

ARTEMIS  
Global Select *Fund*

Half-Yearly Report (unaudited)  
for the six months ended  
31 October 2018

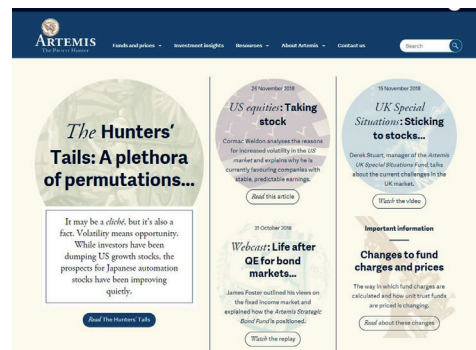


**ARTEMIS**  
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[artemisfunds.com](http://artemisfunds.com)

## 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 £27.7 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 30 November 2018.

### Fund status

Artemis Global Select Fund was constituted by a Trust Deed dated 9 June 2011 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 objective of the fund is to achieve long term capital growth primarily from a portfolio of global equities that the managers consider to demonstrate leading positions in their sector.

### Investment policy

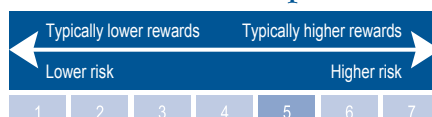
The manager actively manages the portfolio in order to achieve the objective. The manager will seek to identify long term trends that provide growth opportunities for particular geographic regions, industry sectors or individual companies. The manager will select individual companies based on their financial characteristics and growth potential. Emphasis will be placed on selecting companies with leading positions in their industry sector or geographic region, whether this is achieved by brand strength, market share, product innovation, technological advance, operating in sectors with high barriers to entry, or other relevant factors. The fund may have exposures to company shares, fixed interest securities and derivative instruments on a global scale, as appropriate. The manager will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, cash and near cash, derivatives and forward transactions for investment purposes. The fund may hold up to 20% of its net assets in cash.

### 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](http://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



■ This indicator is based on historical data and 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 indicator is not a measure of the possibility of losing your investment.

The risk indicator for the fund is as above because:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- The fund may have a concentrated portfolio of investments, which can give rise to more risk than where investments are spread over a large number of companies. This may increase the potential gains, however, the concentration of exposure and lack of diversification may also substantially increase the risk of loss by this fund.
- A portion of the fund's assets may be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in unit prices can be expected.
- 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.

## General information (continued)

### Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 2.

### Changes to Artemis' funds from February 2019

With effect from 1 February 2019, Artemis will be making two changes to how its funds operate:

- the way in which fund charges are calculated, moving from variable expenses to an administration fee with a discount applied based on fund size.
- how our unit trust funds are priced, changing from 'bid price' and 'offer price' to a single 'mid price'.

The funds' prospectuses are being updated as a result of the changes. A 'before and after' version of the prospectuses highlighting the changes being made are available to view on Artemis' website [artemisfunds.com/fund-changes](http://artemisfunds.com/fund-changes).

### 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](http://gov.uk/government/publications/exchange-of-information-account-holders).

### Report of the manager

We hereby approve the Half-Yearly Report of the Artemis Global Select Fund for the six months ended 31 October 2018 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

J L Berens  
Director

Artemis Fund Managers Limited  
London  
21 December 2018

### Manager

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

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Chelmsford CM99 2AE  
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57 St James's Street  
London SW1A 1LD

### Trustee

J.P. Morgan Europe Limited †  
25 Bank Street  
Canary Wharf  
London E14 5JP

### Registrar

DST Financial Services International Limited \*  
DST House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS

### 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.

## Investment review

- The fund returned 1.2%\* versus a benchmark up 3.6%\*.
- Our Automation theme came under pressure but its prospects remain bright.
- After the October sell-off, valuations for selected stocks look attractive.

### Performance – Our Automation stocks come under pressure ...

Over the last six months, the MSCI All Country World Index fell by 3.9% in US dollar terms but rose by 3.6% in sterling terms. The fund underperformed, returning 1.2%. This was largely because the holdings in our **Automation** theme (which had been very strong in the previous reporting period) performed poorly as the trade dispute between the US and China intensified.

On the positive side, economic growth in the US remains very strong, which benefits the bulk of the fund's holdings. It also fuelled expectations that interest rates in the US will continue to rise. While this creates problems for many emerging markets, the fund was less affected than some of its peers by this dynamic.

Valuations have been a cause of concern to us for some time, especially among high-profile technology stocks in the US. We sold Amazon and Facebook last year and sold Tencent during this reporting period. These sales helped to protect the fund somewhat when markets corrected in October. At the same time, however, some of our more defensive themes, such as **Healthcare costs**, also suffered from some profit-taking.

