

ARTEMIS
Strategic Bond
Fund

Half-Yearly Report (unaudited)
for the six months ended
30 September 2019

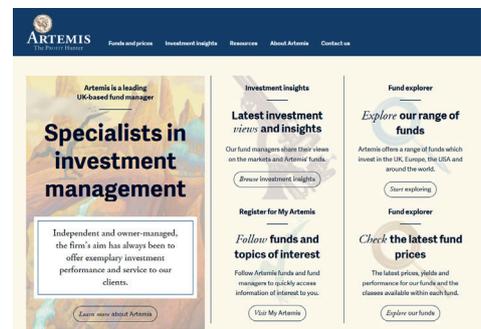


ARTEMIS
The PROFIT Hunter

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[artemisfunds.com](https://www.artemisfunds.com)

General information

Company profile

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

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

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

The firm now manages some £27.2 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 31 October 2019.

Fund status

Artemis Strategic Bond Fund was constituted by a Trust Deed dated 26 May 2005 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The fund seeks to achieve a combination of income and capital growth by investing predominantly in fixed income markets.

Investment policy

The fund aims to achieve its objective by investment predominantly in fixed income markets but may selectively invest in other markets. Equal emphasis is given to the security of capital and income although from time to time one may take prominence over the other in accordance with the strategy being pursued.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the regulations.

Fund benchmark

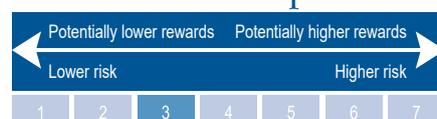
■ IA £ Strategic Bond NR

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.

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website artemisfunds.com. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. 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.

Risk and reward profile



■ The fund is in the category shown due to its historic volatility (how much and how quickly the value of shares in the fund have risen and fallen in the past). It may not be a reliable

indication of the future risk profile of the fund.

- The risk category shown is not guaranteed and may change over time.
- 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: Some or all of the fund's assets may be invested in a currency other than the fund's accounting currency. The value of the assets, and the income from them, may decrease if the currency falls in relation to the accounting currency.

■ Bond liquidity risk: The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

■ Higher-yielding bonds risk: The fund can invest in higher-yielding bonds (also known as sub-investment grade bonds), which have a greater risk of default by the issuer. The value of these bonds is more sensitive to changes in market conditions and interest rates. As a result, the fund may be subject to greater swings in value.

■ Credit risk: Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.

■ Derivatives risk: The fund may invest in derivatives with the aim of profiting from falling as well as rising prices ('shorting'). If the related assets' value moves in the opposite direction the fund will lose money. In addition, a derivative may not perform as expected, and may create losses for the fund greater than the cost of the derivative.

General information (continued)

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 2 or via the website artemisfunds.com.

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-informationaccount-holders.

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis Strategic Bond Fund for the six months ended 30 September 2019 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
27 November 2019

J L Berens
Director

Manager

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

Investment review

- The fund returns 4.0%*, slightly behind its benchmark.
- Sources of yield (income) are in increasingly short supply.
- We have moved away from high-yield bonds and towards government bonds.

Performance – Caution is our priority...

The fund returned 4.0% over the six months. Although this is a healthy return, it was a little under the average return of 4.4% from the funds that constitute our benchmark and peer group, the IA's £ Strategic Bond sector. Over the longer term (the last three and five years) the fund remains in the top quartile (the first 25% by performance) of its peer group.

As we outlined in our annual report, we have been taking advantage of the portfolio's 'strategic' remit: we have positioned the fund for a more difficult economic environment. This currently means holding more government bonds and fewer high-yield bonds than we would if conditions looked more favourable. As interest rates have been cut, the former have performed well.

As you might expect, high-yield bonds, which tend to be issued by companies that are more sensitive to economic uncertainty, have seen more mixed performance. For those with a strong constitution, we detail the highlights below.

The consequence of holding more government bonds, though they offer more security and protection than most corporate bonds, is that the portfolio has a lower yield. This reflects a changing world. Yields on German government bonds are negative (so if you lend money to the German government today it will give you back a bit less than you loaned it in 10 years' time). Even yields on short-dated Greek government bonds are negative. Many companies can also issue bonds with negative yields and some high-yield companies (admittedly better-quality ones) have yields as low as 2%.

