41)	(0.01)
Buy Sterling 6,472,230, sell Japanese Yen 1,231,306,199 dated 08/01/2025		206	0.06
Forward Currency Contracts total		**165**	**0.05**
Investment assets (Including investment liabilities)		**356,511**	**98.96**
Net other assets		**3,741**	**1.04**
Net assets attributable to unitholders		**360,252**	**100.00**

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

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

FINANCIAL STATEMENTS

Statement of total return for the year ended 31 December 2024

	Note	31 December 2024 £'000	31 December 2024 £'000	31 December 2023 £'000	31 December 2023 £'000
Income					
Net capital gains	3		**38,870**		24,079
Revenue	5	**12,387**		12,132	
Expenses	6	**(2,638)**		(2,417)	
Interest payable and similar charges	7	**(7)**		(6)	
Net revenue before taxation		**9,742**		9,709	
Taxation	8	**(118)**		(186)	
Net revenue after taxation			**9,624**		9,523
Total return before distributions			**48,494**		33,602
Distributions	9		**(12,213)**		(11,890)
Change in net assets attributable to unitholders from investment activities			**36,281**		21,712

Statement of change in net assets attributable to unitholders for the year ended 31 December 2024

	31 December 2024 £'000	31 December 2024 £'000	31 December 2023 £'000	31 December 2023 £'000
Opening net assets attributable to unitholders		**331,982**		298,623
Amounts receivable on issue of units	**15,708**		7,069	
Amounts payable on cancellation of units	**(33,979)**		(4,670)	
		(18,271)		2,399
Dilution adjustment		**22**		–
Change in net assets attributable to unitholders from investment activities		**36,281**		21,712
Retained distribution on accumulation units		**10,238**		9,248
Closing net assets attributable to unitholders		**360,252**		331,982

Balance Sheet as at 31 December 2024

	Note	31 December 2024 £'000	31 December 2023 £'000
Assets			
Fixed assets			
Investments	10	**356,552**	325,683
Current assets			
Debtors	11	**1,143**	1,249
Cash and cash equivalents	12	**3,860**	6,935
Total current assets		**5,003**	8,184
Total assets		**361,555**	333,867
Liabilities			
Investment liabilities	10	**41**	581
Creditors			
Bank overdraft	13	**160**	–
Distribution payable		**770**	1,012
Other creditors	14	**332**	292
Total creditors		**1,262**	1,304
Total liabilities		**1,303**	1,885
Net assets attributable to unitholders		**360,252**	331,982

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. Open forward currency contracts are shown in the portfolio statement at market value and the net gains are reflected within derivative contracts under net capital gains.

(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. 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.

(e) Expenses. All expenses (other than those relating to the purchase and sale of investments) are initially charged against revenue on an accruals basis. Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment and are made up of direct and indirect portfolio transaction costs. Direct portfolio transaction costs include Broker execution commission and taxes. Indirect portfolio transaction costs relate to the 'Dealing spread', which is the difference between the purchase and sale prices of the fund's investments. Some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

(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. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

(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. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final 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 unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised. All available net revenue accounted for in accordance with the above policies is distributed to holders of income units or retained and reinvested for holders of accumulation units. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund. Income equalisation applies to the fund. Equalisation applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of group 2 units and is refunded to the 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.

3. Net capital gains

	31 December 2024 £'000	31 December 2023 £'000
Non-derivative securities		
Unrealised gains on non-derivative securities	**18,352**	12,931
Realised gains on non-derivative securities	**18,333**	9,060
Derivative securities		
Realised gains on derivative securities	**1,646**	1,818
Unrealised gains on derivative securities	**747**	97
Other		
Realised (losses)/gains on currencies	**(208)**	174
Capital transaction charges	**–**	(1)
Net capital gains	**38,870**	24,079

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 December 2024

	Principal £'000	Commissions £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	52,272	18	252	52,542	0.03	0.48
Sales						
Equities	58,574	22	–	58,552	0.04	0.00
Total		**40**	**252**			
Percentage of fund average net assets		**0.01%**	**0.07%**			

Year ended 31 December 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	60,862	5	291	61,158	0.01	0.48
Sales						
Equities	42,854	–	12	42,842	0.03	–
Total		**5**	**303**			
Percentage of fund average net assets		**0.00%**	**0.10%**			

During the year, the fund incurred £nil (2023: £1,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.08% (2023: 0.09%). 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 December 2024 £'000	31 December 2023 £'000
UK dividends	**10,472**	9,294
Overseas dividends	**1,171**	1,986
Revenue from UK REITs	**442**	463
Bank interest	**302**	389
Total revenue	**12,387**	12,132

6. Expenses

	31 December 2024 £'000	31 December 2023 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	**2,568**	2,347
Other expenses:		
Trustee fees	**17**	21
Auditor's remuneration: audit fee *	**15**	11
Registration fees	**14**	7
Operational fees	**22**	21
Safe custody fees	**2**	10
Total expenses	**2,638**	2,417

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

* The audit fee (excluding VAT) accrued during the period was £10,450 (2023: £10,150).

