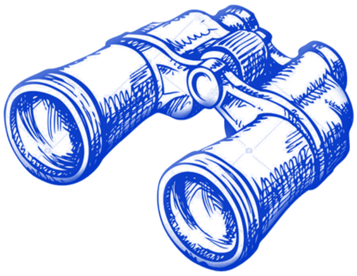
ARTEMIS
The PROFIT Hunter



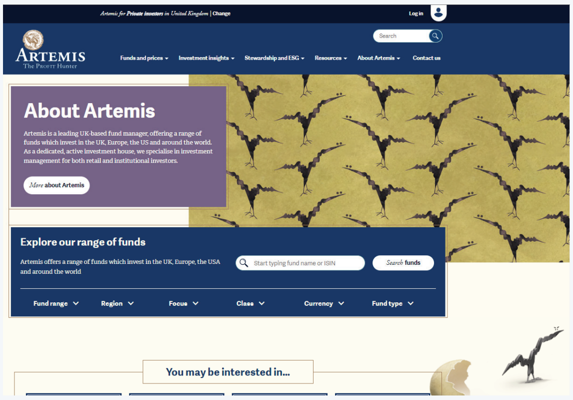
# Artemis UK Special Situations *Fund*

Manager's Report
and Financial Statements

for the year ended 31 December 2024

# Keep up to date …

… with the performance of this and other Artemis funds throughout the year on Artemis’ website




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

artemisfunds.com

# General information

## Company profile

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £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 Special Situations Fund was constituted by a Trust Deed dated 25 and 28 February 2000 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of 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** | • 80% to 100% in company shares.<br>• 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:<br>• reduce risk<br>• manage the fund efficiently |
| | **Where the fund invests** | • 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** | • Any |
| | **Other limitations specific to this fund** | • None |
| **Investment strategy** | • The fund is actively managed.<br>• A research-driven, bottom-up stock selection process is used to identify unrecognized growth potential in companies that are often out-of-favour.<br>• The manager seeks companies that are in recovery, need re-financing or are suffering from investor indifference ('special situations'). These companies often have the potential to deliver significant capital growth.<br>• Companies are assessed on the basis of absolute and relative valuation with consideration to potential upside. | |
| **Benchmarks** | • **FTSE All-Share Index TR**<br>A widely-used indicator of the performance of the UK stockmarket, in which the fund invests. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.<br>• **IA UK All Companies NR**<br>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

Potentially lower rewards — Potentially higher rewards

Lower risk — Higher risk

1 2 3 4 5 **6** 7

- The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund may have risen and fallen in the past due to movements in markets, currencies and interest rates). It may not be a reliable indication of the future risk profile of the fund.
- The risk category has been calculated using historic data and may not be a reliable indicator of the fund's future risk profile.
- A risk indicator of "1" does not mean that the investment is "risk free".

**The risk indicator may not fully take into account the following risks and the following may affect fund performance:**

- **Market volatility risk:** The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- **Currency risk:** The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
- **Special situations risk:** The fund invests in companies that are in recovery, need re-financing or are suffering from lack of market attention (special situations). These companies are subject to higher-than-average risk of capital loss.

There was no change to the risk indicator in the 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 Special Situations 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. 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 Special Situations Fund. These TCFD reports, which were published on 30 June 2024, can be found here: www.artemisfunds.com/tcfd.

## Manager

Artemis Fund Managers Limited *
Cassini House
57 St James's Street
London SW1A 1LD

Dealing information:
Artemis Fund Managers Limited
Sunderland SR43 4BH
Telephone: 0800 092 2051
Website: artemisfunds.com

## Investment adviser

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

## Trustee and Depositary

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 FCA, 12 Endeavour Square, London E20 1JN.

†Authorised by the Prudential Regulation Authority ('PRA'),
20 Moorgate, London EC2R 6DA and regulated by the PRA and the FCA.

# 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 Special Situations Fund ("the Trust") for the year ended 31 December 2024.

The Trustee in its capacity as Trustee of Artemis UK Special Situations Fund must ensure 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 fund 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 Trust 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 Trust will continue in operation.

