Profit *hunters*

Artemis High Income *Fund*

Half-Yearly Report (unaudited)
for the six months ended
7 February 2020

Artemis
The Profit Hunter

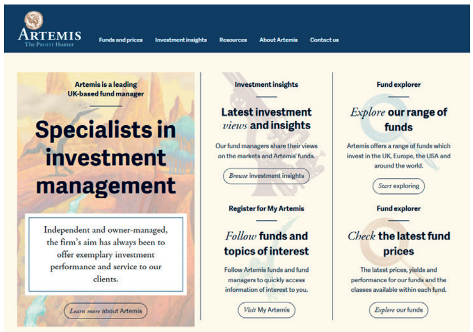
Coronavirus and the markets …

Since this report was prepared, all markets' moves have been dramatic. Volatility abounds. On our website, private investors will find as much commentary on these matters as regulations allow. Please see: artemisfunds.com/en/gbr/investor. Our bi-annual newsletter for private investors, Artemis Accounts, will address the subject as thoroughly as we can.

While this crisis continues, we are giving professional advisers more detailed, weekly commentary on each of our funds. So if you have an adviser, he or she will be able to help you more. If you don't, please contact us with your questions in whatever way suits you best.

Keep up to date ...

... with the performance of this and other Artemis funds throughout the year on Artemis' website



- Monthly fund commentaries and factsheets
- Artemis *Filmclub* videos by our fund managers
- 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 £25.5 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 28 February 2020.

Fund status

Artemis High Income Fund was constituted by a Trust Deed dated 26 May 1995 as amended by a supplemental Trust Deed dated 6 September 2002 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 a higher than average initial yield, combined with the prospect of rising income and some capital growth over the long-term.

Investment policy

The emphasis of the fund will be investment in UK fixed-interest investments and preference shares, however, the manager has the flexibility to invest in all economic sectors worldwide and in equities.

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.

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.

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.

Risk and reward profile

Potentially lower rewards						Potentially higher rewards
Lower risk						Higher risk
1	2	**3**	4	5	6	7

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

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

- Market volatility risk: The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- Currency risk: The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
- Income risk: Although the fund aims to pay a regular income, the payment of income and its level is not guaranteed.
- 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.
- Charges from capital risk: Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expenses.

There was no change to the indicator in the period.

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.

General information (continued)

Changes to Artemis' funds

On 13 March 2020, Artemis launched new class C units. On the same day, certain class R units were converted to class C units. From then on, the annual management charge will be 1.075%. There are no other differences between the two classes of units, and there is no change to the administration fee.

On 30 April 2020, the layout of the investment objective and policy of the fund will be changing. While there will be some changes to wording as a result, there will be no changes to the way in which the fund is managed. The new investment objective and policy format can be seen on page 15 and on the website at artemisfunds.com/fund-changes.

Value assessment

Artemis Fund Managers Limited (AFML) is in the process of conducting a detailed assessment on whether its funds are providing value to unitholders in response to newly introduced regulations. AFML must then 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 will be published in 2020 via the website artemisfunds.com. The assessment will be subject to internal scrutiny by the AFML board (which includes independent directors), before signoff by the chair of the AFML board. In carrying out the assessment, AFML must, separately for each class of units in a fund, consider as a minimum, the seven criteria stipulated by the FCA. AFML may consider other issues where appropriate. The seven criteria are: range and quality of service, performance, comparable services, comparable market rates, economies of scale, AFM costs, and classes of units.

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.

Manager

Artemis Fund Managers Limited *
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London SW1A 1LD

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Telephone: 0800 092 2051
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Investment adviser

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57 St James's Street
London SW1A 1LD

Trustee and Depositary

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.

Report of the manager

We hereby approve the Half-Yearly Report of the Artemis High Income Fund for the six months ended 7 February 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	J L Berens Director

Artemis Fund Managers Limited
London
2 April 2020

Written on 2 March 2020. For more up to date information please see our website artemisfunds.com/en/ gbr/ investor.

- The fund returns 5.1%* versus an average return of 2.8%* from its peer group.
- Our financial bonds perform particularly well.
- After a powerful rally, the spread of the coronavirus has begun to unsettle markets.

Performance – Equities and riskier bonds rebound…

Helped by a rebound in equities and high-yield bonds (those ratings agencies deem riskier than investment-grade bonds and so offer a higher, compensatory yield) the fund returned 5.1% over the reporting period, versus an average return of 2.8% from funds in its peer group, the IA's Sterling Strategic Bond sector.

Six months ago, markets were in a state of flux due to uncertainty over trade negotiations and data pointing to a sharp downturn in the manufacturing sector worldwide. That downturn proved short-lived, however: data pointing to signs of improvement in the manufacturing sector lent support to the theory that the economic outlook was improving. So for much of the remaining period, equities and high-yield bonds rallied sharply.

The fund benefited from this rally. This was partly due to its holdings in the bonds of financial companies and, in its equity component, its bias towards companies deemed more sensitive to an economic recovery. That was especially the case after the decisive result of the UK's general election.

