

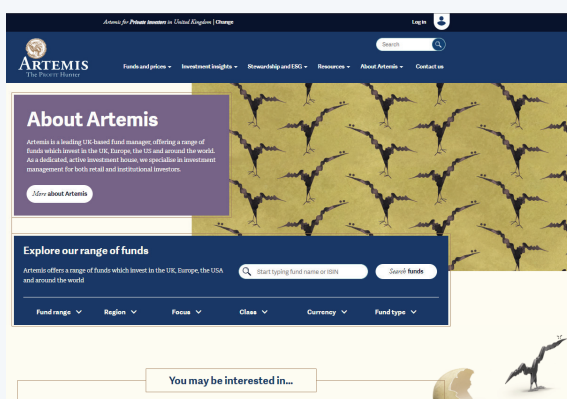
Artemis UK Smaller Companies *Fund*

Manager's Report
and Financial Statements

for the year ended 31 December 2024

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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 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 UK 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"> • Deutsche Numis Smaller Companies (ex-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:

- **Smaller companies risk:** Investing in small 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.
- **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.

There was no change to the risk indicator in the year ended 31 December 2024.

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.

Remuneration

As the Artemis UK Smaller Companies Fund (the "fund") is a UK UCITS scheme, Artemis Fund Managers Limited ("AFML") as manager is required to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website [artemisfunds.com](https://www.artemisfunds.com). Remuneration levels are set to attract, retain and motivate talented partners and staff and align the long term interests of partners and staff with those of our clients.

The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Risk and Compliance functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary.

The Artemis remuneration period runs from 1 January to 31 December. Certain partners and staff are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm. The payment of some of their variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to identified staff both (a) before the end of the vesting period and (b) within two years following the payment of any elements of variable remuneration.

No staff are employed by AFML directly. Staff are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 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 UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2023 is £331,326. Code and Identified Staff are

those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages.

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

Tax information reporting

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

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

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

Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment 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.

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 UK Smaller Companies Fund. These TCFD reports, which were

published on 30 June 2024, can be found here: www.artemisfunds.com/tcfd.

Manager

Artemis Fund Managers Limited *
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Dealing information:
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Telephone: 0800 092 2051
Website: artemisfunds.com

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Trustee and Depositary

Northern Trust Investor Services Limited *
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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 UK Smaller Companies Fund ("the Trust") for the year ended 31 December 2024.

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

The 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 Authorised Fund Manager ("the AFM"), 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 AFM:

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

In preparing the financial statements, the manager is required to:

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

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

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

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis UK Smaller Companies Fund for year ended 31 December 2024 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

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

S Dougall
Director

AUDITOR'S REPORT

Independent auditor's report to the unitholders of the Artemis UK Smaller Companies Fund

Opinion

We have audited the financial statements of the Artemis UK Smaller Companies 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 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 incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. In response to our fraud risk, we tested the appropriateness of management's classification of a sample of special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities 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

Performance

The fund made 9.3% in 2024¹, marginally behind the 9.5% return from its Deutsche Numis Smaller Companies (ex-InvTrust) benchmark, but well ahead of the 6.3% made by its IA UK Smaller Companies sector average.

UK smaller companies made a strong start to the year, as it appeared that the market had finally noticed that their low valuations made little sense in the context of rising real incomes and consumer confidence and falling inflation and interest rates.

When a general election was announced for July, it was hoped that a new government would bring some stability to the UK after years of political turmoil, providing a further boost for small caps. However, the market reacted badly to the changes announced in October's Budget, in particular the increase in national insurance contributions and the reduction in the threshold at which these begin. With the minimum wage also rising, conditions will become more difficult for low-margin and employee-intensive companies without pricing power.

Yet we are wary of some of the hyperbolic headlines seen since October. Consumer, business and investment sentiment can change quickly and we continue to believe that the macro picture is better than commonly reported and that the narrative surrounding the UK is at an inflection point. In the meantime, support for smaller companies is being provided by share buybacks and M&A activity.