The manager is responsible for the management of the Trust 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 Special Situations Fund for the 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 — 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 UK Special Situations Fund

**Opinion**

We have audited the financial statements of the Artemis UK Special Situations 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 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

## Explaining the fund's performance

The UK market enjoyed another positive year in 2024. Economic data remains lacklustre but is improving from a low base. With inflation easing, interest rate cuts have at last begun. The market continues to climb a wall of worry. Stocks were also buoyed by another year of takeover activity as companies and private equity funds continued to take advantage of depressed valuations and sentiment towards UK equities. The FTSE All-Share index rose by 9.5%.

The fund's return of 13.1% was ahead of this figure, as well as that of its second benchmark, the IA UK All Companies sector, which made 7.9%[1].

- Our bank holdings (Standard Chartered, Barclays and NatWest) performed consistently well throughout the year. Interest rates fell more slowly than initially expected, helping prop up interest income, which alongside a lack of meaningful impairments supported improving returns.
- Britvic received a recommended bid from Carlsberg. Like Direct Line's acquisition by Aviva, or the aborted acquisition of Anglo American by BHP, industry consolidation continues to provide a powerful tailwind as companies look to drive growth and synergies.
- Our consumer names were mixed in the year. Next, Tesco, Jet2 and DFS all benefited from sector leadership, taking market share from weaker peers. However, B&M, Whitbread and Mitchells & Butlers performed less well, as the increase in taxes and the minimum wage announced in the Budget hampered earnings growth momentum.
- Imperial Brands continues to demonstrate the positive impact of new management, with operational performance improving vastly under the leadership of Stefan Bomhard.
- AdvancedAdvT made strong progress in improving the performance of the software businesses it recently acquired from Capita. It has also materially increased profitability and won several multi-year contracts.
- IG Group appointed a new chief executive, Breon Corcoran, who sees potential for the business to build revenues by speeding up decision making and increasing marketing and acquisitions. In general, his tone is one of a cultural reset to improve accountability. The shares rallied from their low valuation on this renewed confidence in the company's ability to deliver growth.
- Intermediate Capital Group continues to benefit from increased appreciation for its strong position and track record in private credit as interest in the space grows.
- We discussed the poor performances of Entain and Watches of Switzerland in the interim report. Improved recent trading at both companies position them for a better 2025.
- Spectris too has had a tougher year with life science and automative end markets weakening. We believe that recent acquisitions and an industrial recovery in 2025 should restore growth.

## Main changes to the fund

In our most recent interim report, we highlighted strong idea generation, which has continued into the second half of the year. We continue to increase positions as our conviction builds. Additions in the second half of the year included the following:

- Beazley, a leading speciality insurer best known for its 10% market share in cyber. The CrowdStrike outage in July affected an estimated 8.5 million Windows devices worldwide, underscoring the importance of cyber insurance. We feel the 20% annual returns that the company is capable of delivering are not adequately captured in the valuation.
- Domino's Pizza, the master franchise owner of the brand in the UK and Ireland. A past darling of the UK mid-cap space, Domino's has been buffeted by a series of misadventures outside the UK, friction with its franchisees and fragmentation in the delivery market by the likes of Deliveroo, Uber and Just Eat. The new chief executive, Andrew Rennie, is a veteran of the industry and a previous Domino's franchise operator. He expects an acceleration in store growth and improved order frequency via the introduction of loyalty programmes, new menu options and a refreshed national advertising campaign.
- Barratt Redrow, the UK's largest housebuilder. Barratt has been a consolidator of the sector over many cycles, and the recent acquisition of Redrow strengthens its leadership. The combination of the two offers the opportunity to improve returns with house types tailored to each local market, potentially improving sales rates. There will also be cost and procurement synergies. The UK housing market has been subdued during the recent period of higher interest rates but is now showing signs of a pick-up. A recovery is required to get anywhere near the government's new homebuilding target, hence the recent change in planning regulations to improve supply.
- Lloyds Banking Group, which has significantly underperformed our other UK bank holdings after shedding its historic valuation premium. The recent car finance commission review, where Lloyds has more significant exposure than peers, has weighed on the share price but is, in our view, overly discounted.

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.