Towards the end of the six months covered by this report, however, the emergence of a new form of coronavirus in China began to have an impact on financial markets. The still-fragile manufacturing recovery suddenly appeared to be under threat. And although the fund was not immune to the sudden shift away from riskier assets, such as high-yield bonds and equities, it held up relatively well.

Review – Part One: bonds…

The reporting period began amid a bout of volatility in bond markets. As recessionary fears dominated, investors piled into government bonds, sending their yields sharply lower (prices and yields move in inverse relation to one another).

Although around 10% of our fund was invested in US government bonds – Treasuries – we benefited less from their rally than some other funds in our peer group. This was because the 'duration' of our portfolio was consistently shorter than many of our peers. (To simplify, we tend to prefer bonds that are due to mature relatively soon and their prices don't rise as much as those of longer-dated bonds when the market thinks interest rates will need to stay 'lower for longer'). Relative to funds in our peer group who own longer-dated bonds, this impaired our performance during the early part of the review period.

A second negative in the early part of the review period was a sudden fall in the price of Burford Capital's bonds in response to a report calling its accounting practices into question. Although we reduced our position, we believed the market's reaction was disproportionate so we retained some exposure. (Happily, the bonds subsequently rallied).

Offsetting these negatives were great results from Heide, the German oil refiner, whose bonds duly rallied by 12%. This was part of a broader pattern in which the bonds of more economically sensitive ('cyclical') companies were indicating an expectation that their results would reflect a slowdown in the global economy. When these companies' results confounded these pessimistic expectations, their bonds tended to be rewarded handsomely. Another example is Superior Industries, whose bonds rallied by 8% when its results beat expectations.

After August's sharp rally in government bonds and other 'safe havens', September saw a snap back in the opposite direction. The US Federal Reserve cut interest rates again. Positive noises about a 'phase one' trade agreement between US and China helped to sustain the rally. Furthermore, the corporate earnings season was better than expected, particularly for companies in more cyclical industries.

As investors reassessed prospects for the global economy, they moved away from those parts of the bond market that had benefited most amid August's flight to safety. The result was that the prices of longer-dated bonds fell further than those of the shorter-dated bonds we tend to prefer. A second, equally helpful development was that bonds of financial companies such as banks and insurers outperformed – and these are the biggest sector weighting within our credit portfolio by far.

The reporting period also saw plenty of bonds being bought back early by their issuers as companies sought to take advantage of lower borrowing costs. Lower yields on government bonds, coupled with tightening credit spreads (a reduction in the premium that riskier corporate borrowers pay relative to governments) allowed companies to buy back their old bonds and replace that borrowing with new bonds offering significantly lower coupons (the interest rate or yield they pay to borrow).

Past performance is not a guide to the future.
*Source: Lipper Limited, reflects class QI distribution units, in sterling, with interest reinvested from 7 August 2019 to 7 February 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.

Investment review (continued)

In our fund, Wittur, Topaz Marine, Domestic & General and TalkTalk all bought back their bonds over the period. As a consequence of these older, higher-yielding bonds being retired, the income yield for the fund has, regrettably, fallen.

Favourable political developments meant that high-yield bonds capped off an extraordinary 2019 for returns with a strong December. Markets reacted positively to confirmation that the first phase of a trade deal between US and China had been agreed. They were also buoyed by the outcome of the UK's general election, where the return of a sizeable Conservative majority seemed to have drawn a line under the Brexit-inspired uncertainty that had gripped the country for three-and-a-half years. With financial bonds continuing their stellar performance, the fund had a very good end to the calendar year. We did, however, have a position in Tullow Oil which hurt performance. It was forced to make cuts to its production guidance, and given the change in risk profile we reduced the position.

The new year began in the same vein that the previous one had ended, with markets rallying on hopes that the worst of the global manufacturing slump was over. Companies responded to rampant demand for high-yield bonds with a surge in new issuance. Indeed, markets began to look stretched as the economic data hadn't quite caught up with investors' enthusiasm. We felt that either data would improve or a correction would occur.

At that point, the coronavirus intervened. Its rapid spread and the uncertainty thereby created sent prices of high-yield bonds and equities lower. Government bonds, meanwhile, moved sharply higher in a flight to safety. Investment-grade corporate bonds (those deemed less risky by ratings agencies than high-yield bonds but offering lower yields) followed the lead of government bonds, with financial bonds providing stellar returns yet again.

The combined result was that returns from the fund fell behind its peers during the last few weeks of the reporting period. We do, however, take some comfort from the fact that the fund held up somewhat better than the high-yield and equity markets in which the greater part of it is invested.

As expectations for global growth fell, the price of crude oil tumbled and our holdings in oil company bonds suffered. Amid all this, we actually had good news from the sector with PGS raising finance to refinance their outstanding bonds. On a more positive note, our investment-grade financial bonds held up well.