Positives

Beeks Financial Cloud was the single best performer in our portfolio over the 12-month period, after it announced a couple of potentially transformative contract wins and significant progress on other deals.

After a difficult start to 2024, which saw us add to our position, package holiday operator **On The Beach** reported strong results for the financial year. Highlights included: confidence that "summer 2025 will be significantly ahead of summer 2024"; £25 million worth of share buybacks; and a new five-year plan implying profit growth of 20% a year. While the valuation of On The Beach does not look stretched, we took some profits to stop it becoming an oversized position in the fund.

A positive capital markets day at **Moonpig** in October demonstrated a clear path to double-digit revenue growth. The company also joined the growing list of holdings that are buying back their own shares.

There were five recommended takeovers in the year at an average premium of 33%. The most material of these was **Britvic** (a soft drinks manufacturer and the UK bottler for Pepsi). Since 2019, the fund has received 32 recommended takeover offers at an average premium of 49%.

Negatives

The early termination of consultant **Next 15's** largest customer contract led to a significant drop in earnings. This was a known risk but not one that we were expecting to materialise so early. The valuation still stacks up and as a holding company of a dozen largely independent businesses, the loss of a contract in one should not affect the underlying performance of the others. We added to our position.

Three Court of Appeal decisions relating to motor finance went against FirstRand Bank and Close Brothers. Although we don't own these companies (and the cases will now be appealed at the Supreme Court), the rulings had implications for our holdings in **Vanquis** and **Secure Trust Bank**, which face a potentially large compensation bill. The companies had other problems to face. Earlier in the year, Vanquis cut profit forecasts after a huge increase in complaints from claims management companies about its credit card business. Most came from one company and the vast majority are being rejected by the ombudsman. However, under current regulations, Vanquis must pay the ombudsman for each claim that is referred, causing a huge step-up in admin costs. Separately, Secure Trust issued a profit warning driven by a slower recovery in its vehicle finance division, after the FCA's Borrowers in Financial Difficulty (BiFD) review led to a temporary pause in collections and a higher default rate. However, the shares are now trading at a 75% discount to book value and offer substantial potential upside in compensation for the undoubtedly high risk.

Videndum, which provides hardware and software to the film industry, announced a large profit warning in November on a slower-than-expected market recovery from the Hollywood writers' strike.

TT Electronics issued a profit warning after low manufacturing yields at one US facility and a problem sourcing a specialist component at another resulted in a significant hit to profits. We added to our position. It has subsequently received (and rejected) a takeover approach from Volex and another unnamed potential buyer.

Activity

We bought back into record-management company **Restore** after a series of earnings downgrades over the past couple of years caused the shares to halve in price, leading to the departure of its management team and the return of its previous chief executive. Restore is the second-largest document storage company in the UK (it currently looks after more than 22 million boxes at £4 each per annum) with more than 20% market share. The boxes, including documents such as medical records, legal files and financial services records, are typically held for many years, providing Restore with sticky long-term recurring monthly cashflows which we value highly. Acquisitions in adjacent markets have been

Past performance is not a guide to the future.

¹ Artemis/Lipper Limited, class I accumulation, in sterling. 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.

unsuccessful but have not damaged core cashflows. The returning chief executive is taking the group back to its box-storage roots.

Victorian Plumbing is an online category killer in bathroom and plumbing products. While we met with its management at IPO in 2021, it was difficult to quantify the extent to which the business model had benefited from Covid-related lockdowns, so we decided to pass. Following a nasty profit warning in 2021 and with the share price at 60% below the IPO price, we now feel the current valuation looks attractive. Victorian Plumbing has a 70% share of the online market (which is still only 30% of the total market), and a major new distribution warehouse gives sufficient capacity to double sales and improve efficiency.

We initiated a new holding in **IG Group** (derivatives trading), which we have tracked for many years and which is held in the Artemis Income and UK Special Situations funds. In our view, the low P/E ratio more than discounts the potential risks surrounding interest income (now forecast to be 30% of profits) and does not reflect the excellent long-term growth record or the scope for trading revenues to recover when volatility picks up. A strong balance sheet gives ample headroom for further shareholder returns once the current £250m buyback is completed.