- Direct Line, which has been the subject of two takeover bids this year. The most recent was by Aviva at 275p, in a mix of cash and shares. We like the deal. The new management at Direct Line was already in the process of a root-and-branch overhaul of the business, which can be accelerated and de-risked under Aviva ownership where the systems and processes are already in place and demonstrating good momentum. Aviva is effectively buying two well-established consumer brands (Direct Line and Churchill) and the Green Flag rescue business. The cost savings will be significant. We started a position in Direct Line when the initial approach was announced, before adding a holding in Aviva when the higher offer of 275p was agreed and the likelihood of the deal increased.

## Looking ahead

Optimism is not in abundance in the UK stock market. Low forecast GDP growth, persistent inflation which is leading to stubbornly high interest rates, and the lack of a catalyst to re-connect UK valuations with the rest of global equities all represent headwinds. The fund performed well in 2024, despite the lack of interest in our asset class, and we see no reason why we can't deliver again in 2025. The de-rating of quality UK stocks is an opportunity we plan to take advantage of.

We continue to invest with a contrarian mindset and a total return focus. Despite its outperformance, the fund is almost as cheap as it was a year ago. Profits have grown, company turnarounds are working and we continue to manage the portfolio with an eye on value. These factors, coupled with the expectation of ongoing delivery from our holdings, give us confidence in the potential for further strong returns in the year ahead.

**Andy Gray and Henry Flockhart**
Fund managers

# Investment Information

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

| Purchases | Cost £'000 | Sales | Proceeds £'000 |
|---|---|---|---|
| Whitbread | 18,732 | Inchcape | 19,924 |
| Mitchells & Butlers | 17,956 | NatWest Group | 13,944 |
| Conduit Holdings | 10,210 | Barclays | 12,165 |
| B & M European Value Retail | 9,540 | Pearson | 11,152 |
| Aviva | 8,963 | Ashtead Group | 10,976 |
| Dunelm Group | 7,879 | 3i Group | 10,512 |
| WH Smith | 7,575 | Imperial Brands | 10,165 |
| Man Group | 7,433 | Britvic | 9,799 |
| Entain | 7,145 | Intermediate Capital Group | 8,182 |
| Standard Chartered | 7,141 | Genuit Group | 7,231 |

## Portfolio statement as at 31 December 2024

| | Holding | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Equities 99.05% (98.18%)** | | | |
| **Basic Materials 4.74% (5.57%)** | | | |
| Anglo American | 555,970 | 13,191 | 2.31 |
| Hill & Smith | 745,044 | 13,873 | 2.43 |
| | | **27,064** | **4.74** |
| **Consumer Discretionary 21.47% (23.39%)** | | | |
| Barratt Redrow | 1,060,000 | 4,673 | 0.82 |
| DFS Furniture | 3,051,000 | 4,278 | 0.75 |
| Domino's Pizza Group | 1,465,000 | 4,609 | 0.81 |
| Dunelm Group | 717,000 | 7,643 | 1.34 |
| Entain | 1,906,314 | 13,005 | 2.27 |
| Howden Joinery Group | 303,064 | 2,411 | 0.42 |
| JET2 # | 1,070,986 | 16,890 | 2.95 |
| Mitchells & Butlers | 6,617,000 | 16,245 | 2.84 |
| Next | 221,058 | 21,080 | 3.69 |
| Watches of Switzerland Group | 1,736,754 | 9,726 | 1.70 |
| WH Smith | 356,500 | 4,225 | 0.74 |
| Whitbread | 608,000 | 17,960 | 3.14 |
| | | **122,745** | **21.47** |
| **Consumer Staples 10.20% (8.46%)** | | | |
| B&M European Value Retail | 3,978,353 | 14,481 | 2.53 |
| Britvic | 562,084 | 7,346 | 1.28 |
| Imperial Brands | 557,836 | 14,275 | 2.50 |
| Tesco | 2,391,877 | 8,819 | 1.54 |
| Unilever | 296,050 | 13,438 | 2.35 |
| | | **58,359** | **10.20** |
| **Energy 8.50% (8.74%)** | | | |
| BP | 5,173,899 | 20,302 | 3.55 |
| Hunting | 945,000 | 2,745 | 0.48 |
| Shell | 1,029,913 | 25,557 | 4.47 |
| | | **48,604** | **8.50** |
| **Financials 28.90% (22.05%)** | | | |
| AdvancedAdvT # | 4,563,342 | 7,073 | 1.24 |
| Aviva | 1,855,000 | 8,683 | 1.52 |
| Barclays | 10,628,226 | 28,446 | 4.98 |
| Beazley | 769,000 | 6,298 | 1.10 |
| Conduit Holdings | 2,998,273 | 14,062 | 2.46 |