Generating an income – the traditional remit of a bond manager – is getting more difficult. We must avoid getting sucked into higher-risk bonds to satisfy a yield target. Should the economic backdrop become more challenging, a growing number of risky companies will default and capital will be lost. We are trying to avoid that. Caution is our priority. Below, we detail the potential risks and how we plan to manage our way through them.

Review – Government bond yields fall further...

The most dramatic change over the last six months has been the rise in the price of government bonds. Yields, which move in the opposite direction to prices, have continued their extraordinary decline. At the end of March, 10-year US Treasury yields stood at around 2.5%. By the end of September they were 1.6%, having dipped below 1.5% in August. Similarly, in Germany, yields fell from approximately zero to minus 0.6%. Even in the UK gilt yields fell to below 0.5% in August.

Two main factors have driven this. The first is political. There has been a marked increase in the rhetoric around sanctions on trade between China and the US, and fears that President Trump could impose the same policies on Europe. Brexit has only added to the confusion.

The second factor is economic. The data has been unrelentingly poor. Having had two quarters of negative growth, Germany is in a technical recession. The US has been slowing, although it seems nowhere near a recession. The political uncertainty in the UK is dampening confidence; and growth is anaemic.

We have increased our allocation to US Treasuries to around 26% of the portfolio. On top of that, we have another 14% in shorter-dated gilts. We bought both positions some time ago, in light of our concerns about global economic growth. They contributed considerably to performance over the period.

Investment-grade bonds generally underperformed government bonds, but not significantly. Arguably, given how much government bond markets moved, we would have expected them to have underperformed more. That they lagged only slightly was due to the resumption of quantitative easing in Europe (the European Central Bank will buy investment-grade corporate bonds alongside government debt).

Given poor economic data, we would have expected financials to underperform, but this was not the case. There are a number of possible explanations for this, but none are entirely satisfactory. Our interpretation is that banks and insurance companies have considerably stronger balance sheets than they did 10 years ago, with roughly three times as much capital (effectively acting as a cushion to absorb losses). That means that they would be far more resilient in an economic downturn. And this is reflected in their performance.

This makes us happy, as the portfolio has a considerable level of exposure to financial companies, particularly to insurance companies and some of the bigger banks. Overall, this contributed to the fund's performance. Admittedly, some of the most junior bank bonds (such as contingent convertible or Additional Tier 1 bonds) have also performed well. We have been reducing our positions here gradually and locking in profits. If we see a significant rise in defaults, then we would anticipate this rather niche corner of the market coming under pressure.

Returns within the high-yield bond market were more dispersed. The best performing sectors were the higher-rated 'BB' issues, which are more closely correlated with government bonds. So, for instance, Heathrow Airport bonds rose sharply during the period. At the other end of the scale, the bonds of lower-rated, financially weaker, more economically sensitive issuers struggled – and there were some notable failures. Of these, Thomas Cook is the most

Past performance is not a guide to the future.

* Source: Lipper Limited, class QI accumulation units, in sterling, to 30 September 2019. 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. Sector is IA £ Strategic Bond NR.

Investment review (continued)

well-known. Our exposure to it cost the fund 0.28%. This was particularly disappointing. Ultimately, we got this one wrong, but because of our small position, the cost was not too onerous.

Overall, we have reduced the fund's allocation to high-yield bonds to around 30%. This was around 60% at its peak, 18 months ago.

Outlook – Cautiously positioned ...

It is difficult to feel much enthusiasm about government bonds when they have negative yields. German yields reflect a near-apocalyptic view of the world. Ten-year German yields have been as low as minus 0.7%. This is forecasting a very severe recession and even an imminent break-up of the eurozone. While both events are possible, neither feels imminent.

US government bond yields, meanwhile, are discounting further cuts in interest rates and a significant slowing of the economy. This feels more likely as current levels of growth are going to be difficult to sustain, particularly if President Trump is not successful with his Chinese trade negotiations or if he starts a trade spat with Europe. Forward-looking indicators are dull, perhaps suggesting recession, and forecasters are making equally dismal predictions for the future.

Central banks are responding by cutting interest rates. In Europe, that's not a particularly helpful policy as rates are so low already. The US has seen two cuts in rates already this year. There will probably be more. On top of this, the ECB has resumed its quantitative easing. No wonder some of the German representatives at the European Central Bank are tetchy: seven years ago, money-printing was seen as a temporary measure but now seems to be becoming permanent.

