

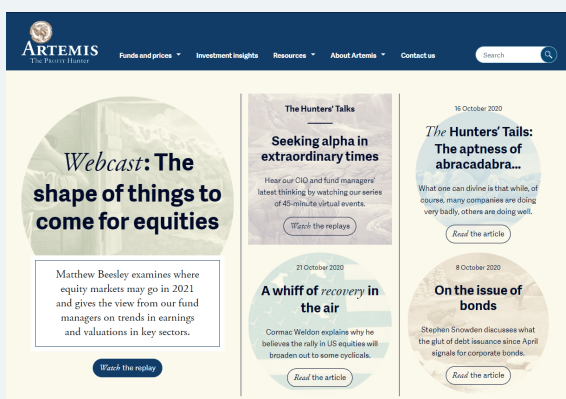
Artemis Strategic
Bond *Fund*

Half-Yearly Report (unaudited)

for the six months ended 30 September 2020

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- Monthly fund commentaries and factsheets
- Market and fund insights
- Fund briefings and research articles
- The Hunters' Tails, our weekly market newsletter
- 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 £22.4 billion* across a range of funds, two investment trusts and both pooled and segregated institutional portfolios.

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

* Source: Artemis as at 31 October 2020.

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').

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 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.

OBJECTIVE AND INVESTMENT POLICY

Objective	To provide a combination of income and capital growth over a five year period.	
Investment policy	What the fund invests in	<ul style="list-style-type: none"> • 80% to 100% in bonds (of any credit quality). • Up to 20% in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, company shares, and derivatives.
	Use of derivatives	The fund may use derivatives for efficient portfolio management purposes to: <ul style="list-style-type: none"> • reduce risk • manage the fund efficiently.
	Where the fund invests	<ul style="list-style-type: none"> • Globally
	Industries the fund invests in	<ul style="list-style-type: none"> • Any
	Other limitations specific to this fund	<ul style="list-style-type: none"> • At least 80% of the fund will be invested in assets denominated in sterling or will be hedged back to sterling.
Investment strategy	<ul style="list-style-type: none"> • The fund is actively managed. • Bond returns are principally driven in four ways: <ul style="list-style-type: none"> - investing globally in government bonds, Investment Grade and High Yield bonds - Adjusting the portfolio duration - Allocation between different credit ratings and different economic sectors - Security selection including different levels of seniority • When investing in corporate bonds, the manager seeks to invest in profitable and resilient companies with a robust business model offering an attractive risk-reward profile. 	
Benchmarks	<ul style="list-style-type: none"> • 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.	

RISK AND REWARD PROFILE



- The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund 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:** 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.
- **Credit risk:** Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
- **Higher-yielding bonds risk:** The fund may invest in higher-yielding bonds, which may increase the risk to capital. Investing in these types of assets (which are also known as sub-investment grade bonds) can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.

Please refer to the fund's prospectus for full details of these and other risks which are applicable to this fund.

OTHER INFORMATION

Prospectus

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

Tax information reporting

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

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

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

Value assessment

Artemis Fund Managers Limited (AFML) has conducted a detailed assessment on whether its funds are providing value to unitholders in response to newly introduced regulations. 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.

Manager

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London SW1A 1LD

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Canary Wharf
London E14 5JP

Registrar

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Basildon
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Auditor

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Atria One
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Edinburgh
EH3 8EX

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

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis Strategic Bond Fund for the six months ended 30 September 2020 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
26 November 2020

L E Cairney
Director

INVESTMENT REVIEW

- Fund returns 8.5%* over the six months.
- Strong performance from investment-grade bonds.
- Inflationary forces starting to rise.

Performance – Slightly behind the peer group ...

We lagged our peer group (the IA £ Strategic Bond average) by 1.4% over the six months to 30 September 2020. This was slightly disappointing, but it is a very short time frame. More comfortingly, the fund returned a healthy 8.5%* for the period. Furthermore, over one, three, five and 10 years and since launch we have outperformed our peer group. And on another risk measure, the Sharpe Ratio (a measure of return and risk), we are top quartile relative to our peers over the six months. While we don't wish to overstate this measure – we would all prefer higher absolute returns – it reflects that we have generated returns without significant volatility, a benefit when there has been a lot of volatility. We explain why in the details below.

Review – Central banks step in ...

Politicians have had a very difficult time over the last few months, switching between a harsh lockdown, which cripples the economy, and a more relaxed policy that allows the pandemic to gain traction. There has been a most extraordinary level of support for companies and industries throughout this period. First, from direct intervention from governments through loans or guarantees. Second, through monetary policy, with lower interest rates and unfathomable amounts of quantitative easing (QE).

The monetary support has been most beneficial for the government bond market, but more markedly the investment-grade corporate bond market. Falling interest rates have helped shorter-dated government bonds and many now have negative yields (bond yields move inversely to prices). This has forced investors into investment-grade bonds where yields are higher. On top of this, central banks have directly purchased not only government bonds but also investment-grade¹ and even some high-yield² bonds. This is a significant extension of previous quantitative easing policies.