Review – Part Two: equities…

In addition to its holdings in government, investment-grade and high-yield corporate bonds, we hold shares in a number of European and UK companies. Their dividends make a useful contribution to our income account.

Within the European equity market, the defining event of the first four months of the reporting period was a shift towards more cyclical 'value' stocks (companies whose share prices expressed as a multiple of their underlying earnings are lower than the market's average). Interestingly, this shift came amid weak economic data from the industrial sector in Europe. More importantly, however, there were tentative signs that things were no longer getting worse. In this move towards value stocks, our holdings in Adecco and ING made good contributions to performance.

The biggest contributor among our European equities, however, was Sanofi. The catalyst for these gains was a presentation to investors in which it laid out its new plans for growth, cost savings and profit targets. Italian energy company Snam also did well, in common with the rest of the utilities sector.

The main negative in Europe was Royal Dutch Shell. It indicated that the pace at which it is buying back its shares was likely to slow. This was enough to ensure it fell out of favour. While this was disappointing, the dividend is still well supported by cashflows and we remind ourselves that our fund's equities are there to provide income, with capital appreciation being a secondary consideration.

In the UK, meanwhile, our holdings in companies focused on demand in the domestic economy jumped higher as the prime minister agreed a new exit deal with the EU and then secured a substantial majority in the general election. In parallel, hopes of a reduction in trade tensions between the US and China prompted shares in British companies whose sales respond to global industrial demand to rise. Together, these two trends helped our UK equity holdings.

Among the first group – domestic earners – housebuilder Persimmon led the way, returning over 50% in the period. Elsewhere our holding in St James's Place, a wealth manager, performed well as its clients continued to plough money into its funds even as many of its peers saw economic uncertainty weighing on customer confidence. Tesco, meanwhile, benefited from news that it had received approaches from third parties interested in buying its Asian operations.

Among our more overseas-focused holdings, airline IAG rallied. In part, this was due to fading of concerns over a 'no deal' Brexit. There was also evidence that the demise of some of its rivals in conjunction with the continued grounding of Boeing's 737 Max meant that capacity in the airline industry was not expanding as quickly as it had been. That, in turn, should mean higher air fares.

Melrose, 3i and DS Smith all reported that trading was resilient even though the economic backdrop seemed tougher. British American Tobacco ('BAT') also did well. Regulation of tobacco products in the US appears less draconian than was once feared. A crackdown on the promotion of vaping in the face of a sharp rise in youth adoption in the US – and emerging health issues – has reduced fears about the pace at which it would eat into the sales of traditional, 'combustible' products.

In activity we sold remaining holdings in Imperial Brands and Vodafone. We switched the proceeds into Persimmon, BAT and GVC. More recently, we have taken some profits in IAG and Melrose while we await clarity on the economic impact of the coronavirus outbreak.

Outlook – Globalisation in retreat…

The outlook for the global economy – and for bond and equity markets – is clouded by huge uncertainty over the impact of the Covid-19 coronavirus. At the time of writing, output from Chinese factories is running well below full capacity. Because the country is the workshop of the world, this is likely to mean the supply chains across numerous industries are disrupted, to say nothing of the impact the virus is having on demand. The market's initial reaction was one of complacency, but this changed as the virus spread. Although forecasts for global economic growth have been lowered they still imply there will be a fairly rapid end to the coronavirus outbreak. This seems questionable: the global economy has not seen a simultaneous supply and demand shock for a long time. As this deflationary shock works its way through the system, markets could remain highly volatile in the short term.

Looking beyond the short term, however, monetary stimulus (cuts to interest rates) and fiscal stimulus (government spending to boost demand) seem likely to support a recovery over the coming months. Ironically, one of the factors that is causing government bond yields to collapse at the time of writing – worries that the shuttering of large parts of Chinese industry is causing a supply shock – will eventually create inflationary pressures. Labour shortages or increased public expenditure would, in theory, further add to the inflationary pressure.

Consequently, we believe that longer-term bond yields will eventually rise to compensate for these inflationary pressures – but only once panic subsides.

Given this, we have not followed the rush to buy longer-dated government bonds. Instead, we stick to shorter-dated bonds issued by those companies we believe will prove able to weather the current uncertainty. Within equities, we continue to believe the current sell-off will highlight how expensive some stocks had become and prompt a reassessment: in our view, earnings in some parts of the market do not support valuations at current levels.

The Covid-19 crisis marks the end of the long period in which the global economy has become increasingly tightly integrated. The fragility of global supply chains has become apparent, so returning production of some goods to locations closer to their end markets – 'onshoring' – may, we believe, start to reverse years of offshoring. Such changes to the shape of the global economy are another factor investors, ourselves included, will need to consider.