Interestingly, many of the stocks that fell most sharply then rebounded vigorously after announcing their results. Our analysis shows that this strong growth in underlying cashflows combined – in a number of cases – with lower share prices, means that a number of our holdings now

appear more attractive on grounds of valuation. Towards the end of the reporting period we began adding to a range of the fund's core holdings.

### Review – From themes to stocks ...

Our **Automation** theme went from being the leading contributor to the fund's performance to being a drag on returns. IPG Photonics, the world leader in high-powered lasers, fell 37% over the period. Harmonic Drive Systems, the world leader in small reduction gears, fell by 23%. Our view is that while the potential returns from this theme have been delayed, they have also grown. It is no surprise that large companies have delayed their orders for plant automation technology while the US and China are imposing tariffs on one another. Industrial robots from China are on the tariff list and are seen as leading-edge intellectual property. (That said, most of this property is Japanese.)

As companies analyse how to respond to higher tariffs, they don't seem to be intending to take jobs back to America. Having spent years establishing supply chains around the world, one way to lessen the impact of tariffs is to automate. Many plants built in emerging markets initially made use of relatively cheap local labour. As this labour has become more expensive, so adding automation – bringing these plants up to the same level of automation seen in the developed world – often makes commercial sense.

In recent months we have started to hear that orders are bottoming out and that longer-term prospects seem stronger than ever. Indeed, some of our companies have announced increased capital expenditure to cope with future demand. One interesting example is Daifuku, the world's leader in automation of warehouses. It has teamed up with Fast Retail (which owns the Uniqlo clothing brand) to automate its retail warehouses

worldwide. Fast Retail's founder, Tadashi-san, says this is vital if it is to compete with Amazon.

Our **Healthcare costs** theme performed well over the period. Growth in the US economy is driving up employment and thus leading to more demand for medical insurance for employees. Similarly, companies in our **Scientific equipment** theme continued to enjoy good demand from clients in both the healthcare and academic sectors. Sales of diagnostic equipment linked to immunotherapies are an excellent area of growth.

**Online services** companies continued to perform well, although we continue to have concerns about valuations in this area. We have sold our holding in Tencent, the Chinese leader in online entertainment and gaming. The government in Beijing is tightening rules governing how much time children spend online.

In our **Emerging market consumer** theme we have taken a more defensive stance. Our concern is that emerging-market currencies could weaken as US interest rates increase. To make matters worse, President Trump has made a habit of announcing sanctions on regimes that incur his displeasure. A global equity investor could find an excellent company in Turkey (for example) only to lose 25% through currency depreciation due to an unpredictable diplomatic spat. We have therefore lowered our exposure to this theme while the dollar's strength persists.

In contrast, our **Tourism** theme continues to perform consistently, especially where it is exposed to the rapidly rising numbers of tourists from China.

Our **Retiree spending power** theme endured another dull period. Asian savings companies have been performing poorly (in line with their domestic equity markets). We have further reduced our exposure to this theme.

Returns from our investments in the

\* Source: Lipper Limited, class I accumulation units, bid to bid basis to 31 October 2018. All figures show total returns with dividends reinvested. Benchmark is the MSCI All Country World Index.

## Investment review (continued)

**High quality assets** area were mixed. Many property companies are seen as losers from rising interest rates. Our US railroad companies, however, have performed very well thanks to being geared to the strong growth in the domestic US economy.

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### Outlook – Favouring the US ...

The summer months were dominated by the tensions between the US and China, by the sanctions the US imposed on some emerging markets – and by Brexit. Eventually deals will be done in all of these areas and the world will get back to business. Companies are flush with cash, especially after the cuts to US corporation tax, and they are looking to invest and innovate.

While levels of sovereign debt continue to rise, households are not over-extended and the younger generations, especially the large 'Generation Y' cohort (those born in the 1990s), are starting to drive consumption.

The year ahead is likely to see more muted growth in the US. Last year's 4% growth coupled with minimal inflation was extraordinary. Slowdowns, however, are not the same as slumps and prospects remain very positive for our selected growth stocks.

Not everything is rosy, however. Emerging markets are feeling the slowdown more severely. In the 1990s, investors' mantra was that 'when the US sneezes, the world catches a cold'. In those days, the US accounted for just under half of global Gross Domestic Product ('GDP') and emerging markets 20%. According to the International Monetary Fund, emerging markets now make up 59% of global GDP. So a slowdown in China would hit developed markets, especially export-oriented economies such as Germany. We therefore find ourselves quite heavily slanted towards US investments, despite disapproving of US trade policies. Helpfully, companies' boards can

generally steer their businesses through periods of political turbulence – so long as their underlying businesses are reasonably robust.