Without this intervention, there is no doubt that we would have had an even more pronounced economic shock. Markets gleefully accepted the largesse of the central banks and bond markets have performed with gusto. To be fair, government bond markets have been broadly unchanged (over the six months), despite the record amount of issuance to fund the spiralling costs of the pandemic. Yields fell sharply in February and March and subsequently stayed at these lower levels. Even Italian government bonds benefited as the new EU recovery fund effectively marked the beginning of debt mutualisation across Europe.

The real beneficiary of QE has been the investment-grade bond market. There have been record amounts of new issuance from companies and banks, but yields have still fallen quite sharply. Companies are taking advantage of the new lower-yield environment to refinance and sensibly provide themselves with a cushion of liquidity. QE has supported this – the European Central Bank is expected to own 40% of the European investment-grade market by the end of next year.

Inevitably, some of the most exposed sectors have suffered. Airlines, for obvious reasons, have performed very poorly. But defaults have been rare. The highest-profile one was Wirecard, a German payments business. This was not because of Covid-19 but rather due to bad management (possibly fraud) and a lack of attention from the regulator.

The performance of high-yield bond markets has been rather more mixed, as you would expect. These markets tend to be more exposed to the retail sector, which has performed dreadfully. Oil-related issuers (a large part of the US high-yield market) struggled when oil prices collapsed in the early part of the year. Moreover, QE is more discerning in this market, although support has been supplied in the US through the Federal Reserve purchasing exchange traded funds (a basket of high-yield bonds). So while there have been many bonds that have fallen precipitously, on aggregate the indices have outperformed investment-grade markets.

In January, we had a healthy allocation of 43% in government bonds. This helped your fund as the pandemic took hold. We reduced this position to around 19% by the end of the period. Most of the proceeds were invested in investment-grade bonds although approximately 5% was invested in high-yield bonds. Generally these have performed very well. We invested across the market, primarily through new issues. Subsequently, we have rationalised and reduced the total number of positions. There is no one particular theme to these new investments, although banks, insurance and non-cyclical businesses such as telecoms and utilities make up the bulk.

Looking in more detail at the individual positions contributing to performance, surprisingly it has been our high-yield oil positions which have recovered from the doldrums in March and April when briefly oil prices went negative (on one pricing measure). We have reduced our exposure during their recovery but it is also surprising to see how much our investment-grade holdings in BP and Shell have risen as well. Bought at the depth of the woes in April, they have rallied by 20% and 14% respectively. One of our worst-performing positions has been AMC, a cinema group. We reduced the holding sharply as the crisis developed but were unable to sell it entirely. However, the damage was only 0.01% to performance.

* Source: Artemis/ Lipper Limited, reflects class QI accumulation units, in sterling, with interest reinvested to 30 September 2020. 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 sector benchmark. Sector is IA £ Strategic Bond NR.

¹ Bonds issued by companies which ratings agencies regard as higher quality and safer.

² Bonds issued by companies which credit rating agencies regard as less safe and so pose a greater risk to capital

One thing to note has been our greater focus on environmental social and governance (ESG) factors. We have always taken these factors into account but probably not highlighted this sufficiently. We tend to focus on monitoring any significant deterioration in these factors. If that happens, it can affect the price of our bonds, so we have incorporated a number of ESG ratings systems into our daily checks. We are bondholders and so we do not have the same influence as shareholders, who can vote. However, as the example of BP or Shell highlight above, these companies are making huge strides in improving their environmental impact. If they were getting worse we would be much less inclined to invest. Our work in this area has been substantial and we envisage will have a greater significance for our future investment strategy.

Outlook – Will inflation return?

At the time of writing, it appears that Covid-19 is gaining ground globally, infecting many more people as the second wave builds. There is no doubt that it will be a long haul to either a successful vaccine or the world learning to live with the disease. Each scenario is important as, if we have to learn to live with social distancing, those economies reliant on the services sector (and so more face-to-face interaction) will struggle. Manufacturing economies should continue to prosper as social distancing is a little easier. China, for instance, has had a “good” crisis, whereas the UK has not. Some of the difference is because of the much larger services sector in the UK, although admittedly Chinese politics and their better testing regime have helped.

Making predictions about vaccines (and therapies) is not our speciality but most experts suggest that any widespread vaccination programme is unlikely before we write our annual report in April 2021. Global economies will need support from central banks and fiscal programmes until at least then – if not beyond. It has already been expensive. Further severe economic restrictions will strain the patience of bond markets having to finance this extra government expenditure on health care and furlough schemes.

At the time of writing we have just had Joe Biden elected as President. Whilst these are early days to make predictions, clearly the new President will be more conciliatory towards global relations. The focus for bond markets will be the costs of his Green New Deal and plans for recovery from coronavirus. The constraint of probably not having control of the Senate will give the bond market comfort that excess expenditure will be held in check.