| | Holding | Valuation £'000 | % of net assets |
|---|---|---|---|
| **Equities 99.05% (98.18%) (continued)** | | | |
| **Financials 28.90% (22.05%) (continued)** | | | |
| Direct Line Insurance Group | 1,850,000 | 4,706 | 0.82 |
| IG Group | 1,519,142 | 15,085 | 2.64 |
| Intermediate Capital Group | 749,344 | 15,467 | 2.70 |
| Lloyds Banking Group | 12,350,000 | 6,790 | 1.19 |
| Man Group | 2,874,000 | 6,145 | 1.07 |
| NatWest Group | 4,313,642 | 17,375 | 3.04 |
| Prudential | 863,046 | 5,508 | 0.96 |
| Rosebank Industries | 136,000 | 1,183 | 0.21 |
| Standard Chartered | 2,864,911 | 28,431 | 4.97 |
| | | **165,252** | **28.90** |
| **Health Care 3.86% (5.03%)** | | | |
| GSK | 1,643,128 | 22,092 | 3.86 |
| | | **22,092** | **3.86** |
| **Industrials 20.94% (22.30%)** | | | |
| Babcock International Group | 3,699,781 | 18,517 | 3.24 |
| Bodycote | 1,634,551 | 10,281 | 1.80 |
| Dyson Group ^ | 518,632 | – | – |
| Firstgroup | 9,356,046 | 15,129 | 2.65 |
| Grafton Group | 1,096,948 | 10,531 | 1.84 |
| Johnson Service Group # | 10,610,110 | 14,324 | 2.51 |
| MBA Polymers ^ | 2,105,625 | – | – |
| Morgan Advanced Materials | 4,190,034 | 11,460 | 2.00 |
| Oxford Instruments | 530,607 | 11,408 | 2.00 |
| Zigup | 1,792,628 | 5,745 | 1.00 |
| Smiths Group | 975,068 | 16,703 | 2.92 |
| Spectris | 223,113 | 5,582 | 0.98 |
| | | **119,680** | **20.94** |
| **Technology 0.44% (1.87%)** | | | |
| Computacenter | 119,003 | 2,525 | 0.44 |
| Intechnology ^ | 25,361,944 | – | – |
| | | **2,525** | **0.44** |
| **Telecommunication 0.00% (0.77%)** | | | |
| **Investment assets** | | **566,321** | **99.05** |
| **Net other assets** | | **5,431** | **0.95** |
| **Net assets attributable to unitholders** | | **571,752** | **100.00** |

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

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

^Unlisted, suspended or delisted security.

# Financial statements

## Statement of total return for the 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 | | **53,358** | | 52,629 |
| Revenue | 5 | **18,800** | | 16,897 | |
| Expenses | 6 | **(6,527)** | | (6,254) | |
| Interest payable and similar charges | 7 | **(1)** | | – | |
| Net revenue before taxation | | **12,272** | | 10,643 | |
| Taxation | 8 | **(131)** | | (72) | |
| Net revenue after taxation | | | **12,141** | | 10,571 |
| **Total return before distributions** | | | **65,499** | | 63,200 |
| Distributions | 9 | | **(12,146)** | | (10,775) |
| **Change in net assets attributable to unitholders from investment activities** | | | **53,353** | | 52,425 |

## 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** | | **531,182** | | 481,523 |
| Amounts receivable on issue of units | **62,043** | | 48,290 | |
| Amounts payable on cancellation of units | **(86,275)** | | (61,315) | |
| | | **(24,232)** | | (13,025) |
| Dilution adjustment | | **52** | | (97) |
| Change in net assets attributable to unitholders from investment activities | | **53,353** | | 52,425 |
| Retained distribution on accumulation units | | **11,397** | | 10,356 |
| **Closing net assets attributable to unitholders** | | **571,752** | | 531,182 |