We therefore concentrated our portfolio on holdings in high-quality growing businesses with strong financial positions. Global growth will likely be more modest next year – but political worries may moderate. At the more reasonable valuations we now find, that should allow patient investors to reap consistent real returns.

**Simon Edelsten, Alex Illingworth  
and Rosanna Burcheri**  
Fund managers

## Investment information

### Five largest purchases and sales for the six months ended 31 October 2018

Purchases	Cost £'000	Sales	Proceeds £'000
Microsoft	2,913	Citigroup	2,352
Alphabet A shares	2,817	Unilever, CVA	1,979
US Treasury Bill 18/07/2019	2,803	L'Oreal	1,951
Facebook A shares	2,180	Henkel Preference	1,862
Comcast A shares	2,145	Mitsubishi UFJ Financial Group	1,794

### Portfolio statement as at 31 October 2018

Investment	Holding	Valuation £'000	% of net assets
<b>Equities 95.12% (92.12%)</b>			
<b>Australia 1.10% (1.06%)</b>			
Sydney Airport	343,940	1,230	1.10
		<b>1,230</b>	<b>1.10</b>
<b>Brazil 0.00% (1.15%)</b>			
<b>China 2.42% (6.31%)</b>			
Beijing Capital International Airport H shares	1,292,000	1,093	0.98
China Mobile	144,000	1,050	0.94
Ctrip.com International, ADR	22,865	558	0.50
		<b>2,701</b>	<b>2.42</b>
<b>France 7.65% (9.64%)</b>			
Aéroports de Paris	6,643	1,089	0.98
ICADE, REIT	28,880	1,918	1.72
LVMH Moët Hennessy Louis Vuitton	12,851	3,052	2.74
Unibail-Rodamco-Westfield, REIT	17,354	2,470	2.21
		<b>8,529</b>	<b>7.65</b>
<b>Germany 1.65% (4.63%)</b>			
Siemens Healthineers	56,843	1,844	1.65
		<b>1,844</b>	<b>1.65</b>
<b>Hong Kong 0.00% (1.10%)</b>			
<b>India 0.00% (0.77%)</b>			
<b>Japan 10.26% (9.05%)</b>			
Daifuku	56,327	1,894	1.70
Harmonic Drive Systems	63,300	1,497	1.34
Hitachi High-Technologies	56,700	1,670	1.50
Japan Airport Terminal	55,800	1,677	1.51
Keyence	4,300	1,643	1.47
Mitsubishi UFJ Financial Group	280,800	1,331	1.19
Omron	54,500	1,726	1.55
		<b>11,438</b>	<b>10.26</b>
<b>Netherlands 0.00% (1.24%)</b>			
<b>Singapore 1.20% (1.00%)</b>			
CapitaLand Mall Trust, REIT	1,117,600	1,333	1.20
		<b>1,333</b>	<b>1.20</b>
<b>South Korea 0.00% (2.07%)</b>			
<b>Spain 4.62% (3.01%)</b>			
Aena SME	9,165	1,143	1.02
Amadeus IT Group	38,403	2,411	2.16
Grifols	71,213	1,602	1.44
		<b>5,156</b>	<b>4.62</b>
<b>Sweden 1.70% (1.65%)</b>			
Hexagon B shares	49,148	1,897	1.70
		<b>1,897</b>	<b>1.70</b>

## Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
<b>Taiwan 0.86% (0.00%)</b>			
Taiwan Semiconductor Manufacturing	162,561	958	0.86
		<b>958</b>	<b>0.86</b>
<b>Thailand 0.00% (1.09%)</b>			
<b>United Kingdom 5.36% (6.28%)</b>			
Diageo	63,588	1,728	1.55
Land Securities Group, REIT	225,673	1,939	1.74
National Grid	275,830	2,311	2.07
		<b>5,978</b>	<b>5.36</b>
<b>United States of America 58.30% (42.07%)</b>			
Accenture A shares	18,906	2,289	2.05
Agilent Technologies	36,087	1,800	1.61
Alphabet A shares	2,741	2,252	2.02
Anthem	11,296	2,348	2.10
Apple	12,212	2,040	1.83
AT&T	65,649	1,566	1.40
Avery Dennison	33,900	2,405	2.16
Booking Holdings	798	1,148	1.03
Boston Scientific	106,915	3,006	2.69
Cadence Design Systems	41,578	1,445	1.30
Carnival	33,105	1,403	1.26
Charles Schwab	54,037	1,928	1.73
Citizens Financial Group	44,678	1,271	1.14
Cognex	26,361	866	0.78
Comcast A shares	76,645	2,263	2.03
DocuSign	15,614	510	0.46
Equinix, REIT	5,685	1,678	1.50
Facebook A shares	18,213	2,085	1.87
Humana	9,156	2,319	2.08
IPG Photonics	12,647	1,404	1.26
Live Nation Entertainment	32,179	1,265	1.13
Mastercard A shares	18,974	2,789	2.50
Microsoft	37,857	3,075	2.76
Norfolk Southern	16,535	2,154	1.93
PerkinElmer	28,259	1,896	1.70
Praxair	13,140	1,691	1.52
Premier A shares	62,222	2,155	1.93
Quidel	24,903	1,257	1.13
ResMed	5,702	470	0.42
Synopsys	23,926	1,645	1.47
Teradyne	20,201	538	0.48
Thermo Fisher Scientific	16,622	3,029	2.72
Union Pacific	21,961	2,517	2.26
UnitedHealth Group	14,629	2,960	2.65
Waters	10,587	1,566	1.40
		<b>65,033</b>	<b>58.30</b>
<b>Equities total</b>		<b>106,097</b>	<b>95.12</b>
<b>Government bonds 2.58% (0.00%)</b>			
<b>United States of America 2.58% (0.00%)</b>			
US Treasury Bill CPN 18/07/2019	\$3,738,900	2,875	2.58
		<b>2,875</b>	<b>2.58</b>
<b>Government bonds total</b>		<b>2,875</b>	<b>2.58</b>
Investment assets		108,972	97.70
Net other assets		2,569	2.30
Net assets attributable to unitholders		111,541	100.00

The comparative percentage figures in brackets are as at 30 April 2018.



## Financial statements

### Statement of total return for the six months ended 31 October 2018

	31 October 2018		31 October 2017	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		217		5,774
Revenue	781		696	
Expenses	(462)		(340)	
Net revenue before taxation	319		356	
Taxation	(58)		(61)	
Net revenue after taxation		261		295
<b>Total return before distributions</b>		<b>478</b>		<b>6,069</b>
Distributions		65		12
Change in net assets attributable to unitholders from investment activities		543		6,081

### Statement of change in net assets attributable to unitholders for the six months ended 31 October 2018

	31 October 2018		31 October 2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		86,890		67,908
Amounts receivable on issue of units	26,277		7,371	
Amounts payable on cancellation of units	(2,169)		(3,664)	
		24,108		3,707
Change in net assets attributable to unitholders from investment activities		543		6,081
Closing net assets attributable to unitholders		111,541		77,696

### Balance sheet as at 31 October 2018

	31 October 2018	30 April 2018
	£'000	£'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	108,972	80,044
<b>Current assets</b>		
Debtors	641	1,600
Cash and bank balances	3,115	5,823
<b>Total current assets</b>	<b>3,756</b>	<b>7,423</b>
<b>Total assets</b>	<b>112,728</b>	<b>87,467</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Other creditors	1,187	577
<b>Total creditors</b>	<b>1,187</b>	<b>577</b>
<b>Total liabilities</b>	<b>1,187</b>	<b>577</b>
Net assets attributable to unitholders	111,541	86,890

## 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 30 April 2018 as set out therein.

### 2. Post balance sheet events

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

## Comparative tables

### Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
<b>30 April 2016</b>	53,726,113		
I accumulation		77.13	62,111,982
R accumulation		74.38	7,824,316
<b>30 April 2017</b>	67,907,798		
I accumulation		97.85	66,462,945
R accumulation		93.65	3,068,471
<b>30 April 2018</b>	86,890,398		
I accumulation		109.20	77,252,669
R accumulation		103.73	2,440,067
<b>31 October 2018</b>	111,540,761		
I accumulation		110.53	98,413,656
R accumulation		104.60	2,638,886

### Ongoing charges

Class	31 October 2018
I accumulation	0.90%
R accumulation	1.65%

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 Global Select Fund	134.6	78.3	48.0	3.9	1.2
MSCI All Country World Index	117.3	69.4	51.2	3.4	3.6
Sector average	98.6	58.3	43.0	1.1	0.6
Position in sector	25/133	30/169	60/187	52/207	91/219
Quartile	1	1	2	1	2

\* 'Since launch' data from 16 June 2011. Source: Lipper Limited, class I accumulation units, bid to bid in sterling to 31 October 2018. All figures show total returns with dividends reinvested. Sector is IA Global.

### Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Global Select Fund	122.0	71.7	44.7	3.1	0.9
MSCI All Country World Index	117.3	69.4	51.2	3.4	3.6

\* 'Since launch' data from 16 June 2011. Source: Lipper Limited, class R accumulation units, bid to bid in sterling to 31 October 2018. All figures show total returns with dividends reinvested.

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