This brings us to the debate on inflation versus deflation. We believe that the world is currently reaching a trough in inflation. While it may stay low for a while, sharply rising money supply, demographic trends, the reversal of globalisation, excess government debt and low productivity will conspire to increase inflation in the future. We could elaborate on each of these factors; but in practice the fundamental change is being driven by demographic trends where the working age population is now falling. It has grown for the past 30 years and has been a major contributor to lower inflation over that time, as new workers have undercut established businesses. We

know that the working age population is now falling, making labour a scarcer resource. This will increase workers’ pricing power, leading to higher inflation.

This backdrop makes us wary, longer term, of government bonds. That doesn’t mean we should be selling now – we’re not advocating “fighting the Fed” while they are aggressively buying bonds through their QE policies. But the risks are that yields rise over the next few years as these inflationary forces start to prevail. We feel we are approaching ‘peak QE’, meaning that the price distortion it creates is now as great as it will ever be. As a result, we favour investment-grade bonds as credit spreads (the extra reward for owning investment grade bonds relative to government bonds) narrow. We are concentrating on less cyclical (economically sensitive) sectors while the world manages the implications of the second wave of coronavirus. In time, as the pandemic eases, we are likely to move back into more cyclical sectors and into high-yield bonds, which tend to be better at protecting investors against inflation.

It is easy to be overly cautious when in the middle of a global pandemic and working from home. However, we feel that opportunities abound and our ample liquidity (including US Treasuries) gives us plenty of room to take advantage of the new deals as they emerge. The last six months have been extremely active and we anticipate this will continue for some time. This is driven not least by our concerns about inflation but also the potential for rising defaults. All of this will provide opportunities for our agile investment strategy. We look forward to guiding your fund through these inevitably turbulent times.

James Foster and Alex Ralph
Fund managers

INVESTMENT INFORMATION

Ten largest purchases and sales for the six months ended 30 September 2020

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury 1.25% 31/08/2024	81,898	US Treasury 1.50% 15/02/2030	101,518
EDP - Energias de Portugal 1.63% 15/04/2027	12,513	US Treasury 2.38% 15/05/2029	89,498
GlaxoSmithKline Capital 1.63% 12/05/2035	12,020	US Treasury 1.75% 31/07/2024	51,785
AT&T 1.60% 19/05/2028	11,910	UK Treasury 0.75% 22/07/2023	43,840
Reckitt Benckiser Treasury Services 1.75% 19/05/2032	11,346	UK Treasury 5.00% 07/03/2025	15,337
PepsiCo 0.50% 06/05/2028	11,153	Pennon Group, FRN 2.87% Perpetual	11,491
Fresenius Medical Care 1.50% 29/05/2030	9,641	Royal Bank of Scotland Group, FRN 7.65% Perpetual	11,027
Vertical Midco 4.38% 15/07/2027	9,440	America Movil, FRN 6.37% 06/09/2073	9,300
Infrastrutture Wireless Italiane 1.88% 08/07/2026	9,081	Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020	8,640
Repsol International Finance, FRN 3.75% Perpetual	8,910	Allied Irish Banks, FRN 7.38% Perpetual	6,202

Portfolio statement as at 30 September 2020

	Holding/ 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	16,242	4	—
		4	—
Equities total		4	—
Government Bonds 19.24% (36.70%)			
United Kingdom 0.00% (3.77%)			
United States of America 19.24% (32.93%)			
US Treasury 1.25% 31/08/2024	\$290,000,000	235,318	13.30
US Treasury 1.63% 30/09/2026	\$60,000,000	50,296	2.84
US Treasury 1.50% 15/02/2030	\$65,000,000	54,806	3.10
		340,420	19.24
Government Bonds total		340,420	19.24
Corporate Bonds 74.06% (60.63%)			
Australia 1.47% (1.50%)			
Australia & New Zealand Banking Group, FRN 1.01% Perpetual	\$12,100,000	6,783	0.38
BHP Billiton Finance, FRN 6.50% 22/10/2077	£9,000,000	9,815	0.55
Westpac Banking, FRN 0.44% Perpetual	\$17,000,000	9,497	0.54
		26,095	1.47
Austria 0.65% (0.00%)			
ams 6.00% 31/07/2025	€6,700,000	6,438	0.36
ams 7.00% 31/07/2025	\$6,200,000	5,098	0.29
		11,536	0.65
Belgium 0.43% (0.00%)			
Elia Transmission Belgium 0.88% 28/04/2030	€8,000,000	7,625	0.43
		7,625	0.43
Bermuda 0.70% (0.68%)			
XLIT, FRN 3.25% 29/06/2047	€12,250,000	12,325	0.70
		12,325	0.70
Denmark 1.35% (1.33%)			
Danske Bank, FRN 2.25% 14/01/2028	£11,000,000	11,150	0.63
Danske Bank, FRN 6.13% Perpetual	\$6,600,000	5,311	0.30