## Balance sheet as at 31 December 2024

| | Note | 31 December 2024 £'000 | 31 December 2023 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Investments | 10 | **566,321** | 521,522 |
| **Current assets** | | | |
| Debtors | 11 | **1,175** | 2,091 |
| Cash and cash equivalents | 12 | **5,716** | 11,288 |
| **Total current assets** | | **6,891** | 13,379 |
| **Total assets** | | **573,212** | 534,901 |
| **Liabilities** | | | |
| **Creditors** | | | |
| Distribution payable | | **436** | 369 |
| Other creditors | 13 | **1,024** | 3,350 |
| **Total creditors** | | **1,460** | 3,719 |
| **Total liabilities** | | **1,460** | 3,719 |
| **Net assets attributable to unitholders** | | **571,752** | 531,182 |

# 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. 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.

**(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 | **53,358** | 52,629 |
| **Net capital gains** | **53,358** | 52,629 |

## 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 | 207,949 | 72 | 847 | 208,868 | 0.03 | 0.41 |
| **Sales** | | | | | | |
| Equities | 217,500 | 74 | – | 217,426 | 0.03 | – |
| **Total** | | **146** | **847** | | | |
| **Percentage of fund average net assets** | | **0.03%** | **0.15%** | | | |

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 | 162,162 | 9 | 755 | 162,926 | 0.01 | 0.47 |
| **Sales** | | | | | | |
| Equities | 163,154 | 6 | 47 | 163,101 | – | 0.03 |
| **Total** | | **15** | **802** | – | | |
| **Percentage of fund average net assets** | | **0.00%** | **0.16%** | | | |

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 0.17% (2023: 0.14%). 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 | **15,912** | 15,477 |
| Overseas dividends | **2,236** | 956 |
| Bank interest | **652** | 464 |
| **Total revenue** | **18,800** | 16,897 |

## 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 | **5,910** | 5,693 |
| Administration fees | **617** | 561 |
| **Total expenses** | **6,527** | 6,254 |

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. Interest payable and similar charges

| | 31 December 2024 £'000 | 31 December 2023 £'000 |
|---|---|---|
| Interest payable | **1** | – |
| **Total interest payable and similar charges** | **1** | – |

## 8. Taxation

| | 31 December 2024 £'000 | 31 December 2023 £'000 |
|---|---|---|
| **a) Analysis of the tax charge for the year** | | |
| Irrecoverable overseas tax | **131** | 72 |
| **Total taxation (note 8b)** | **131** | 72 |
| **b) Factors affecting the tax charge for the year** | | |
| Net revenue before taxation | **12,272** | 10,643 |
| Corporation tax of 20% (2023: 20%) | **2,454** | 2,129 |
| **Effects of:** | | |
| Unutilised management expenses | **1,175** | 1,158 |
| Irrecoverable overseas tax | **131** | 72 |
| Non-taxable overseas dividends | **(447)** | (191) |
| Non-taxable UK dividends | **(3,182)** | (3,096) |
| **Tax charge for the year (note 8a)** | **131** | 72 |

**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 The fund has not recognised a deferred tax asset of £46,499,000 (2023: £45,324,000) arising as a result of having unutilised management expenses of £232,497,000 (2023: £226,622,000). 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 |
|---|---|---|
| Final dividend distribution | **11,833** | 10,725 |
| Add: amounts deducted on cancellation of units | **1,002** | 734 |
| Deduct: amounts added on issue of units | **(689)** | (684) |
| **Distributions** | **12,146** | 10,775 |
| **Movement between net revenue and distributions** | | |
| Net revenue after taxation | **12,141** | 10,571 |
| Revenue received on conversion of units | **4** | 204 |
| Undistributed revenue carried forward | **1** | – |
| | **12,146** | 10,775 |

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 Assets £'000** | 31 December 2023 Assets £'000 |
|---|---|---|
| Level 1 | **566,321** | 521,522 |
| **Total** | **566,321** | 521,522 |