Alex Ralph
Fund manager

Investment information

Ten largest purchases and sales for the six months ended 7 February 2020

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury 2.63% 15/02/2029	78,192	US Treasury 2.63% 15/02/2029	73,952
Reassure Group 5.87% 13/06/2029	11,391	Phoenix Group Holdings 6.63% 18/12/2025	13,030
Persimmon	8,379	Eurofins Scientific, FRN 7.00% Perpetual	11,614
LHMC Finco 2 7.25% 02/10/2025	8,214	Mizzen Bondco 7.00% 01/05/2021	9,364
Skandinaviska Enskilda Banken, FRN 5.63% Perpetual	7,972	US Treasury 3.13% 15/11/2028	8,545
Nationwide Building Society, FRN 5.88% Perpetual	7,748	Topaz Marine 9.13% 26/07/2022	8,500
Achmea, FRN 4.69% Perpetual	6,566	ARD Finance 6.63% 15/09/2023	8,311
Snam	6,380	Virgin Media Secured Finance 5.13% 15/01/2025	8,244
GVC Holdings	6,041	Horizon Parent Holdings 8.25% 15/02/2022	7,946
Daily Mail & General Trust 6.38% 21/06/2027	5,931	Catlin Insurance, FRN 7.25% Perpetual	7,703

Portfolio statement as at 7 February 2020

Investment	Holding	Valuation £'000	% of net assets
Equities 16.13% (13.36%)			
France 1.55% (1.69%)			
Danone	119,283	7,423	0.63
Sanofi	135,634	10,802	0.92
		18,225	**1.55**
Germany 1.83% (1.39%)			
Bayerische Motoren Werke	215,096	11,798	1.01
Deutsche Telekom	768,892	9,679	0.82
		21,477	**1.83**
Italy 0.58% (0.00%)			
Snam	1,579,420	6,787	0.58
		6,787	**0.58**
Netherlands 1.78% (1.37%)			
ING Groep	1,258,109	11,184	0.95
Royal Dutch Shell A shares	487,399	9,724	0.83
		20,908	**1.78**
Norway 0.61% (0.57%)			
Mowi	388,552	7,142	0.61
		7,142	**0.61**
Spain 0.55% (1.07%)			
Mediaset Espana Comunicacion	1,515,484	6,518	0.55
		6,518	**0.55**
Switzerland 0.74% (0.63%)			
Adecco Group	189,325	8,643	0.74
		8,643	**0.74**
United Kingdom 8.49% (6.64%)			
3i Group	620,000	7,056	0.60
Aberforth Split Level Income Trust	5,049,277	4,418	0.38
Balfour Beatty Preference 9.68%	2,425,000	2,473	0.21
BP	2,128,692	9,958	0.85
British American Tobacco	400,000	13,692	1.16
DS Smith	2,850,000	10,388	0.88
Ecclesiastical Insurance Group Preference 8.63%	4,200,000	6,636	0.56
GVC Holdings	690,000	6,038	0.51
International Consolidated Airlines Group	1,100,000	6,666	0.57
Melrose Industries	1,500,000	3,651	0.31
New Finsaga^	135,817	–	–

Investment information (continued)

Investment	Holding/Nominal value	Valuation £'000	% of net assets
Persimmon	365,000	10,997	0.94
Signature Aviation	1,640,000	4,958	0.42
Speymill Deutsche Immobilien^	5,803,310	–	–
St James's Place	642,500	7,543	0.64
Tesco	2,000,000	5,094	0.43
West Bromwich Building Society	7,606	303	0.03
		99,871	**8.49**
Equities total		**189,571**	**16.13**
Government bonds 10.17% (10.97%)			
United States of America 10.17% (10.97%)			
US Treasury 3.13% 15/11/2028	$65,000,000	56,580	4.81
US Treasury 2.63% 15/02/2029	$75,000,000	63,018	5.36
		119,598	**10.17**
Government bonds total		**119,598**	**10.17**
Corporate bonds 73.23% (75.09%)			
Australia 2.39% (2.23%)			
Australia & New Zealand Banking Group, FRN 2.09% Perpetual	$13,200,000	7,669	0.65
BHP Billiton Finance, FRN 6.50% 22/10/2077	£8,900,000	10,002	0.85
Westpac Banking, FRN 2.24% Perpetual	$17,800,000	10,394	0.89
		28,065	**2.39**
Belgium 0.78% (0.81%)			
Ethias 5.00% 14/01/2026	€9,000,000	9,221	0.78
		9,221	**0.78**
Bermuda 0.00% (1.16%)			
Denmark 1.22% (1.28%)			
Danske Bank, FRN 6.13% Perpetual	$5,300,000	4,393	0.37
DKT Finance ApS 7.00% 17/06/2023	€11,200,000	9,943	0.85
		14,336	**1.22**
France 7.47% (6.65%)			
Altice France 7.38% 01/05/2026	$14,000,000	11,558	0.98
Altice France 5.50% 15/01/2028	$4,600,000	3,660	0.31
BNP Paribas, FRN 7.38% Perpetual	$12,000,000	10,898	0.93
Electricite de France, FRN 6.00% Perpetual	£15,000,000	16,907	1.44
La Poste, FRN 3.13% Perpetual	€12,000,000	10,991	0.94
Orange, FRN 5.87% Perpetual	£12,400,000	13,392	1.14
Societe Generale, FRN 7.38% Perpetual	$15,900,000	13,082	1.11
Vallourec 6.63% 15/10/2022	€9,650,000	7,329	0.62
		87,817	**7.47**
Germany 0.69% (1.11%)			
Raffinerie Heide 6.38% 01/12/2022	€10,000,000	8,061	0.69
		8,061	**0.69**
Ghana 0.54% (0.82%)			
Tullow Oil 7.00% 01/03/2025	$10,108,000	6,314	0.54
		6,314	**0.54**
Greece 0.66% (0.00%)			
Crystal Almond 4.25% 15/10/2024	€6,000,000	5,263	0.45
Frigoglass Finance 6.88% 12/02/2025	€3,000,000	2,529	0.21
		7,792	**0.66**
Ireland 2.22% (2.41%)			
Allied Irish Banks, FRN 7.38% Perpetual	€3,797,000	3,388	0.29
Bank of Ireland Group, FRN 4.12% 19/09/2027	$15,500,000	12,221	1.04
Lambay Capital Securities 6.25% Perpetual^,§	£14,000,000	–	–