	Holding/ nominal value	Valuation £'000	% of net assets
DKT Finance 7.00% 17/06/2023	€8,100,000	7,429	0.42
		23,890	1.35
France 8.84% (7.51%)			
Air Liquide Finance 1.38% 02/04/2030	€10,800,000	10,982	0.62
Altice France 7.38% 01/05/2026	\$8,000,000	6,528	0.37
Altice France 5.50% 15/01/2028	\$12,100,000	9,451	0.53
BNP Paribas 1.88% 14/12/2027	£16,900,000	17,262	0.97
Bouygues 1.13% 24/07/2028	€3,100,000	3,006	0.17
Credit Agricole Assurances 2.00% 17/07/2030	€8,000,000	7,434	0.42
Electricite de France, FRN 6.00% Perpetual	£14,000,000	15,069	0.85
La Poste, FRN 3.13% Perpetual	€18,000,000	16,938	0.96
Orange, FRN 5.87% Perpetual	£12,450,000	13,056	0.74
Paprec Holding 4.00% 31/03/2025	€7,104,000	6,170	0.35
Sanofi 1.50% 01/04/2030	€5,600,000	5,781	0.33
SCOR, FRN 5.25% Perpetual	\$13,000,000	10,224	0.58
Societe Generale, FRN 7.38% Perpetual	\$13,500,000	10,758	0.61
Thales 1.00% 15/05/2028	€6,100,000	5,775	0.33
TOTAL, FRN 2.71% Perpetual	€15,000,000	14,147	0.80
Vallourec 6.63% 15/10/2022	€7,250,000	3,767	0.21
		156,348	8.84
Germany 4.13% (2.95%)			
Bayer, FRN 2.38% 02/04/2075	€12,300,000	11,247	0.64
Deutsche Bahn Finance, FRN 1.60% Perpetual	€10,200,000	9,274	0.52
EnBW Energie Baden-Wuerttemberg, FRN 3.37% 05/04/2077	€15,000,000	14,085	0.80
Fresenius Medical Care 1.50% 29/05/2030	€10,500,000	10,076	0.57
Raffinerie Heide 6.38% 01/12/2022	€6,400,000	4,573	0.26
Siemens Financieringsmaatschappij 1.00% 20/02/2025	£13,900,000	14,247	0.80
Vertical Midco 4.38% 15/07/2027	€10,400,000	9,638	0.54
		73,140	4.13
Ghana 0.10% (0.13%)			
Tullow Oil 7.00% 01/03/2025	\$5,125,000	1,857	0.10
		1,857	0.10
Greece 0.53% (0.37%)			
Crystal Almond 4.25% 15/10/2024	€10,500,000	9,391	0.53
		9,391	0.53
Ireland 0.66% (1.10%)			
Bank of Ireland Group, FRN 4.12% 19/09/2027	\$15,000,000	11,618	0.66
Lambay Capital Securities 6.25% Perpetual ^{^s}	£12,000,000	–	0.00
		11,618	0.66
Israel 0.48% (0.54%)			
Teva Pharmaceutical Finance Netherlands III 2.20% 21/07/2021	\$11,055,000	8,519	0.48
		8,519	0.48
Italy 3.17% (2.30%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£4,600,000	4,764	0.27
Davide Campari-Milano 1.25% 06/10/2027	€5,500,000	5,008	0.28
Enel, FRN 6.62% 15/09/2076	£10,900,000	11,399	0.64
EVOCA, FRN 4.25% 01/11/2026	€9,550,000	7,158	0.41
Infrastrutture Wireless Italiane 1.88% 08/07/2026	€10,000,000	9,246	0.52
Intesa Sanpaolo 2.50% 15/01/2030	£14,600,000	14,720	0.83
Telecom Italia 4.00% 11/04/2024	€4,000,000	3,865	0.22
		56,160	3.17