At the time of writing, UK politicians have referred the Brexit question back to the voters (albeit framed as a general election). Making predictions about the UK markets, given the range of potential outcomes – from a no-deal Brexit through to revoking Article 50 – is extremely difficult and the political climate is fraught.

All in all, 40% of the portfolio is invested in government bonds, split between short-dated UK gilts (longer-dated gilts feel too risky, given political uncertainties) and a combination of five to 10-year US Treasuries. Interest rates are being cut, but wage inflation is pushing higher, which may temper the extent of future cuts. Having such a large allocation to government bonds is quite unusual for us and reflects a degree of caution. In practice, we are eager to reinvest back into credit markets but timing will be crucial. That will depend on credit spreads (the extra yield available for owning corporate bonds). In the meantime, however, we anticipate that US Treasuries will continue to perform well.

Within corporate bonds, we remain eager investors in financial names. We hold a broad range of them, although we are more enthusiastic about the larger US, European and UK banks than we are about challenger banks. We also like insurance companies, both larger ones and some of the specialist smaller companies. Otherwise, we have been maintaining a good exposure to utilities such as EDF, National Grid and other non-cyclical businesses. All in all, we only have around 25% invested in investment-grade bonds: the distortions from quantitative easing are making us more selective.

Our exposure to high-yield bonds covers similar themes, with plenty of exposure to financial companies and utilities. Pennon (the water company), for instance, is a high-yield bond issuer. We have been reducing our exposure to more risky names. For now, default rates are low but they are increasing. We expect this to continue. That will scare investors and may provide opportunities for us to reinvest in the future.

A few words on liquidity...

As it is such an important topic at the moment, we want to address the question of liquidity. Given that we currently have such a high weighting in highly liquid government bonds, we would stress that we do not believe that

this is an issue for us at the moment. There are, however, periods when we invest more heavily in high-yield bonds which may have less liquidity. Bond funds have a natural advantage: bonds pay coupons and are eventually redeemed, giving ongoing, predictable liquidity.

We pay very careful attention to liquidity and have done since we launched the fund. Throughout its 15-year history, we have avoided loans and have rarely had more than 5% of the portfolio in CCC bonds – both of these are more illiquid areas of the bond universe. Moreover, we always retain a steady redemption profile as well as a generous liquidity buffer.

While it is impossible to rule out an extreme event – such as the terrorist attack on the World Trade Center in 2001 – that would force a temporary closure of the fund, we feel we have more than adequate liquidity for normal times.

Taking advantage of our flexible strategy...

We are an active fund, moving between high-yield, investment-grade and government bonds depending on the economic cycle. As we highlight above, we tend to favour corporate bonds – they generally outperform government bonds. More recently, however, we have shifted the portfolio to reflect our view that government bonds may well outperform as default rates rise and interest rates in the US (and elsewhere) fall. Our long-term active management approach and nimble asset allocation have generated good returns in the past. We hope that we will be able to move back into better yielding securities at some stage and offer you a better income. We look forward to guiding you through what seem likely to be volatile times over the months and years to come.

James Foster and Alex Ralph
Fund managers

Investment information

Ten largest purchases and sales for the six months ended 30 September 2019

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury 2.38% 15/05/2029	188,430	US Treasury 2.63% 15/02/2029	185,470
US Treasury 1.25% 31/08/2024	151,393	US Treasury 3.13% 15/11/2028	106,792
US Treasury 2.63% 15/02/2029	75,854	UK Treasury 1.50% 22/01/2021	60,842
UK Treasury 0.50% 22/07/2022	59,879	US Treasury 2.38% 15/05/2029	49,418
US Treasury 1.63% 30/09/2026	48,631	Koninklijke KPN, FRN 7.00% 28/03/2073	10,588
Wells Fargo 2.50% 02/05/2029	11,946	Alliance Data Systems 5.25% 15/11/2023	10,191
La Poste, FRN 3.12% Perpetual	9,431	Tele Columbus 3.88% 02/05/2025	9,699
Pension Insurance, FRN 7.38% Perpetual	7,330	Galaxy Bidco, FRN 0.00% 15/11/2020	7,400
UK Treasury 5.00% 07/03/2025	7,301	Whitbread Group 3.38% 16/10/2025	7,211
Reassure Group 5.87% 13/06/2029	6,950	KCA Deutag UK Finance 9.88% 01/04/2022	6,917