Investment	Nominal value	Valuation £'000	% of net assets
National Asset Management 5.26% 01/03/2020^	€12,000,000	10,468	0.89
Waterford Wedgwood 9.88% 01/12/2010^	€2,000,000	–	–
		26,077	**2.22**
Israel 0.41% (0.00%)			
Teva Pharmaceutical Finance Netherlands III 6.00% 15/04/2024	$6,000,000	4,803	0.41
		4,803	**0.41**
Italy 2.96% (2.47%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£6,800,000	7,383	0.63
Enel, FRN 6.62% 15/09/2076	£9,900,000	10,673	0.91
EVOCA, FRN 4.32% 01/11/2026	€6,750,000	5,769	0.49
Intesa Sanpaolo, FRN 7.00% Perpetual	€5,000,000	4,467	0.38
Telecom Italia 4.00% 11/04/2024	€7,000,000	6,555	0.55
		34,847	**2.96**
Luxembourg 1.43% (3.08%)			
ARD Finance, FRN 5.00% 30/06/2027	€4,000,000	3,490	0.30
LHMC Finco 2 Sarl 7.25% 02/10/2025	€9,300,000	8,164	0.69
Safari Verwaltungs 5.38% 30/11/2022	€7,100,000	5,197	0.44
		16,851	**1.43**
Mexico 1.12% (1.11%)			
America Movil, FRN 6.37% 06/09/2073	£12,800,000	13,124	1.12
		13,124	**1.12**
Netherlands 2.98% (2.96%)			
Achmea, FRN 4.62% Perpetual	€2,000,000	1,839	0.16
Achmea, FRN 4.69% Perpetual	€5,425,000	4,989	0.42
Highbury Finance 7.02% 20/03/2023	£4,836,027	5,440	0.46
ING Groep, FRN 6.87% Perpetual	$12,000,000	9,957	0.85
VIVAT, FRN 6.25% Perpetual	$10,800,000	8,654	0.74
VZ Vendor Financing 2.50% 31/01/2024	€4,800,000	4,126	0.35
		35,005	**2.98**
Norway 0.53% (0.53%)			
PGS 7.38% 15/12/2020	$8,000,000	6,186	0.53
		6,186	**0.53**
Portugal 1.05% (1.09%)			
EDP - Energias de Portugal, FRN 4.50% 30/04/2079	€13,000,000	12,346	1.05
		12,346	**1.05**
Romania 0.50% (0.00%)			
RCS & RDS 3.25% 05/02/2028	€7,000,000	5,943	0.50
		5,943	**0.50**
South Africa 0.00% (0.17%)			
Spain 1.59% (1.90%)			
eDreams ODIGEO 5.50% 01/09/2023	€5,500,000	4,842	0.41
Naturgy Finance, FRN 4.13% Perpetual	€9,900,000	9,082	0.77
Tasty Bondco 1 6.25% 15/05/2026	€5,400,000	4,809	0.41
		18,733	**1.59**
Sweden 0.78% (0.10%)			
Skandinaviska Enskilda Banken, FRN 5.63% Perpetual	$11,400,000	9,204	0.78
		9,204	**0.78**
Switzerland 4.05% (4.08%)			
Argentum Netherlands BV for Swiss Re, FRN 5.75% 15/08/2050	$17,000,000	14,571	1.24
Credit Suisse Group, FRN 6.25% Perpetual	$16,800,000	14,440	1.23
Kongsberg Actuation Systems 5.00% 15/07/2025	€6,537,000	5,718	0.49
UBS Group, FRN 7.00% Perpetual	$15,000,000	12,887	1.09
		47,616	**4.05**