	Holding/ nominal value	Valuation £'000	% of net assets
Luxembourg 0.21% (0.29%)			
Eurofins Scientific, FRN 3.25% Perpetual	€4,100,000	3,648	0.21
		3,648	0.21
Mexico 0.00% (0.59%)			
Netherlands 5.38% (3.06%)			
ABN AMRO Bank, FRN 4.37% Perpetual	€8,500,000	7,700	0.44
Aegon, FRN 0.74% Perpetual	\$10,000,000	5,911	0.34
Akzo Nobel 1.63% 14/04/2030	€9,200,000	9,248	0.52
Cooperatieve Rabobank 4.63% 23/05/2029	€9,350,000	11,484	0.65
Maxeda DIY Holding 5.88% 01/10/2026	€2,000,000	1,823	0.10
NN Group, FRN 4.37% Perpetual	€11,000,000	10,818	0.61
PPF Telecom Group 3.13% 27/03/2026	€8,700,000	7,960	0.45
Shell International Finance 1.88% 07/04/2032	€7,400,000	7,634	0.43
Sunshine Mid 6.50% 15/05/2026	€8,000,000	7,447	0.42
TenneT Holding, FRN 2.37% Perpetual	€9,500,000	8,772	0.50
VIVAT, FRN 6.25% Perpetual	\$10,000,000	7,847	0.44
VZ Vendor Financing 2.50% 31/01/2024	€9,500,000	8,493	0.48
		95,137	5.38
Portugal 0.75% (0.00%)			
EDP - Energias de Portugal 1.63% 15/04/2027	€13,500,000	13,328	0.75
		13,328	0.75
Romania 0.61% (0.62%)			
RCS & RDS 2.50% 05/02/2025	€12,400,000	10,863	0.61
		10,863	0.61
Russia 0.78% (0.82%)			
Gazprom 4.25% 06/04/2024	£13,000,000	13,714	0.78
		13,714	0.78
Spain 2.28% (1.31%)			
Arena Luxembourg Finance 1.88% 01/02/2028	€10,000,000	8,168	0.46
Cellnex Telecom 1.88% 26/06/2029	€4,900,000	4,568	0.26
El Corte Ingles 3.63% 15/03/2024	€1,500,000	1,369	0.08
Lorca Telecom Bondco 4.00% 18/09/2027	€3,200,000	2,932	0.17
Naturgy Finance, FRN 4.13% Perpetual	€15,000,000	14,168	0.80
Repsol International Finance, FRN 3.75% Perpetual	€9,900,000	9,080	0.51
		40,285	2.28
Sweden 0.92% (0.81%)			
Svenska Handelsbanken 1.00% 15/04/2025	€2,000,000	1,911	0.11
Vattenfall, FRN 3.00% 19/03/2077	€14,900,000	14,297	0.81
		16,208	0.92
Switzerland 3.16% (2.46%)			
Credit Suisse Group, FRN 6.25% Perpetual	\$16,400,000	13,662	0.77
Firmenich International, FRN 3.75% Perpetual	€1,440,000	1,370	0.08
Lonza Finance International 1.63% 21/04/2027	€1,100,000	1,077	0.06
Nestle Finance International 1.50% 01/04/2030	€4,450,000	4,577	0.26
Swiss Re, FRN 5.75% 15/08/2050	\$16,000,000	13,855	0.78
Syngenta Finance 3.38% 16/04/2026	€8,600,000	8,437	0.48
Zurich Insurance, FRN 4.25% 01/10/2045	\$15,500,000	12,941	0.73
		55,919	3.16
United Arab Emirates 0.00% (0.16%)			
United Kingdom 28.61% (25.89%)			
Arqiva Broadcast Finance 6.75% 30/09/2023	£9,750,000	10,050	0.57
Assura Financing, REIT 3.00% 19/07/2028	£13,000,000	14,553	0.82