Sales

Aside from takeovers (including **Redrow**, **ScS**, **Alpha FMC** and **Britvic**), profit taking was the main reason for our most significant sales over the past year: we trimmed our positions in **Hollywood Bowl**, **Computacenter**, **Keller**, **Mears**, **Morgan Sindall** and **On the Beach** following strong performance.

Outlook

Investor sentiment has taken a hit following increases to corporate taxes announced in the Budget. The fear now is stagflation: no economic growth and higher inflation as companies try to recoup additional national insurance costs by raising prices. However, we remain optimistic going into 2025. This is the last time the current government can (credibly) blame the previous one for unexpected funding gaps. Consumers are generally in good shape, with full employment and decent wage growth fuelling increased disposable income.

The issue has been a lack of confidence in spending this extra money; instead, people have been saving it. While we acknowledge the risk of job losses as companies seek to recoup higher taxes by cutting costs, this is likely to be more than offset by rising consumer spending as confidence improves, with government rhetoric changing to one that promotes future growth.

Higher government spending will also help underpin a strong domestic economy. This scenario should lead to healthy returns from UK smaller companies which have been languishing in an unloved part of the market. Our confidence comes from the low starting valuations in our holdings: overall, the median company in our portfolio is forecast to increase earnings by more than 10% in 2025 on an operating margin of 14% and a return on capital of 18%, with no debt.

Yet it is currently valued on an 8% free cashflow yield. This feels to us to be a significant mispricing in an economy that is expected to grow modestly and where the interest rate cycle has turned.

Mark Niznik and William Tamworth

Fund managers

INVESTMENT INFORMATION

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

Purchases	Cost £'000	Sales	Proceeds £'000
Next 15 Group	9,106	Alpha Financial Markets Consulting	6,593
MONY Group	8,068	ScS Group	5,495
accesso Technology Group	7,610	Britvic	5,450
Restore	6,981	On the Beach Group	4,900
Victorian Plumbing Group	6,905	Mears Group	4,381
AOTI	6,261	Hollywood Bowl Group	3,680
IG Group	5,762	Keller Group	3,260
Serco Group	5,459	Babcock International Group	2,918
TT Electronics	5,386	Tyman	2,874
J D Wetherspoon	4,962	Morgan Sindall Group	2,618

Portfolio statement as at 31 December 2024

	Holding	Valuation £'000	% of net assets
Equities 99.96% (97.54%)			
Basic Materials 0.79% (0.70%)			
Central Asia Metals *	2,401,578	3,775	0.79
		3,775	0.79
Consumer Discretionary 26.68% (30.06%)			
Barratt Redrow	976,330	4,304	0.90
Centaur Media	4,416,502	972	0.20
DFS Furniture	5,213,364	7,309	1.53
Dunelm Group	740,232	7,891	1.65
Ebiquity *	11,135,085	2,116	0.44
Fuller Smith & Turner 'A'	1,077,975	6,576	1.37
Future	1,044,480	9,594	2.00
Halfords Group	4,146,290	5,432	1.13
Headlam Group	1,191,104	1,685	0.35
Hollywood Bowl Group	1,718,408	5,086	1.06
J D Wetherspoon	1,521,398	9,174	1.91
JET2 *	412,260	6,501	1.36
LBG Media *	4,592,079	5,970	1.25
MJ Gleeson	1,482,366	7,375	1.54
Moonpig Group	5,443,809	11,486	2.40
Next 15 Group *	1,934,047	7,543	1.57
On the Beach Group	4,356,071	10,999	2.30
SSP Group	5,211,069	9,401	1.96
Victorian Plumbing Group *	6,344,845	5,786	1.21
Videndum	1,849,543	2,649	0.55
		127,849	26.68
Consumer Staples 5.79% (4.97%)			
Bakkavor Group	5,402,487	7,834	1.63
Britvic	366,459	4,790	1.00
Carr's Group	1,977,991	2,215	0.46
Hilton Food Group	415,000	3,739	0.78
PZ Cussons	3,197,623	2,603	0.54
REA Holdings	2,022,530	1,436	0.30
Warpaint London *	1,008,401	5,183	1.08
		27,800	5.79