Portfolio statement as at 30 September 2019

Investment	Holding or nominal value	Valuation £'000	% of net assets
Equities 0.00% (0.00%)			
Cayman Islands 0.00% (0.00%)			
NVP^	1,301	-	-
		-	-
Norway 0.00% (0.00%)			
Oceanteam	373,558	-	-
		-	-
Equities total		-	-
Government bonds 36.75% (30.04%)			
United Kingdom 13.11% (14.02%)			
UK Treasury 0.50% 22/07/2022	£60,000,000	60,331	3.62
UK Treasury 0.75% 22/07/2023	£148,000,000	150,543	9.05
UK Treasury 5.00% 07/03/2025	£5,800,000	7,279	0.44
		218,153	13.11
United States of America 23.64% (16.02%)			
US Treasury 1.25% 31/08/2024	\$190,000,000	152,148	9.14
US Treasury 1.63% 30/09/2026	\$60,000,000	48,732	2.93
US Treasury 3.13% 15/11/2028	\$60,000,000	54,669	3.29
US Treasury 2.38% 15/05/2029	\$160,000,000	137,858	8.28
		393,407	23.64
Government bonds total		611,560	36.75
Corporate bonds 55.22% (63.96%)			
Australia 1.55% (1.71%)			
Australia & New Zealand Banking Group, FRN 2.77% Perpetual	\$12,100,000	6,389	0.38
BHP Billiton Finance, FRN 6.50% 22/10/2077	£9,000,000	10,190	0.61
Westpac Banking, FRN 2.24% Perpetual	\$17,200,000	9,266	0.56
		25,845	1.55
Bermuda 0.73% (0.73%)			
XLIT, FRN 3.25% 29/06/2047	€ 12,250,000	12,085	0.73
		12,085	0.73
Denmark 0.78% (0.82%)			
Danske Bank, FRN 6.13% Perpetual	\$6,600,000	5,313	0.32
DKT Finance 7.00% 17/06/2023	€ 8,100,000	7,696	0.46
		13,009	0.78
France 4.51% (4.28%)			
Altice France 7.38% 01/05/2026	\$8,000,000	6,961	0.42

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Altice France 5.50% 15/01/2028	\$6,100,000	4,999	0.30
Electricite de France, FRN 6.00% Perpetual	£15,000,000	16,281	0.98
La Poste, FRN 3.12% Perpetual	€ 10,000,000	9,323	0.56
Orange, FRN 5.88% Perpetual	£12,450,000	13,477	0.81
Societe Generale, FRN 7.38% Perpetual	\$13,500,000	11,538	0.69
Total, FRN 2.71% Perpetual	€ 7,000,000	6,673	0.40
Vallourec 6.63% 15/10/2022	€ 7,250,000	5,747	0.35
		74,999	4.51
Germany 1.43% (2.73%)			
Bayer, FRN 2.38% 02/04/2075	€ 10,300,000	9,229	0.55
EnBW Energie Baden-Wuerttemberg, FRN 3.38% 05/04/2077	€ 10,000,000	9,423	0.57
Raffinerie Heide 6.38% 01/12/2022	€ 6,400,000	5,115	0.31
		23,767	1.43
Ghana 0.60% (0.67%)			
Tullow Oil 7.00% 01/03/2025	\$12,125,000	9,990	0.60
		9,990	0.60
Ireland 1.76% (2.14%)			
Allied Irish Banks, FRN 7.38% Perpetual	€ 6,750,000	6,359	0.38
Bank of Ireland Group, FRN 4.12% 19/09/2027	\$15,000,000	11,926	0.72
Lambay Capital Securities 6.25% Perpetual ^{As}	£12,000,000	–	–
National Asset Management 5.26% 01/03/2020 [^]	€ 12,000,000	10,973	0.66
		29,258	1.76
Israel 0.27% (0.00%)			
Teva Pharmaceutical Finance Netherlands III 2.20% 21/07/2021	\$6,000,000	4,470	0.27
		4,470	0.27
Italy 1.36% (1.79%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£6,500,000	6,984	0.42
Enel, FRN 6.62% 15/09/2076	£7,400,000	8,058	0.48
Intesa Sanpaolo, FRN 7.00% Perpetual	€ 4,000,000	3,727	0.22
Telecom Italia 4.00% 11/04/2024	€ 4,000,000	3,903	0.24
		22,672	1.36
Luxembourg 1.07% (2.23%)			
Eurofins Scientific, FRN 3.25% Perpetual	€ 7,000,000	6,028	0.36
Horizon Parent Holdings 8.25% 15/02/2022	€ 6,600,000	5,986	0.36
Safari Verwaltungs 5.38% 30/11/2022	€ 9,600,000	5,772	0.35
		17,786	1.07
Mexico 0.58% (0.66%)			
America Movil, FRN 6.37% 06/09/2073	£9,300,000	9,682	0.58
		9,682	0.58
Netherlands 3.85% (3.57%)			
Achmea, FRN 4.62% Perpetual	€ 6,200,000	5,482	0.33
Aegon, FRN 2.14% Perpetual	\$8,000,000	4,581	0.27
Cooperatieve Rabobank 4.63% 23/05/2029	£9,350,000	11,140	0.67
NN Group, FRN 4.38% Perpetual	€ 11,000,000	10,681	0.64
PPF Arena 1 3.13% 27/03/2026	€ 8,700,000	8,151	0.49
Swiss Re, FRN 5.75% 15/08/2050	\$16,000,000	14,248	0.86
Trivium Packaging Finance 3.75% 15/08/2026	€ 1,200,000	1,126	0.07
VIVAT, FRN 6.25% Perpetual	\$10,700,000	8,702	0.52
		64,111	3.85
Norway 0.38% (0.40%)			
PGS 7.38% 15/12/2020	\$7,900,000	6,243	0.38
		6,243	0.38