	Holding/ nominal value	Valuation £'000	% of net assets
Aviva, FRN 3.38% 04/12/2045	€10,700,000	10,489	0.59
B&M European Value Retail 3.63% 15/07/2025	€6,900,000	7,021	0.40
BAT Netherlands Finance 3.13% 07/04/2028	€6,900,000	7,213	0.41
BP Capital Markets 2.82% 07/04/2032	€7,900,000	8,686	0.49
BP Capital Markets, FRN 4.25% Perpetual	€6,350,000	6,645	0.38
BP Capital Markets, FRN 4.88% Perpetual	\$2,500,000	2,080	0.12
BUPA Finance 5.00% 08/12/2026	€10,150,000	11,546	0.65
Burberry Group 1.13% 21/09/2025	€2,400,000	2,381	0.13
Burford Capital 6.13% 26/10/2024	€2,000,000	1,817	0.10
Burford Capital 5.00% 01/12/2026	€3,700,000	3,136	0.18
Cabot Financial Luxembourg 7.50% 01/10/2023	€6,000,000	6,046	0.34
Cattles 7.13% 05/07/2017 ^{^,§}	€3,700,000	–	0.00
Diageo Finance 2.88% 27/03/2029	€9,000,000	10,370	0.59
Direct Line Insurance Group, FRN 4.75% Perpetual	€10,800,000	10,039	0.57
Drax Finco 4.25% 01/05/2022	€5,200,000	5,214	0.29
Drax Finco 6.63% 01/11/2025	\$5,000,000	4,062	0.23
EnQuest, FRN 0.00% 15/10/2023	\$10,953,184	4,526	0.26
Experian Finance 3.25% 07/04/2032	€4,560,000	5,380	0.30
Fidelity International 7.13% 13/02/2024	€8,100,000	9,554	0.54
Galaxy Bidco 6.50% 31/07/2026	€8,000,000	8,148	0.46
GKN Holdings 5.38% 19/09/2022	€5,600,000	5,776	0.33
GlaxoSmithKline Capital 1.63% 12/05/2035	€12,000,000	12,301	0.69
Grainger 3.38% 24/04/2028	€10,300,000	11,038	0.62
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	€6,600,000	10,329	0.58
Heathrow Finance 3.88% 01/03/2027	€14,000,000	12,910	0.73
Hiscox, FRN 6.12% 24/11/2045	€9,000,000	9,866	0.56
HSBC Bank, FRN 0.75% Perpetual	\$25,300,000	15,874	0.90
Iceland Bondco 6.75% 15/07/2024	€4,743,000	4,751	0.27
InterContinental Hotels Group 2.13% 24/08/2026	€6,500,000	6,110	0.35
Investec Bank, FRN 4.25% 24/07/2028	€6,700,000	6,733	0.38
Ithaca Energy North Sea 9.38% 15/07/2024	\$10,100,000	7,321	0.41
Legal & General Group, FRN 5.37% 27/10/2045	€10,500,000	12,007	0.68
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	€7,800,000	8,628	0.49
London Power Networks 2.63% 01/03/2029	€8,000,000	8,854	0.50
M&G, FRN 6.50% 20/10/2048	\$13,700,000	12,879	0.73
Matalan Finance 6.75% 31/01/2023	€7,000,000	4,620	0.26
Miller Homes Group Holdings 5.50% 15/10/2024	€2,750,000	2,723	0.15
Miller Homes Group Holdings, FRN 5.33% 15/10/2023	€1,900,621	1,872	0.11
National Express Group 2.38% 20/11/2028	€10,000,000	9,754	0.55
Neptune Energy Bondco 6.63% 15/05/2025	\$8,070,000	5,612	0.32
NGG Finance, FRN 5.62% 18/06/2073	€12,000,000	13,510	0.76
NWEN Finance 5.88% 21/06/2021	€8,900,000	8,833	0.50
Pension Insurance, FRN 7.37% Perpetual	€8,800,000	9,861	0.56
Phoenix Group Holdings 4.13% 20/07/2022	€8,200,000	8,502	0.48
Phoenix Group Holdings 5.87% 13/06/2029	€7,000,000	7,995	0.45
Quilter, FRN 4.48% 28/02/2028	€8,000,000	8,040	0.45
Reckitt Benckiser Treasury Services 1.75% 19/05/2032	€11,200,000	11,722	0.66
Rothsay Life 8.00% 30/10/2025	€8,100,000	10,058	0.57
RSA Insurance Group, FRN 5.13% 10/10/2045	€9,500,000	10,878	0.61
Santander UK Group Holdings 4.75% 15/09/2025	\$6,200,000	5,290	0.30
Society of Lloyd's 4.75% 30/10/2024	€4,100,000	4,420	0.25
Synthomer 3.88% 01/07/2025	€8,700,000	8,071	0.46

	Holding/ nominal value	Valuation £'000	% of net assets
TalkTalk Telecom Group 3.88% 20/02/2025	£10,500,000	10,121	0.57
Tesco 6.15% 15/11/2037	\$15,309,000	15,445	0.87
Virgin Media Finance 3.75% 15/07/2030	€4,400,000	3,827	0.22
Viridian Group FinanceCo 4.75% 15/09/2024	£8,600,000	8,467	0.48
Vmed O2 UK Financing I 4.00% 31/01/2029	£3,000,000	2,948	0.17
Voyage Care BondCo 5.88% 01/05/2023	£8,800,000	8,429	0.48
Western Power Distribution 3.50% 16/10/2026	£12,600,000	13,881	0.78
Whitbread Group 3.38% 16/10/2025	£5,400,000	5,370	0.30
William Hill 4.88% 07/09/2023	£4,200,000	4,351	0.25
William Hill 4.75% 01/05/2026	£7,000,000	7,251	0.41
		506,184	28.61
United States of America 8.85% (6.21%)			
Alliance Data Systems 4.75% 15/12/2024	\$9,100,000	6,596	0.37
AMC Entertainment Holdings 12.00% 15/06/2026	\$3,396,000	642	0.04
AT&T 1.60% 19/05/2028	€13,000,000	12,571	0.71
Avantor Funding 3.88% 15/07/2028	€7,800,000	7,282	0.41
Burford Capital Finance 6.13% 12/08/2025	\$3,900,000	2,705	0.15
Catalent Pharma Solutions 2.38% 01/03/2028	€10,000,000	8,761	0.49
Comcast 1.50% 20/02/2029	£15,500,000	15,868	0.90
Continental Resources 4.50% 15/04/2023	\$9,700,000	7,087	0.40
Encore Capital Group 4.88% 15/10/2025	€3,000,000	2,724	0.15
Goldman Sachs Group 3.38% 27/03/2025	€12,000,000	12,373	0.70
Ingles Markets 5.75% 15/06/2023	\$4,416,000	3,480	0.20
Johnson Controls International 0.38% 15/09/2027	€4,000,000	3,649	0.21
Kraton Polymers 5.25% 15/05/2026	€10,000,000	9,195	0.52
Mauser Packaging Solutions Holding 4.75% 15/04/2024	€8,050,000	7,145	0.40
PepsiCo 0.50% 06/05/2028	€12,500,000	11,722	0.66
Schlumberger Finance 1.38% 28/10/2026	€4,500,000	4,296	0.24
Seagate HDD Cayman 4.09% 01/06/2029	\$6,883,000	5,805	0.33
Standard Industries 2.25% 21/11/2026	€9,700,000	8,408	0.48
USB Realty, FRN 1.42% Perpetual	\$18,000,000	11,363	0.64
Wells Fargo 2.50% 02/05/2029	£14,000,000	15,002	0.85
		156,674	8.85
Corporate Bonds total		1,310,464	74.06
Forward Currency Contracts (0.33)% ((2.73)%)			
Buy Sterling 493,119,842 sell Euro 541,160,000 dated 11/12/2020		(1,344)	(0.08)
Buy Sterling 503,795,220 sell US Dollar 652,440,000 dated 11/12/2020		(4,460)	(0.25)
Forward Currency Contracts total		(5,804)	(0.33)
Investment assets (including investment liabilities)		1,645,084	92.97
Net other assets		124,439	7.03
Net assets attributable to shareholders		1,769,523	100.00