	Holding	Valuation £'000	% of net assets
Equities 99.96% (97.54%) (continued)			
Energy 0.77% (1.37%)			
Harbour Energy	662,239	1,670	0.35
Jadestone Energy *	8,455,950	2,029	0.42
		3,699	0.77
Financials 12.80% (11.56%)			
Alpha Group International	586,897	13,499	2.82
Brooks Macdonald Group #	418,539	6,718	1.40
H&T Group #	2,258,935	7,839	1.64
IG Group	783,024	7,775	1.62
IntegraFin	1,386,456	4,825	1.01
JTC	623,882	6,101	1.27
Secure Trust Bank	1,046,979	3,780	0.79
Tatton Asset Management #	1,272,529	8,577	1.79
Vanquis Banking Group	4,985,545	2,196	0.46
		61,310	12.80
Health Care 3.73% (2.16%)			
Alliance Pharma *	25,524,343	11,473	2.39
AOTI #	4,788,292	5,267	1.10
Eco Animal Health Group #	1,687,647	1,131	0.24
		17,871	3.73
Industrials 25.54% (28.23%)			
Babcock International Group	1,899,958	9,509	1.98
Chemring Group	2,247,531	7,417	1.55
Costain Group	2,808,419	2,977	0.62
Keller Group	573,238	8,278	1.73
Mears Group	2,420,013	8,773	1.83
Morgan Advanced Materials	2,609,194	7,136	1.49
Morgan Sindall Group	211,544	8,229	1.72
Mycelx Technologies #	906,045	317	0.07
Norcros	3,819,499	9,702	2.02
QinetiQ Group	2,432,071	10,083	2.10
Zigup	1,292,580	4,143	0.86
RWS Holdings #	5,077,067	9,210	1.92
Serco Group	8,887,035	13,499	2.82
Severfield	7,856,224	4,085	0.85
SIG	14,982,575	2,493	0.52
SigmaRoc #	6,021,522	4,305	0.90
Somero Enterprises #	615,844	1,940	0.40
Wilmington	2,714,554	10,342	2.16
		122,438	25.54
Real Estate 3.11% (2.11%)			
Harworth Group	4,193,164	7,128	1.49
Henry Boot	3,473,335	7,746	1.62
		14,874	3.11
Technology 17.50% (13.56%)			
accesso Technology Group #	1,167,887	6,166	1.29
Beeks Financial Cloud Group #	3,959,281	10,848	2.26
Computacenter	157,973	3,352	0.70
Eckoh #	14,756,360	7,850	1.64
FDM Group Holdings	2,270,336	7,118	1.49
GB Group #	3,165,284	10,749	2.24
MONY Group	6,741,123	12,929	2.70
NCC Group	7,379,727	11,129	2.32

	Holding	Valuation £'000	% of net assets
Equities 99.96% (97.54%) (continued)			
Technology 17.50% (13.56%) (continued)			
Restore *	2,608,890	6,261	1.31
TT Electronics	7,072,429	7,426	1.55
		83,828	17.50
Telecommunications 1.39% (2.82%)			
Gamma Communications *	435,969	6,653	1.39
		6,653	1.39
Utilities 1.86% (0.00%)			
Telecom Plus	522,600	8,926	1.86
		8,926	1.86
Investment assets		479,023	99.96
Net other assets		188	0.04
Net assets attributable to unitholders		479,211	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		31 December 2023	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		24,723		7,054
Revenue	5	11,807		12,842	
Expenses	6	(4,752)		(4,347)	
Net revenue before taxation		7,055		8,495	
Taxation	7	(21)		(26)	
Net revenue after taxation			7,034		8,469
Total return before distributions			31,757		15,523
Distributions	8		(7,122)		(8,596)
Change in net assets attributable to unitholders from investment activities			24,635		6,927