7. Interest payable and similar charges

	31 December 2024 £'000	31 December 2023 £'000
Interest payable	**7**	6
Total interest payable and similar charges	**7**	6

8. Taxation

	31 December 2024 £'000	31 December 2023 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	**118**	186
Total taxation (note 8b)	**118**	186
b) Factors affecting the tax charge for the year		
Net revenue before taxation	**9,742**	9,709
Corporation tax of 20% (2023: 20%)	**1,948**	1,942
Effects of:		
Unutilised management expenses	**379**	332
Irrecoverable overseas tax	**118**	186
Revenue taxable in different periods	**1**	(18)
Non-taxable UK dividends	**(2,094)**	(1,861)
Non-taxable overseas dividends	**(234)**	(395)
Tax charge for the year (note 8a)	**118**	186

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 £7,038,000 (2023: £6,659,000) arising as a result of having unutilised management expenses of £35,189,000 (2023: £33,293,000). 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 December 2024 £'000	31 December 2023 £'000
Interim dividend distribution	**7,082**	7,264
Final dividend distribution	**5,027**	4,650
	12,109	11,914
Add: amounts deducted on cancellation of units	**240**	53
Deduct: amounts added on issue of units	**(136)**	(77)
Distributions	**12,213**	11,890
Movement between net revenue and distributions		
Net revenue after taxation	**9,624**	9,523
Annual management charge paid from capital	**2,568**	2,347
Expenses paid from capital	**21**	20
	12,213	11,890

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 21.

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 December 2024		31 December 2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	**356,346**	**–**	325,683	–
Level 2	**206**	**41**	–	581
Total	**356,552**	**41**	325,683	581

11. Debtors

	31 December 2024 £'000	31 December 2023 £'000
Accrued revenue	**583**	594
Overseas withholding tax recoverable	**513**	542
Amounts receivable for issue of units	**44**	93
Income tax recoverable from UK REITs	**3**	3
Sales awaiting settlement	**–**	17
Total debtors	**1,143**	1,249

12. Cash and cash equivalents

	31 December 2024 £'000	31 December 2023 £'000
Amounts held in liquidity funds	**3,760**	6,174
Cash and bank balances	**100**	171
Collateral held with brokers	**–**	590
Total cash and cash equivalents	**3,860**	6,935

13. Bank overdraft

	31 December 2024 £'000	31 December 2023 £'000
Collateral pledged with brokers	**160**	–
Total bank overdraft	**160**	–

14. Other creditors

	31 December 2024 £'000	**31 December 2023 £'000**
Accrued annual management charge	**230**	208
Amounts payable for cancellation of units	**35**	27
Purchases awaiting settlement	**2**	–
Accrued other expenses	**65**	57
Total other creditors	**332**	292

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 December 2023	Units issued	Units cancelled	**Units in issue at 31 December 2024**
Distribution	77,655,505	2,127,712	(26,595,027)	**53,188,190**
Accumulation	129,160,099	6,413,202	(4,193,696)	**131,379,605**

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 value-at-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 equities and maintains an appropriate spread of investments in accordance with COLL, FUND, 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 relative to a reference portfolio, the FTSE All-Share Index. The maximum limit for AIFs has been set in accordance with the risk profile and investment objectives of the fund, and in accordance with the Committee of European Securities Regulators ('CESR') guidance. A relative VaR of zero indicates that the fund is estimated to have the same market price risk as reference portfolio. A negative relative VaR indicates that the fund's market price risk is estimated to be lower than the reference portfolio. 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 a maximum two year risk factor data and a 20 business day holding period.

It should be noted that VaR assumes that risk in the future can be predicted from the historic distribution of returns and so this methodology can be vulnerable to extreme, unforeseen events and therefore the VaR analysis is complemented with additional scenario and stress testing.

	31 December 2024 **%**	31 December 2023 %
At 31 December	**(1.00)**	(6.00)
Average utilisation during the period	**(2.00)**	(5.00)
Highest utilisation during the period	**5.00**	4.00
Lowest utilisation during the period	**(10.00)**	(12.00)

(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 manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under both the sum of the notionals and the commitment methods.

The fund can use cash borrowing and financial derivatives (subject to restrictions as set out in its Prospectus, COLL and FUND) as sources of leverage.