The comparative percentage figures in brackets are as at 31 March 2020.

^ Unlisted, suspended or delisted security.

§ Security is currently in default.

Bond rating*

	30 September 2020		31 March 2020	
	Valuation £'000	% of net assets	Valuation £'000	% of net assets
Investment grade securities	1,106,738	62.54	1,108,101	70.57
Below investment grade securities	532,542	30.11	400,147	25.50
Unrated securities	11,604	0.65	19,709	1.26
	1,650,884	93.30	1,527,957	97.33

* Source of credit ratings: Artemis Investment Management LLP.

FINANCIAL STATEMENTS

Statement of total return for the six months ended 30 September 2020

	30 September 2020		30 September 2019	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		116,432		37,713
Revenue	25,418		28,888	
Expenses	(5,498)		(5,312)	
Interest payable and similar charges	(11)		(21)	
Net revenue before taxation	19,909		23,555	
Taxation	(29)		-	
Net revenue after taxation		19,880		23,555
Total return before distributions		136,312		61,268
Distributions		(19,879)		(23,555)
Change in net assets attributable to unitholders from investment activities		116,433		37,713

Statement of change in net assets attributable to unitholders for the six months ended 30 September 2020

	30 September 2020		30 September 2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,569,907		1,490,876
Amounts receivable on issue of units	150,712		162,127	
Amounts payable on cancellation of units	(80,525)		(41,130)	
		70,187		120,997
Dilution adjustment		142		-
Change in net assets attributable to unitholders from investment activities		116,433		37,713
Retained distributions on accumulation units		12,854		14,438
Closing net assets attributable to unitholders		1,769,523		1,664,024

Balance sheet as at 30 September 2020

	30 September 2020	31 March 2020
	£'000	£'000
Assets		
Fixed assets		
Investments	1,650,888	1,527,961
Current assets		
Debtors	21,879	18,831
Cash and cash equivalents	117,654	93,148
Total current assets	139,533	111,979
Total assets	1,790,421	1,639,940
Liabilities		
Investment liabilities	5,804	42,886
Creditors		
Distribution payable	1,831	2,118
Other creditors	13,263	25,029
Total creditors	15,094	27,147
Total liabilities	20,898	70,033
Net assets attributable to unitholders	1,769,523	1,569,907

1. Basis of preparation

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020 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 periods	Start	End	Ex-dividend date	Pay date
First interim	1 April 2020	30 April 2020	1 May 2020	29 May 2020
Second interim	1 May 2020	31 May 2020	1 June 2020	30 June 2020
Third interim	1 June 2020	30 June 2020	1 July 2020	31 July 2020
Fourth interim	1 July 2020	31 July 2020	1 August 2020	28 August 2020
Fifth interim	1 August 2020	31 August 2020	1 September 2020	30 September 2020
Sixth interim	1 September 2020	30 September 2020	1 October 2020	30 October 2020

Quarterly distribution periods	Start	End	Ex-dividend date	Pay date
First interim	1 April 2020	30 June 2020	1 July 2020	31 July 2020
Second interim	1 July 2020	30 September 2020	1 October 2020	30 October 2020

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.

MC distribution*

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2
	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p)
First interim	0.0083	0.0777	0.0860
Second interim	0.1107	-	0.1107
Third interim	0.0686	0.0320	0.1006
Fourth interim	0.0239	0.0641	0.0880
Fifth interim	0.0757	-	0.0757
Sixth interim	0.0971	-	0.0971

* Launched on 13 March 2020.