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

		31 December 2024		31 December 2023	
		£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders			369,714		416,265
Amounts receivable on issue of units		170,594		27,152	
Amounts payable on cancellation of units		(94,004)		(88,393)	
			76,590		(61,241)
Dilution adjustment			428		(144)
Change in net assets attributable to unitholders from investment activities			24,635		6,927
Retained distribution on accumulation units			7,844		7,907
Closing net assets attributable to unitholders			479,211		369,714

Balance sheet as at 31 December 2024

	Note	31 December 2024	31 December 2023
		£'000	£'000
Assets			
Fixed assets			
Investments	9	479,023	360,634
Current assets			
Debtors	10	1,847	987
Cash and cash equivalents	11	149	9,231
Total current assets		1,996	10,218
Total assets		481,019	370,852
Liabilities			
Creditors			
Distribution payable		405	213
Other creditors	12	1,403	925
Total creditors		1,808	1,138
Total liabilities		1,808	1,138
Net assets attributable to unitholders		479,211	369,714

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.

(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. Bank interest and interest on margin accounts held with brokers is recognised as revenue on an accruals basis.

(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 all available revenue, after deduction of expenses and taxation properly chargeable against revenue. The fund did not satisfy the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 and where applicable will pay a dividend distribution. Gains and losses on investments and derivatives whether realised or unrealised, if taken to capital are not available for distribution. With the exception of the manager's annual management charge, which is directly attributable to each 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	24,723	7,054
Net capital gains	24,723	7,054

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	156,967	73	463	157,503	0.05	0.29
Sales						
Equities	63,854	24	–	63,830	0.04	0.00
Total		97	463			
Percentage of fund average net assets		0.02%	0.11%			

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	92,029	11	325	92,365	0.01	0.35
Corporate Actions	652	–	–	652	–	–
Sales						
Equities	150,848	9	52	150,787	0.01	0.03
Total		20	377			
Percentage of fund average net assets		0.01%	0.10%			

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

Dealing spread

As at the balance sheet date, the estimated portfolio dealing spread was 1.00% (2023: 1.34%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	31 December 2024 £'000	31 December 2023 £'000
UK dividends	11,311	12,490
Bank interest	271	179
Overseas dividends	225	173
Total revenue	11,807	12,842

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	4,285	3,932
Administration fees	467	415
Total expenses	4,752	4,347

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

The audit fee (excluding VAT) accrued during the period was £9,730 (2023: £9,450). This fee is paid by the manager via the administration fee.

7. Taxation

	31 December 2024 £'000	31 December 2023 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	21	26
Total taxation (note 7b)	21	26
b) Factors affecting the tax charge for the year		
Net revenue before taxation	7,055	8,495
Corporation tax of 20% (2023: 20%)	1,411	1,699
Effects of:		
Unutilised management expenses	896	834
Irrecoverable overseas tax	21	26
Non-taxable overseas dividends	(45)	(35)
Non-taxable UK dividends	(2,262)	(2,498)
Tax charge for the year (note 7a)	21	26

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 £25,302,000 (2023: £24,406,000) arising as a result of having unutilised management expenses of £126,512,000 (2023: £122,031,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

8. Distributions

	31 December 2024 £'000	31 December 2023 £'000
Final dividend distribution	8,249	8,120
Add: amounts deducted on cancellation of units	979	839
Deduct: amounts added on issue of units	(2,106)	(363)
Distributions	7,122	8,596
Movement between net revenue and distributions		
Net revenue after taxation	7,034	8,469
Revenue received on conversion of units	4	79
Expenses paid from capital	84	48
	7,122	8,596

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.

9. 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 Assets £'000	31 December 2023 Assets £'000
Level 1	479,023	360,634
Total	479,023	360,634

10. Debtors

	31 December 2024 £'000	31 December 2023 £'000
Amounts receivable for issue of units	1,361	432
Accrued revenue	486	524
Sales awaiting settlement	–	31
Total debtors	1,847	987

11. Cash and cash equivalents

	31 December 2024 £'000	31 December 2023 £'000
Cash and bank balances	101	101
Amounts held in liquidity funds	48	9,130
Total cash and cash equivalents	149	9,231