Investment	Holding or nominal value	Valuation £'000	% of net assets
Russia 0.84% (0.89%)			
Gazprom 4.25% 06/04/2024	£13,000,000	14,045	0.84
		14,045	0.84
South Africa 0.09% (0.13%)			
Investec, FRN 6.75% Perpetual	£1,500,000	1,479	0.09
		1,479	0.09
Spain 0.87% (1.17%)			
Naturgy Finance, FRN 4.13% Perpetual	€ 15,000,000	14,494	0.87
		14,494	0.87
Sweden 0.68% (0.68%)			
Vattenfall, FRN 3.00% 19/03/2077	€ 11,900,000	11,324	0.68
		11,324	0.68
Switzerland 1.68% (2.70%)			
Credit Suisse Group, FRN 6.25% Perpetual	\$16,400,000	14,092	0.85
Walnut Bidco 6.75% 01/08/2024	€ 800,000	744	0.04
Zurich Insurance, FRN 4.25% 01/10/2045	\$15,500,000	13,119	0.79
		27,955	1.68
United Arab Emirates 0.75% (0.97%)			
Shelf Drilling Holdings 8.25% 15/02/2025	\$6,586,000	4,771	0.29
Topaz Marine 9.13% 26/07/2022	\$9,000,000	7,649	0.46
		12,420	0.75
United Kingdom 27.42% (31.16%)			
Arqiva Broadcast Finance 6.75% 30/09/2023	£6,750,000	7,196	0.43
Assura Financing, REIT 3.00% 19/07/2028	£10,000,000	11,069	0.67
Aviva, FRN 3.38% 04/12/2045	€ 10,700,000	10,273	0.62
BUPA Finance 5.00% 08/12/2026	£10,150,000	11,481	0.69
Burford Capital 6.13% 26/10/2024	£2,000,000	1,860	0.11
Cabot Financial Luxembourg 7.50% 01/10/2023	£6,000,000	6,214	0.37
Cattles 7.13% 05/07/2017 ^{As}	£3,700,000	–	–
Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020	£8,640,000	8,958	0.54
CPUK Finance 4.25% 28/02/2047	£8,700,000	8,829	0.53
Direct Line Insurance Group, FRN 4.75% Perpetual	£10,800,000	8,935	0.54
Drax Finco 4.25% 01/05/2022	£9,200,000	9,317	0.56
EnQuest, FRN 7.00% 15/10/2023	\$10,582,787	7,110	0.43
Fidelity International 7.13% 13/02/2024	£8,100,000	9,971	0.60
Galaxy Bidco 6.50% 31/07/2026	£4,500,000	4,446	0.27
GKN Holdings 5.38% 19/09/2022	£5,600,000	6,089	0.37
Grainger 3.38% 24/04/2028	£10,300,000	10,909	0.66
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	£6,600,000	10,060	0.60
Heathrow Finance 3.88% 01/03/2027	£14,000,000	13,943	0.84
Hiscox, FRN 6.12% 24/11/2045	£9,000,000	9,876	0.59
HSBC Bank, FRN 2.50% Perpetual	\$25,900,000	15,474	0.93
Iceland Bondco 6.75% 15/07/2024	£4,743,000	4,427	0.27
InterContinental Hotels Group 3.75% 14/08/2025	£10,300,000	11,355	0.68
Investec Bank, FRN 4.25% 24/07/2028	£6,700,000	6,839	0.41
Ithaca Energy North Sea 9.38% 15/07/2024	\$8,100,000	6,861	0.41
Kelda Finance No. 3 5.75% 17/02/2020	£10,350,000	10,417	0.63
Legal & General Group, FRN 5.38% 27/10/2045	£10,500,000	11,758	0.71
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£7,800,000	8,742	0.53
London Power Networks 2.63% 01/03/2029	£8,000,000	8,603	0.52
Miller Homes Group Holdings, FRN 6.02% 15/10/2023	£4,100,000	4,104	0.25
Mizzen Bondco 7.00% 01/05/2021	£8,131,889	8,004	0.48