MC accumulation*

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2
	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p)
First interim	0.0709	0.0816	0.1525
Second interim	0.1965	-	0.1965
Third interim	0.1133	0.0659	0.1792
Fourth interim	0.0075	0.1494	0.1569
Fifth interim	0.1352	-	0.1352
Sixth interim	0.1736	-	0.1736

* Launched on 13 March 2020.

MI distribution

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2	2019
	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p)	Distribution per unit (p)
First interim	0.0414	0.0628	0.1042	0.1609
Second interim	0.0554	0.0775	0.1329	0.1604
Third interim	0.0592	0.0639	0.1231	0.1324
Fourth interim	0.0396	0.0704	0.1100	0.1561
Fifth interim	0.0426	0.0532	0.0958	0.1318
Sixth interim	0.0568	0.0639	0.1207	0.1208

MI accumulation

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0443	0.0849	0.1292	0.1938
Second interim	0.0744	0.0905	0.1649	0.1938
Third interim	0.0953	0.0579	0.1532	0.1604
Fourth interim	0.0694	0.0677	0.1371	0.1895
Fifth interim	0.0565	0.0630	0.1195	0.1604
Sixth interim	0.0725	0.0785	0.1510	0.1474

QC distribution*

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)	
First interim	0.2167	0.0806	0.2973
Second interim	0.1778	0.0831	0.2609

* Launched on 13 March 2020.

QC accumulation*

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)	
First interim	0.2957	0.2336	0.5293
Second interim	0.2286	0.2380	0.4666

* Launched on 13 March 2020.

QI distribution

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.3223	0.2201	0.5424	0.6835
Second interim	0.2595	0.2317	0.4912	0.6155

QI accumulation

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.3362	0.3366	0.6728	0.8242
Second interim	0.3157	0.2977	0.6134	0.7480

MR distribution

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0342	0.0497	0.0839	0.1362
Second interim	0.0232	0.0851	0.1083	0.1363
Third interim	0.0489	0.0491	0.0980	0.1106
Fourth interim	0.0306	0.0550	0.0856	0.1301
Fifth interim	0.0200	0.0535	0.0735	0.1081
Sixth interim	0.0562	0.0382	0.0944	0.0963

MR accumulation

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0238	0.1249	0.1487	0.2393
Second interim	0.0211	0.1715	0.1926	0.2373
Third interim	0.1438	0.0310	0.1748	0.1927
Fourth interim	0.0867	0.0658	0.1525	0.2272
Fifth interim	0.0436	0.0876	0.1312	0.1890
Sixth interim	0.0616	0.1074	0.1690	0.1689

QR distribution

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.0881	0.2021	0.2902	0.3835
Second interim	0.1522	0.1013	0.2535	0.3348

QR accumulation

Interest distributions for the period ended 30 September 2020	Group 2		Group 1 & 2 Distribution per unit (p)	2019 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.2851	0.2316	0.5167	0.6671
Second interim	0.1983	0.2553	0.4536	0.5864

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
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
31 March 2020	1,569,906,569		
MC distribution*		53.38	1,043,435
MC accumulation*		94.72	273,773
MI distribution		53.48	699,357,057
MI accumulation		66.25	296,104,383
QC distribution*		53.31	1,647,365
QC accumulation*		94.89	1,669,691
QI distribution		80.32	162,254,953
QI accumulation		99.64	622,209,270
MR distribution		53.38	144,744,939
MR accumulation		94.71	48,086,387
QR distribution		53.31	11,399,570
QR accumulation		94.88	123,620,790
30 September 2020	1,769,523,470		
MC distribution		57.34	1,109,688
MC accumulation		102.75	265,979
MI distribution		57.45	666,679,384
MI accumulation		72.02	290,554,518
QC distribution		57.27	1,671,020
QC accumulation		102.94	1,736,570
QI distribution		86.28	175,191,685
QI accumulation		108.33	698,226,083
MR distribution		57.34	141,382,597
MR accumulation		102.71	51,110,634
QR distribution		57.27	10,423,370
QR accumulation		102.90	122,990,746

* Launched on 13 March 2020.

Ongoing charges

Class	30 September 2020
MC distribution*	1.02%
MC accumulation*	1.02%
MI distribution	0.57%
MI accumulation	0.57%
QC distribution*	1.02%
QC accumulation*	1.02%
QI distribution	0.57%
QI accumulation	0.57%
MR distribution	1.07%
MR accumulation	1.07%
QR distribution	1.07%
QR accumulation	1.07%

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

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

Class I accumulation performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	116.7	27.9	10.3	3.7	8.5
IA £ Strategic Bond average	86.5	22.7	10.2	3.3	9.9
Position in sector	6/23	16/60	31/67	34/76	54/77
Quartile	1	2	2	2	3

Past performance is not a guide to the future.

* Source: Artemis/Lipper Limited, data from 30 June 2005 to 7 March 2008 reflects class QR accumulation units and from 7 March 2008 to 30 September 2020 reflects class QI accumulation units, in sterling. 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.

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

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