## 11. Debtors

| | **31 December 2024 £'000** | 31 December 2023 £'000 |
|---|---|---|
| Accrued revenue | **972** | 1,625 |
| Amounts receivable for issue of units | **136** | 396 |
| Overseas withholding tax recoverable | **67** | 70 |
| **Total debtors** | **1,175** | 2,091 |

## 12. Cash and cash equivalents

| | **31 December 2024 £'000** | 31 December 2023 £'000 |
|---|---|---|
| Amounts held in liquidity funds | **5,615** | 11,189 |
| Cash and bank balances | **101** | 99 |
| **Total cash and cash equivalents** | **5,716** | 11,288 |

## 13. Other creditors

| | **31 December 2024 £'000** | **31 December 2023 £'000** |
|---|---|---|
| Accrued annual management charge | **517** | 473 |
| Amounts payable for cancellation of units | **453** | 2,759 |
| Accrued administration fee payable to the manager | **54** | 49 |
| Purchases awaiting settlement | **–** | 69 |
| **Total other creditors** | **1,024** | 3,350 |

## 14. Contingent liabilities and commitments

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

## 15. 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 | 5,920,311 | 77,924 | (645,863) | 53,880 | **5,406,252** |
| I distribution | 2,378,704 | 171,259 | (167,797) | 112,072 | **2,494,238** |
| I accumulation | 33,115,751 | 4,190,152 | (5,208,384) | 11,430 | **32,108,949** |
| R accumulation | 26,588,499 | 2,894,770 | (4,354,041) | (167,423) | **24,961,805** |

## 16. 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 interest rate risk, currency risk, other 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

A portion of the net assets of the fund may be denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. There were no forward currency contracts held as at 31 December 2024 or 31 December 2023.

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

The exposure to each currency is shown in the table below.

| Currency | Investments £'000 | Net other assets £'000 | Total £'000 |
|---|---|---|---|
| **31 December 2024** | | | |
| Sterling | **566,321** | **5,431** | **571,752** |
| **31 December 2023** | | | |
| Sterling | 514,147 | 9,660 | 523,807 |
| Euro | 7,375 | – | 7,375 |

A five percent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £nil (2023: £3,000). A five percent decrease would have an equal and opposite effect.

### (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 £28,316,000 (2023: £26,076,000). 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.

## 16. 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 13 and notes 6, 8, 10 and 12 on pages 16 to 17 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 £888,000 (2023: £2,885,000).

## 17. 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% |

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.

## 18. 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 | 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) |
| Final | 9.0807 | 7.1600 | 16.2407 | 100.00% | 0.00% | 14.1110 |

## I 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) |
| Final | 7.0036 | 10.4779 | 17.4815 | 100.00% | 0.00% | 15.5304 |

## I 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) |
| Final | 10.9198 | 11.2320 | 22.1518 | 100.00% | 0.00% | 19.2365 |

## R 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) |
| Final | 4.1687 | 9.4778 | 13.6465 | 100.00% | 0.00% | 11.8480 |

# 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** | **746.63** | **659.91** | **730.69** | **655.70** | **590.44** | **663.55** |
| Return before operating charges * | 104.12 | 96.00 | (62.11) | 91.61 | 86.25 | (56.19) |
| Operating charges | (10.53) | (9.28) | (8.67) | (6.09) | (5.46) | (5.18) |
| **Return after operating charges *** | **93.59** | **86.72** | **(70.78)** | **85.52** | **80.79** | **(61.37)** |
| Distributions | (16.24) | (14.11) | (9.91) | (17.48) | (15.53) | (11.74) |
| Retained distributions on accumulation units | 16.24 | 14.11 | 9.91 | – | – | – |
| **Closing net asset value per units** | **840.22** | **746.63** | **659.91** | **723.74** | **655.70** | **590.44** |
| * after direct transaction costs of | (1.35) | (1.13) | (1.33) | (1.19) | (1.02) | (1.21) |
| **Performance** | | | | | | |
| Return after charges | 12.53% | 13.14% | (9.69)% | 13.04% | 13.68% | (9.25)% |
| **Other information** | | | | | | |
| Closing net asset value (£'000) | 45,425 | 44,204 | 41,177 | 18,052 | 15,597 | 6,727 |
| Closing number of units | 5,406,252 | 5,920,311 | 6,239,722 | 2,494,238 | 2,378,704 | 1,139,323 |
| Operating charges | 1.31% | 1.31% | 1.31% | 0.86% | 0.86% | 0.86% |
| Direct transaction costs | 0.17% | 0.16% | 0.20% | 0.17% | 0.16% | 0.20% |
| **Prices** | | | | | | |
| Highest unit price (p) | 859.09 | 749.00 | 749.68 | 757.66 | 673.32 | 681.08 |
| Lowest unit price (p) | 716.56 | 666.55 | 575.89 | 629.41 | 597.12 | 524.94 |