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Neptune Energy Bondco 6.63% 15/05/2025	\$6,000,000	4,996	0.30
NGG Finance, FRN 5.63% 18/06/2073	£12,000,000	13,466	0.81
NWEN Finance 5.88% 21/06/2021	£8,900,000	9,234	0.55
Pennon Group, FRN 2.87% Perpetual	£11,491,000	11,543	0.69
Pension Insurance, FRN 7.38% Perpetual	£7,300,000	7,567	0.45
Phoenix Group Holdings 4.13% 20/07/2022	£11,200,000	11,684	0.70
Provident Financial 7.00% 04/06/2023	£6,900,000	6,943	0.42
Prudential, FRN 6.50% 20/10/2048	\$13,700,000	13,063	0.78
Quilter, FRN 4.48% 28/02/2028	£8,000,000	8,230	0.49
Reassure Group 5.87% 13/06/2029	£6,600,000	6,866	0.41
Rothsay Life 8.00% 30/10/2025	£8,100,000	9,515	0.57
Royal Bank of Scotland Group, FRN 7.65% Perpetual	\$9,089,000	10,132	0.61
RSA Insurance Group, FRN 5.13% 10/10/2045	£9,500,000	10,591	0.64
Society of Lloyd's 4.75% 30/10/2024	£8,100,000	8,928	0.54
Stonegate Pub Co. Financing 4.88% 15/03/2022	£6,400,000	6,541	0.39
TalkTalk Telecom Group 5.38% 15/01/2022	£8,000,000	8,175	0.49
Tesco 6.15% 15/11/2037	\$8,913,000	8,317	0.50
Virgin Media Secured Finance 5.13% 15/01/2025	£6,435,000	6,645	0.40
Viridian Group FinanceCo 4.75% 15/09/2024	£8,600,000	8,715	0.52
Voyage Care BondCo 5.88% 01/05/2023	£8,800,000	8,692	0.52
Western Power Distribution 3.50% 16/10/2026	£11,100,000	11,865	0.71
Whitbread Group 3.38% 16/10/2025	£6,700,000	7,032	0.42
William Hill 4.88% 07/09/2023	£4,200,000	4,491	0.27
		456,351	27.42
United States of America 4.02% (4.53%)			
AMC Entertainment Holdings 6.38% 15/11/2024	£8,300,000	8,119	0.49
Burford Capital 5.00% 01/12/2026	£3,700,000	3,096	0.19
Burford Capital Finance 6.13% 12/08/2025	\$3,900,000	2,742	0.16
Continental Resources 4.50% 15/04/2023	\$7,700,000	6,475	0.39
Ingles Markets 5.75% 15/06/2023	\$10,450,000	8,673	0.52
Mauser Packaging Solutions Holding 4.75% 15/04/2024	€ 8,050,000	7,386	0.44
Seagate HDD Cayman 4.75% 01/01/2025	\$6,278,000	5,265	0.32
USB Realty, FRN 3.45% Perpetual	\$18,000,000	12,510	0.75
Wells Fargo 2.50% 02/05/2029	£12,000,000	12,661	0.76
		66,927	4.02
Corporate bonds total		918,912	55.22
Forward currency contracts (0.10)% ((0.03)%)			
Buy Sterling 180,729,410, sell Euro 201,590,000 dated 11/12/2019		1,303	0.08
Buy Sterling 586,538,359, sell US Dollar 727,340,000 dated 11/12/2019		(3,263)	(0.19)
Forward currency contracts total		(1,739)	(0.10)
Investment assets (including investment liabilities)		1,528,733	91.87
Net other assets		135,291	8.13
Net assets attributable to unitholders		1,664,024	100.00