Investment	Holding/Nominal value	Valuation £'000	% of net assets
United Arab Emirates 0.49% (1.35%)			
Shelf Drilling Holdings 8.25% 15/02/2025	$8,286,000	5,778	0.49
		5,778	**0.49**
United Kingdom 30.80% (30.09%)			
Afren 10.25% 31/12/2049^,§	$4,801,113	–	–
Arqiva Broadcast Finance 6.75% 30/09/2023	£8,500,000	9,013	0.77
Aviva, FRN 5.13% 04/06/2050	£5,000,000	5,888	0.50
BUPA Finance 5.00% 08/12/2026	£8,900,000	10,399	0.88
Cabot Financial Luxembourg 7.50% 01/10/2023	£9,500,000	9,849	0.84
Cattles 7.13% 05/07/2017^,§	£6,000,000	–	–
CPUK Finance 4.88% 28/02/2047	£6,000,000	6,171	0.53
Daily Mail & General Trust 6.38% 21/06/2027	£5,000,000	5,887	0.50
Direct Line Insurance Group, FRN 4.75% Perpetual	£8,000,000	7,906	0.67
Drax Finco 4.25% 01/05/2022	£3,797,000	3,857	0.33
EI Group 6.88% 09/05/2025	£6,160,000	6,178	0.53
EnQuest, FRN 7.00% 15/10/2023	$10,607,494	7,353	0.63
Galaxy Bidco 6.50% 31/07/2026	£4,500,000	4,775	0.41
Heathrow Finance 3.88% 01/03/2027	£8,500,000	8,673	0.74
HSBC Bank, FRN 2.19% Perpetual	$11,300,000	7,188	0.61
HSBC Holdings, FRN 6.87% Perpetual	$6,000,000	4,870	0.41
Iceland Bondco 6.75% 15/07/2024	£8,228,000	7,532	0.64
Investec Bank, FRN 4.25% 24/07/2028	£8,300,000	8,679	0.74
Ithaca Energy North Sea 9.38% 15/07/2024	$8,100,000	6,485	0.55
Jaguar Land Rover Automotive 5.88% 15/11/2024	€4,000,000	3,565	0.30
Just Group 9.00% 26/10/2026	£3,700,000	4,443	0.38
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£3,500,000	3,950	0.34
Lloyds Banking Group, FRN 7.50% Perpetual	$14,000,000	12,226	1.04
Lloyds Banking Group, FRN 7.87% Perpetual	£3,898,000	5,035	0.43
M&G, FRN 6.50% 20/10/2048	$12,000,000	10,870	0.92
Matalan Finance 6.75% 31/01/2023	£8,300,000	7,656	0.65
Nationwide Building Society, FRN 5.88% Perpetual	£7,200,000	7,957	0.68
Neptune Energy Bondco 6.63% 15/05/2025	$10,000,000	7,624	0.65
NGG Finance, FRN 5.63% 18/06/2073	£12,300,000	14,012	1.19
Nottingham Building Society 7.88% Perpetual	£2,500,000	3,196	0.27
Pension Insurance, FRN 7.37% Perpetual	£11,600,000	14,217	1.21
Premier Foods Finance 6.25% 15/10/2023	£5,000,000	5,202	0.44
Provident Financial 7.00% 04/06/2023	£3,700,000	3,947	0.34
Punch Taverns Finance B 7.75% 30/12/2025	£5,750,000	5,760	0.49
Quilter, FRN 4.48% 28/02/2028	£7,000,000	7,346	0.62
RBS Capital Trust II, FRN 6.42% Perpetual	$14,000,000	15,426	1.31
Reassure Group 5.87% 13/06/2029	£10,500,000	12,291	1.05
Rothesay Life 8.00% 30/10/2025	£10,400,000	13,073	1.11
Rothschild & Co. Continuation Finance CI 9.00% Perpetual	£7,382,000	9,001	0.77
Santander UK Group Holdings 4.75% 15/09/2025	$4,600,000	3,883	0.33
Spirit Issuer 5.47% 28/12/2034	£5,000,000	5,228	0.44
Stonegate Pub Co. Financing 4.88% 15/03/2022	£6,900,000	6,991	0.59
TalkTalk Telecom Group 5.38% 15/01/2022	£9,500,000	9,641	0.82
Tesco 6.15% 15/11/2037	$9,073,000	8,606	0.73
Viridian Group FinanceCo 4.75% 15/09/2024	£9,000,000	9,242	0.79
Vodafone Group, FRN 6.25% 03/10/2078	$13,000,000	11,083	0.94
Voyage Care BondCo 5.88% 01/05/2023	£9,300,000	9,401	0.80
William Hill 4.88% 07/09/2023	£5,000,000	5,331	0.45
William Hill 4.75% 01/05/2026	£5,000,000	5,214	0.44
		362,120	**30.80**