12. Other creditors

	31 December 2024 £'000	31 December 2023 £'000
Amounts payable for cancellation of units	951	577
Accrued annual management charge	406	314
Accrued administration fee payable to the manager	46	34
Total other creditors	1,403	925

13. Contingent liabilities and commitments

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

14. Reconciliation of unit movements

	Units in issue at 31 December 2023	Units issued	Units cancelled	Units converted	Units in issue at 31 December 2024
C accumulation	1,712,236	26,517	(161,505)	27,883	1,605,131
I distribution	376,433	569,133	(148,818)	3,210	799,958
I accumulation	10,146,862	5,710,249	(2,751,772)	35,634	13,140,973
R accumulation	5,977,016	1,267,875	(1,176,868)	(70,691)	5,997,332
S accumulation *	–	5,000	–	–	5,000

* Launched on 12 December 2024.

15. Risk disclosures

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

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

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

(a) Market risk

Market risk, which includes currency risk, interest rate risk, other market price 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, 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) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. As the majority of the fund's financial assets are non-interest bearing, the fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore no sensitivity analysis has been presented.

(ii) Currency risk

As at 31 December 2024, there were no assets or liabilities denominated in currencies other than sterling (2023: £nil).

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five percent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £23,951,000 (2023: £18,032,000). A five percent decrease would have an equal and opposite effect.

(iv) 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 and COLL) as sources of leverage.

The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. 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	100.0	100.0
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 and the Prospectus.

There were no significant concentrations of credit and counterparty risk as at 31 December 2024 or 31 December 2023.

(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 14 and notes 6, 8, 10 and 12 on pages 17 and 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 £42,000 (2023: £493,000).

19. Unit classes

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

C accumulation	1.20%
I distribution	0.75%
I accumulation	0.75%
R accumulation	1.50%
S accumulation	0.65%

The net asset value per unit and the number of units in each class are given in the comparative table on pages 22 and 23.

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 year end.

DISTRIBUTION TABLES

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

Annual distribution period	Start	End	Ex-dividend date	Pay date
Final	1 January 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.

C accumulation

Dividend distributions for the year ended 31 December 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		Franked	Unfranked	
Final	14.3245	16.9418	31.2663	100.00%	0.00%	39.1125

I distribution

Dividend distributions for the year ended 31 December 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		Franked	Unfranked	
Final	22.1783	28.4623	50.6406	100.00%	0.00%	56.5116

I accumulation

Dividend distributions for the year ended 31 December 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		Franked	Unfranked	
Final	12.9878	31.6467	44.6345	100.00%	0.00%	51.7636

R accumulation

Dividend distributions for the year ended 31 December 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		Franked	Unfranked	
Final	12.0352	12.5906	24.6258	100.00%	0.00%	33.2096

S accumulation *

Dividend distributions for the year ended 31 December 2024	Group 2		Group 1 & 2 Distribution per unit (p)	Corporate streaming		2023 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		Franked	Unfranked	
Final	–	–	–	–	–	–

* Launched on 12 December 2024.

COMPARATIVE TABLES

	C accumulation			I distribution		
	2024	2023	2022	2024	2023	2022
Change in net assets per unit (p)						
Opening net asset value per unit	1,940.90	1,858.39	2,032.70	1,734.29	1,706.28	1,914.01
Return before operating charges *	202.91	106.80	(149.88)	181.99	99.19	(140.26)
Operating charges	(27.57)	(24.29)	(24.43)	(16.41)	(14.67)	(15.15)
Return after operating charges *	175.34	82.51	(174.31)	165.58	84.52	(155.41)
Distributions	(31.27)	(39.11)	(33.04)	(50.64)	(56.51)	(52.32)
Retained distributions on accumulation units	31.27	39.11	33.04	–	–	–
Closing net asset value per unit	2,116.24	1,940.90	1,858.39	1,849.23	1,734.29	1,706.28
* after direct transaction costs of	(0.65)	(2.65)	(1.87)	(0.59)	(2.44)	(1.76)
Performance						
Return after charges	9.03%	4.44%	(8.58)%	9.55%	4.95%	(8.12)%
Other information						
Closing net asset value (£'000)	33,968	33,233	33,984	14,793	6,528	6,305
Closing number of units	1,605,131	1,712,236	1,828,652	799,958	376,433	369,488
Operating charges	1.31%	1.31%	1.31%	0.86%	0.86%	0.86%
Direct transaction costs	0.03%	0.14%	0.10%	0.03%	0.14%	0.10%
Prices						
Highest unit price (p)	2,308.79	2,017.57	2,077.17	2,068.79	1,853.94	1,974.24
Lowest unit price (p)	1,909.34	1,714.39	1,675.99	1,706.72	1,580.53	1,584.63