The comparative percentage figures in brackets are as at 31 March 2019.

[^] Unlisted, suspended or delisted security.

[§] Security is currently in default.

Financial statements

Statement of total return for the six months ended 30 September 2019

	30 September 2019		30 September 2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		37,713		(25,964)
Revenue	28,888		30,151	
Expenses	(5,312)		(4,291)	
Interest payable and similar charges	(21)		(223)	
Net revenue before taxation	23,555		25,637	
Taxation	-		-	
Net revenue after taxation		23,555		25,637
Total return before distributions		61,268		(327)
Distributions		(23,555)		(25,643)
Change in net assets attributable to unitholders from investment activities		37,713		(25,970)

Statement of change in net assets attributable to unitholders for the six months ended 30 September 2019

	30 September 2019		30 September 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,490,876		1,224,964
Amounts receivable on issue of units	162,127		178,223	
Amounts payable on cancellation of units	(41,130)		(32,256)	
		120,997		145,967
Change in net assets attributable to unitholders from investment activities		37,713		(25,970)
Retained distributions on accumulation units		14,438		15,434
Closing net assets attributable to unitholders		1,664,024		1,360,395

Balance sheet as at 30 September 2019

	30 September 2019	31 March 2019
	£'000	£'000
Assets		
Fixed assets		
Investments	1,531,996	1,401,779
Current assets		
Debtors	28,054	23,100
Cash and cash equivalents	110,914	76,297
Total current assets	138,968	99,397
Total assets	1,670,964	1,501,176
Liabilities		
Investment liabilities	3,263	870
Creditors		
Bank overdraft	18	3,474
Distribution payable	2,019	2,506
Other creditors	1,640	3,450
Total creditors	3,677	9,430
Total liabilities	6,940	10,300
Net assets attributable to unitholders	1,664,024	1,490,876

Notes to the financial statements

1. Basis of preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2019 as set out therein.

2. Post balance sheet events

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

Distribution tables

This fund pays monthly and quarterly interest distributions. The following table sets out the distribution periods.

Monthly distribution period	Start	End	Ex-dividend date	Pay date
First interim	1 April 2019	30 April 2019	1 May 2019	31 May 2019
Second interim	1 May 2019	31 May 2019	1 June 2019	28 June 2019
Third interim	1 June 2019	30 June 2019	1 July 2019	31 July 2019
Fourth interim	1 July 2019	31 July 2019	1 August 2019	30 August 2019
Fifth interim	1 August 2019	31 August 2019	1 September 2019	30 September 2019
Sixth interim	1 September 2019	30 September 2019	1 October 2019	31 October 2019
Quarterly distribution period	Start	End	Ex-dividend date	Pay date
First interim	1 April 2019	30 June 2019	1 July 2019	31 July 2019
Second interim	1 July 2019	30 September 2019	1 October 2019	31 October 2019

Group 1 units are those purchased prior to a distribution period and therefore their 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 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.