Investment	Holding/Nominal value	Valuation £'000	% of net assets
United States of America 8.57% (9.69%)			
AMC Entertainment Holdings 6.38% 15/11/2024	£5,950,000	5,620	0.48
Burford Capital Finance 6.13% 12/08/2025	$12,400,000	9,121	0.78
Continental Resources 4.50% 15/04/2023	$7,350,000	6,015	0.51
Finial Holdings 7.13% 15/10/2023	$8,250,000	7,417	0.63
Infor US 5.75% 15/05/2022	€8,200,000	7,024	0.60
Ingles Markets 5.75% 15/06/2023	$5,293,000	4,168	0.35
Kraton Polymers 7.00% 15/04/2025	$5,900,000	4,642	0.39
Mauser Packaging Solutions Holding 4.75% 15/04/2024	€10,800,000	9,365	0.80
Seagate HDD Cayman 4.75% 01/01/2025	$7,500,000	6,215	0.53
State Street, FRN 2.47% 15/05/2028	$4,983,000	3,648	0.31
Superior Industries International 6.00% 15/06/2025	€6,600,000	5,507	0.47
UGI International 3.25% 01/11/2025	€6,100,000	5,414	0.46
USB Realty, FRN 2.98% Perpetual	$19,000,000	13,224	1.12
Valaris 7.75% 01/02/2026	$13,000,000	5,145	0.44
WW International 8.63% 01/12/2025	$10,000,000	8,216	0.70
		100,741	**8.57**
Corporate bonds total		**860,980**	**73.23**
Forward currency contracts (0.94)% ((2.90)%)			
Buy Sterling 256,263,856, sell Euro 303,930,000, dated 11/03/2020		(1,402)	(0.12)
Buy Sterling 7,101,492, sell Norwegian Krone 85,830,000 dated 11/03/2020		(56)	–
Buy Sterling 8,387,361, sell Swiss Franc 10,981,000, dated 11/03/2020		(272)	(0.02)
Buy Sterling 435,218,217, sell US Dollar 575,240,000 dated 11/03/2020		(9,303)	(0.80)
Forward currency contracts total		**(11,033)**	**(0.94)**
Investment assets (including investment liabilities)		1,159,116	98.59
Net other assets		16,548	1.41
Net assets attributable to unitholders		1,175,664	100.00

The comparative percentage figures in brackets are as at 7 August 2019.
^ Unlisted, suspended or delisted security.
§ Security is currently in default.

Credit rating analysis as at 7 February 2020

	7 February 2020		7 August 2019	
	Valuation £'000	% of net assets	Valuation £'000	% of net assets
Investment grade securities	370,312	31.49	390,100	32.32
Below investment grade securities	571,212	48.58	571,917	47.41
Unrated securities	39,054	3.33	76,257	6.33
Total of debt securities	980,578	83.40	1,038,274	86.06

Source for credit ratings - Artemis Investment Management LLP.

Statement of total return for the six months ended 7 February 2020

	7 February 2020 £'000	7 February 2020 £'000	7 February 2019 £'000	7 February 2019 £'000
Income				
Net capital gains/(losses)		36,815		(58,396)
Revenue	27,725		34,364	
Expenses	(4,988)		(5,278)	
Interest payable and similar charges	(62)		(115)	
Net revenue before taxation	22,675		28,971	
Taxation	(244)		36	
Net revenue after taxation		22,431		29,007
Total return before distributions		**59,246**		**(29,389)**
Distributions		(26,874)		(33,863)
Change in net assets attributable to unitholders from investment activities		32,372		(63,252)

Statement of change in net assets attributable to unitholders for the six months ended 7 February 2020

	7 February 2020 £'000	7 February 2020 £'000	7 February 2019 £'000	7 February 2019 £'000
Opening net assets attributable to unitholders		1,206,415		1,303,631
Amounts receivable on issue of units	34,785		59,936	
Amounts payable on cancellation of units	(98,020)		(62,958)	
		(63,235)		(3,022)
Dilution adjustment		50		-
Change in net assets attributable to unitholders from investment activities		32,372		(63,252)
Retained distributions on accumulation units		62		-
Closing net assets attributable to unitholders		1,175,664		1,237,357

Balance sheet as at 7 February 2020

	7 February 2020 £'000	7 August 2019 £'000
Assets		
Fixed assets		
Investments	1,170,149	1,201,907
Current assets		
Debtors	16,455	27,029
Cash and cash equivalents	16,839	35,707
Total current assets	**33,294**	**62,736**
Total assets	**1,203,443**	**1,264,643**
Liabilities		
Investment liabilities	11,033	37,433
Creditors		
Distribution payable	12,369	17,449
Other creditors	4,377	3,346
Total creditors	**16,746**	**20,795**
Total liabilities	**27,779**	**58,228**
Net assets attributable to unitholders	1,175,664	1,206,415

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 7 August 2019 as set out therein.

2. Post balance sheet events

Since 7 February 2020, the net asset values per unit have changed as follows:

	Net asset value per unit (p)		
	7 February 2020	31 March 2020	Movement
MI distribution	81.41	68.17	(16.0)%
QI distribution	81.41	68.46	(16.0)%
QI accumulation	106.67	89.70	(16.0)%
QR distribution	75.10	63.09	(16.0)%
C distribution *	-	63.11	-

* C class launched 13 March 2020, previously R class for comparison purposes.