| | I accumulation | | | R accumulation | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2024 | 2023 | 2022 |
| **Change in net assets per unit (p)** | | | | | | |
| **Opening net asset value per unit** | **830.87** | **731.05** | **805.84** | **738.03** | **654.28** | **726.63** |
| Return before operating charges * | 116.07 | 106.59 | (68.49) | 102.82 | 95.04 | (61.75) |
| Operating charges | (7.72) | (6.77) | (6.30) | (12.78) | (11.29) | (10.60) |
| **Return after operating charges *** | **108.35** | **99.82** | **(74.79)** | **90.04** | **83.75** | **(72.35)** |
| Distributions | (22.15) | (19.24) | (14.25) | (13.65) | (11.85) | (7.86) |
| Retained distributions on accumulation units | 22.15 | 19.24 | 14.25 | 13.65 | 11.85 | 7.86 |
| **Closing net asset value per units** | **939.22** | **830.87** | **731.05** | **828.07** | **738.03** | **654.28** |
| * after direct transaction costs of | (1.51) | (1.26) | (1.47) | (1.33) | (1.12) | (1.32) |
| **Performance** | | | | | | |
| Return after charges | 13.04% | 13.65% | (9.28)% | 12.20% | 12.80% | (9.96)% |
| **Other information** | | | | | | |
| Closing net asset value (£'000) | 301,575 | 275,149 | 201,634 | 206,700 | 196,232 | 231,985 |
| Closing number of units | 32,108,950 | 33,115,751 | 27,581,447 | 24,961,805 | 26,588,499 | 35,456,443 |
| Operating charges | 0.86% | 0.86% | 0.86% | 1.61% | 1.61% | 1.61% |
| Direct transaction costs | 0.17% | 0.16% | 0.20% | 0.17% | 0.16% | 0.20% |
| **Prices** | | | | | | |
| Highest unit price (p) | 960.06 | 833.46 | 826.83 | 846.82 | 740.39 | 745.49 |
| Lowest unit price (p) | 797.55 | 739.14 | 637.28 | 708.22 | 660.40 | 571.39 |

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% |

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

## Class I accumulation performance

| | Since launch * | 10 years | 5 years | 3 years | 1 year | 6 months |
|---|---|---|---|---|---|---|
| Artemis UK Special Situations Fund ** | 887.7 | 78.3 | 33.0 | 16.5 | 13.0 | 3.4 |
| Artemis UK Special Situations Fund *** | 889.1 | 77.7 | 33.0 | 16.2 | 13.1 | 4.2 |
| FTSE All-Share Index | 234.4 | 81.9 | 26.5 | 18.5 | 9.5 | 1.9 |
| IA UK All Companies average | 223.5 | 66.2 | 15.2 | 5.0 | 7.9 | 1.0 |
| Position in sector | 1/66 | 63/151 | 16/182 | 59/190 | 17/193 | 25/194 |
| Quartile | 1 | 2 | 1 | 2 | 1 | 1 |

Past performance is not a guide to the future.

* Source: Artemis/Lipper Limited, data from 9 March 2000 to 7 March 2008 reflects class R accumulation units, and from 7 March 2008 reflects class I accumulation units, in sterling with dividends reinvested to 31 December 2024. All figures show total returns with income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the IA sector benchmark.
** Value at 12 noon valuation point.
*** Value at close of business.

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

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

Fund Service Centre 0800 092 2051
Facsimile 0207 643 3708

Website www.artemisfunds.com

ARTEMIS
The PROFIT Hunter