MI distribution

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0787	0.0822	0.1609	0.2076
Second interim	0.1008	0.0596	0.1604	0.1916
Third interim	0.0505	0.0819	0.1324	0.1828
Fourth interim	0.0708	0.0853	0.1561	0.1965
Fifth interim	0.0589	0.0729	0.1318	0.1945
Sixth interim	0.0600	0.0608	0.1208	0.1671

MI accumulation

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0941	0.0997	0.1938	0.2406
Second interim	0.0937	0.1001	0.1938	0.2230
Third interim	0.0701	0.0903	0.1604	0.2134
Fourth interim	0.0885	0.1010	0.1895	0.2301
Fifth interim	0.0786	0.0818	0.1604	0.2285
Sixth interim	0.0494	0.0980	0.1474	0.1971

QI distribution

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.3293	0.3542	0.6835	0.8781
Second interim	0.2613	0.3542	0.6155	0.8411

QI accumulation

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.3993	0.4249	0.8242	1.0180
Second interim	0.3614	0.3866	0.7480	0.9860

Distribution tables (continued)

MR distribution

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0549	0.0813	0.1362	0.1822
Second interim	0.0722	0.0641	0.1363	0.1674
Third interim	0.0486	0.0620	0.1106	0.1599
Fourth interim	0.0468	0.0833	0.1301	0.1715
Fifth interim	0.0162	0.0919	0.1081	0.1701
Sixth interim	0.0595	0.0368	0.0963	0.1452

MR accumulation

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0965	0.1428	0.2393	0.3052
Second interim	0.1601	0.0772	0.2373	0.2809
Third interim	0.0817	0.1110	0.1927	0.2700
Fourth interim	0.1098	0.1174	0.2272	0.2900
Fifth interim	0.0809	0.1081	0.1890	0.2887
Sixth interim	0.1086	0.0603	0.1689	0.2471

QR distribution

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.1753	0.2082	0.3835	0.5103
Second interim	0.1547	0.1801	0.3348	0.4876

QR accumulation

Interest distributions for the period ended 30 September 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2018 Distribution per unit (p)
	Gross revenue per unit (p)	Equalisation per unit (p)		
First interim	0.2017	0.4654	0.6671	0.8579
Second interim	0.1704	0.4160	0.5864	0.8274

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 March 2017	1,020,521,464		
MI distribution		56.50	560,554,877
MI accumulation		63.07	82,855,505
QI distribution		84.91	69,617,581
QI accumulation		94.87	386,361,746
MR distribution		56.40	101,681,078
MR accumulation		91.54	45,900,443
QR distribution		56.35	19,732,519
QR accumulation		91.71	125,817,970
31 March 2018	1,224,964,454		
MI distribution		56.92	619,657,633
MI accumulation		65.99	155,312,303
QI distribution		85.53	96,003,305
QI accumulation		99.26	470,329,222
MR distribution		56.82	108,339,252
MR accumulation		95.30	40,326,277
QR distribution		56.77	16,641,615
QR accumulation		95.47	116,613,200
31 March 2019	1,490,876,079		
MI distribution		55.49	705,817,632
MI accumulation		66.84	261,908,442
QI distribution		83.35	134,263,194
QI accumulation		100.54	558,336,774
MR distribution		55.39	162,905,596
MR accumulation		96.04	37,434,946
QR distribution		55.32	15,217,235
QR accumulation		96.22	120,904,569
30 September 2019	1,664,023,858		
MI distribution		56.85	754,209,195
MI accumulation		69.53	294,388,175
QI distribution		85.40	147,312,596
QI accumulation		104.58	600,985,513
MR distribution		56.74	159,924,856
MR accumulation		99.65	50,848,180
QR distribution		56.68	14,244,515
QR accumulation		99.83	127,039,172

Ongoing charges

Class	30 September 2019
MI distribution	0.58%
MI accumulation	0.58%
QI distribution	0.58%
QI accumulation	0.58%
MR distribution	1.08%
MR accumulation	1.08%
QR distribution	1.08%
QR accumulation	1.08%

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 performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	109.0	25.3	13.0	5.2	4.0
IA £ Strategic Bond average	80.7	20.2	9.9	6.8	4.4
Position in sector	6/27	15/63	11/70	54/78	44/79
Quartile	1	1	1	3	3

Past performance is not a guide to the future.

* Source: Lipper Limited, data from 30 June 2005 to 7 March 2008 reflects class QR accumulation units and from 7 March 2008 to 30 September 2019 reflects class QI accumulation units, in sterling. All figures show total returns with income reinvested, net of all charges, percentage growth. 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.

Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	99.5	22.4	11.4	4.6	3.7
IA £ Strategic Bond average	80.7	20.2	9.9	6.8	4.4

Past performance is not a guide to the future.

* Source: Lipper Limited, class QR accumulation units, in sterling to 30 September 2019. All figures show total returns with income reinvested, net of all charges, percentage growth. 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.



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