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	8 August 2019	7 September 2019	8 September 2019	7 November 2019
Second interim	8 September 2019	7 October 2019	8 October 2019	6 December 2019
Third interim	8 October 2019	7 November 2019	8 November 2019	7 January 2020
Fourth interim	8 November 2019	7 December 2019	8 December 2019	7 February 2020
Fifth interim	8 December 2019	7 January 2020	8 January 2020	6 March 2020
Sixth interim	8 January 2020	7 February 2020	8 February 2020	7 April 2020
Quarterly distribution periods	**Start**	**End**	**Ex-dividend date**	**Pay date**
First interim	8 August 2019	7 November 2019	8 November 2019	7 January 2020
Second interim	8 November 2019	7 February 2020	8 February 2020	7 April 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.

MI distribution

Interest distributions for the six months ended 7 February 2020	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2018-19 Distribution per unit (p)
First interim	0.1403	0.1880	0.3283	0.4242
Second interim	0.1566	0.1685	0.3251	0.3187
Third interim	0.1201	0.1304	0.2505	0.3321
Fourth interim	0.1342	0.1831	0.3173	0.4167
Fifth interim	0.1420	0.1686	0.3106	0.3599
Sixth interim	0.1225	0.1564	0.2789	0.2668

QI distribution

Interest distributions for the six months ended 7 February 2020	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2018-19 Distribution per unit (p)
First interim	0.4048	0.5026	0.9074	1.0794
Second interim	0.4304	0.4798	0.9102	1.0478

QI accumulation

Interest distributions for the six months ended 7 February 2020	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2018-19 Distribution per unit (p)
First interim	0.6113	0.5506	1.1619	-
Second interim	0.4750	0.7042	1.1792	-

QR distribution

Interest distributions for the six months ended 7 February 2020	Group 2 Net revenue per unit (p)	Group 2 Equalisation per unit (p)	Group 1 & 2 Distribution per unit (p)	2018-19 Distribution per unit (p)
First interim	0.3401	0.4990	0.8391	1.0045
Second interim	0.3297	0.5107	0.8404	0.9736

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
7 August 2017	1,203,039,293		
MI distribution		86.05	124,485,546
QI distribution		86.05	940,153,994
QR distribution		80.64	355,775,513
7 August 2018	1,303,631,238		
MI distribution		82.65	177,857,756
QI distribution		82.64	1,076,076,515
QR distribution		76.96	347,450,131
7 August 2019	1,206,414,963		
MI distribution		79.18	217,674,936
QI distribution		79.17	1,025,423,893
QI accumulation*		101.44	658,952
QR distribution		73.26	302,475,825
7 February 2020	1,175,663,767		
MI distribution		81.41	225,264,445
QI distribution		81.41	955,273,350
QI accumulation		106.67	3,410,727
QR distribution		75.10	280,923,739

* Launched on 15 March 2019.

Ongoing charges

Class	7 February 2020
MI distribution	0.72%
QI distribution	0.72%
QI accumulation	0.72%
QR distribution	1.34%

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 QI distribution performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis High Income Fund	223.0	25.1	14.8	8.8	5.1
IA £ Strategic Bond NR Average	148.4	19.2	12.9	8.4	2.8
Position in sector	2/16	8/64	22/72	36/80	5/82
Quartile	1	1	2	2	1

Past performance is not a guide to the future.
*Source: Lipper Limited, data from 9 September 2002, when Artemis took over management of the fund, to 7 March 2008 reflects class QR distribution units and from 7 March 2008 to to 7 February 2020 reflects class QI distribution units. All figures show total returns with interest 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 sector benchmark.

Class QR distribution performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis High Income Fund	199.8	21.3	12.6	8.1	4.8
IA £ Strategic Bond NR Average	148.4	19.2	12.9	8.4	2.8

Past performance is not a guide to the future.
*Source: Lipper Limited, data from 9 September 2002, when Artemis took over management of the fund, class QR distribution units to 7 February 2020. All figures show total returns with interest 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 sector benchmark.

Update to investment objective and policy effective 30 April 2020

Objective	To provide a combination of a high level of income and capital growth, before fees, over a rolling five year period. The manager defines a high level of income as equal to, or in excess of, the average yield of the funds in the fund's Investment Association sector, the Strategic Bond sector.	
Investment policy	What the fund invests in	• 80% to 100% in bonds (of any credit quality). • Up to 20% in company shares. • The fund may also invest in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.
	Use of derivatives	The fund may use derivatives for efficient portfolio management purposes to: • reduce risk • manage the fund efficiently.
	Where the fund invests	• At least 60% in the United Kingdom • Up to 40% in other countries.
	Industries the fund invests in	• Any
	Other limitations specific to this fund	• At least 80% of the fund will be invested in assets denominated in sterling, or will be hedged back to sterling.

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