The maximum level of leverage which the AIFM may employ on behalf of the fund is 225% under the gross method and 150% under the commitment method. There has been no change to the maximum level of leverage that can be employed, under both the gross and commitment methods, during the year. Under both methods a result of 100% indicates that no leverage has been used.

As at 31 December 2024 and 31 December 2023 the leverage ratios of the fund were:

	2024 **%**	2023 %
Sum of the notionals	**105.2**	117.1
Commitment	**100.0**	100.0

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the 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, FUND 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 December 2024 or 31 December 2023.

Counterparty and collateral exposure

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

Currency	Forward currency contracts £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
31 December 2024			
Northern Trust	**165**	**165**	**(160)**
31 December 2023			
Northern Trust	(581)	(581)	590

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 December 2024 or 31 December 2023.

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 12 and notes 6, 9, 11 and 14 on pages 16 to 18 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 December 2024 in respect of these transactions was £221,000 (2023: £142,000).

19. Unit classes

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

Distribution	0.75%
Accumulation	0.75%

The net asset value per unit and the number of units in each class are given in the comparative table on page 22 . The distributions per unit class are given in the distribution tables on page 21. 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 semi-annual dividend distributions. The following table sets out the distribution periods.

Semi-annual distribution period	Start	End	Ex-dividend date	Pay date
Interim	1 January 2024	30 June 2024	1 July 2024	30 August 2024
Final	1 July 2024	31 December 2024	1 January 2025	28 February 2025

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	Group 2		Group 1 & 2	Corporate streaming		2023
for the year ended	Net revenue	Equalisation	Distribution			Distribution
31 December 2024	per unit (p)	per unit (p)	per unit (p)	Franked	Unfranked	per unit (p)
Interim	0.1383	1.9527	2.0910	100.00%	0.00%	2.0844
Final	0.2648	1.1834	1.4482	100.00%	0.00%	1.3037

Accumulation

Dividend distributions	Group 2		Group 1 & 2	Corporate streaming		2023
for the year ended	Net revenue	Equalisation	Distribution			Distribution
31 December 2024	per unit (p)	per unit (p)	per unit (p)	Franked	Unfranked	per unit (p)
Interim	3.2012	1.3805	4.5817	100.00%	0.00%	4.3961
Final	1.3639	1.8764	3.2403	100.00%	0.00%	2.8166

COMPARATIVE TABLES

	Distribution			Accumulation		
	2024	2023	2022	2024	2023	2022
Change in net assets per unit (p)						
Opening net asset value per unit	**92.06**	**85.96**	**91.22**	**201.68**	**181.30**	**184.74**
Return before operating charges *	14.78	10.18	(1.11)	32.69	21.86	(2.05)
Operating charges	(0.75)	(0.69)	(0.68)	(1.68)	(1.48)	(1.39)
Return after operating charges *	**14.03**	**9.49**	**(1.79)**	**31.01**	**20.38**	**(3.44)**
Distributions	(3.54)	(3.39)	(3.47)	(7.82)	(7.21)	(7.09)
Retained distributions on accumulation units	–	–	–	7.82	7.21	7.09
Closing net asset value per unit	**102.55**	**92.06**	**85.96**	**232.69**	**201.68**	**181.30**
* after direct transaction costs of	(0.08)	(0.09)	(0.12)	(0.17)	(0.19)	(0.25)
Performance						
Return after charges	15.24%	11.04%	(1.96)%	15.38%	11.24%	(1.86)%
Other information						
Closing net asset value (£'000)	54,543	71,488	69,864	305,709	260,494	228,759
Closing number of units	53,188,190	77,655,505	81,277,869	131,379,605	129,160,099	126,174,890
Operating charges	0.77%	0.78%	0.78%	0.77%	0.78%	0.78%
Direct transaction costs	0.08%	0.10%	0.14%	0.08%	0.10%	0.14%
Prices						
Highest unit price (p)	105.87	93.41	94.28	236.88	201.79	190.88
Lowest unit price (p)	89.44	83.06	77.86	195.94	179.41	161.72

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 December 2024
Distribution	0.770%
Accumulation	0.770%

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)	896.2	109.2	40.8	28.7	16.3	7.2
Artemis Income (Exclusions) Fund (net of fees)	709.8	94.1	35.6	25.9	15.4	6.8
FTSE All-Share Index (gross of fees)	235.0	81.9	26.5	18.5	9.5	1.9

Past performance is not a guide to the future.

* Source: Lipper Limited/Artemis. Data from 16 March 2005, accumulation units, in sterling to 31 December 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.

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

Client Services 0800 092 2051
Facsimile 0207 643 3708

Website www.artemisfunds.com

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