	I accumulation			R accumulation		
	2024	2023	2022	2024	2023	2022
Change in net assets per unit (p)						
Opening net asset value per unit	2,121.66	2,022.31	2,202.08	1,918.54	1,842.54	2,021.42
Return before operating charges *	221.98	116.76	(162.37)	200.59	105.60	(149.02)
Operating charges	(19.90)	(17.41)	(17.40)	(33.49)	(29.60)	(29.86)
Return after operating charges *	202.08	99.35	(179.77)	167.10	76.00	(178.88)
Distributions	(44.63)	(51.76)	(44.98)	(24.63)	(33.21)	(27.23)
Retained distributions on accumulation units	44.63	51.76	44.98	24.63	33.21	27.23
Closing net asset value per unit	2,323.74	2,121.66	2,022.31	2,085.64	1,918.54	1,842.54
* after direct transaction costs of	(0.72)	(2.89)	(2.03)	(0.65)	(2.63)	(1.86)
Performance						
Return after charges	9.52%	4.91%	(8.16)%	8.71%	4.12%	(8.85)%
Other information						
Closing net asset value (£'000)	305,362	215,282	235,481	125,083	114,671	140,495
Closing number of units	13,140,973	10,146,862	11,644,172	5,997,332	5,977,016	7,625,094
Operating charges	0.86%	0.86%	0.86%	1.61%	1.61%	1.61%
Direct transaction costs	0.03%	0.14%	0.10%	0.03%	0.14%	0.10%
Prices						
Highest unit price (p)	2,530.39	2,196.47	2,250.36	2,278.25	1,999.79	2,065.57
Lowest unit price (p)	2,087.54	1,872.53	1,822.25	1,887.12	1,695.56	1,662.65

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.

2024

Change in net assets per unit (p)	
Opening net asset value per unit	100.00
Return before operating charges *	(3.02)
Operating charges	(0.04)
Return after operating charges *	(3.06)
Distributions	–
Retained distributions on accumulation units	–
Closing net asset value per unit	96.94
* after direct transaction costs of	(0.03)
Performance	
Return after charges	(3.06)%
Other information	
Closing net asset value (£'000)	5
Closing number of units	5,000
Operating charges	0.76%
Direct transaction costs	0.03%
Prices	
Highest unit price (p)	100.00
Lowest unit price (p)	96.57

** Launched 12 December 2024.

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
C accumulation	1.310%
I distribution	0.860%
I accumulation	0.860%
R accumulation	1.610%
S accumulation *	0.760%

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.

* Ongoing charges shows the estimated annual operating expenses as a percentage of the average net assets of that class since launch.

Class I accumulation performance

	Since launch *	10 years	5 years	3 years	1 year	6 months
Artemis UK Smaller Companies Fund **	2,328.1	124.8	14.0	5.1	9.3	(1.9)
Artemis UK Smaller Companies Fund ***	2,353.8	124.3	14.2	5.2	9.3	(1.1)
Deutsche Numis Smaller Companies (ex-Inv Trust) Index	682.8	79.8	15.6	(1.0)	9.5	3.8
IA UK Smaller Companies average	701.8	82.8	4.1	(21.0)	6.3	(2.5)
Position in sector	1/13	5/33	10/38	3/40	13/40	19/40
Quartile	1	1	2	1	2	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 31 December 2024 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. This class may have charges or a hedging approach different from those in the IA sector benchmark.

** Value at 12 noon valuation point.

*** Value at close of business.

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

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