

7th March 2008

# Prospectus

Prepared in accordance with the rules contained in the Collective Investment Schemes Sourcebook ("COLL")

## 1. Definitions

### "Accumulation Units"

units in respect of which any income is retained and reflected in the value of each unit;

### "Approved Bank"

as defined, from time to time, in the Regulations;

### "COLL"

refers to the appropriate chapter or rule in the COLL Sourcebook;

### "the COLL Sourcebook"

the New Collective Investment Schemes Sourcebook issued by the FSA as amended from time to time;

### "Distribution Units"

units in respect of which any income is distributed to holders of those units;

### "EEA State"

a member state of the European Union and any other state which is within the European Economic Area;

### "Eligible Institution"

one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook;

### "the FSA"

the Financial Services Authority or any other regulatory body which may assume its regulatory responsibilities from time to time;

### "the FSA Handbook"

the FSA Handbook of Rules and Guidance, as amended from time to time;

### "the FSA Register"

the public record, as required by section 347 of the Financial Services and Markets Act 2000 of every:

- (a) authorised person;
- (b) AUT;
- (c) ICVC;
- (d) recognised scheme;
- (e) recognised investment exchange;
- (f) recognised clearing house;
- (g) individual to whom a prohibition order relates;
- (h) approved person; and
- (i) person within such other class (if any) as the FSA may determine; except as provided by any transitional provisions;

### "Funds"

Artemis Capital Fund, Artemis European Growth Fund, Artemis Global Growth Fund, Artemis High Income Fund, Artemis Income Fund, Artemis New Enterprises Fund, Artemis Strategic Bond Fund, Artemis UK Growth Fund, Artemis UK Smaller Companies Fund and Artemis UK Special Situations Fund;

### "Home State"

- (1) (in relation to a credit institution) the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive;

- (2) (in relation to an investment firm):
  - (a) where the investment firm is a natural person, the EEA State in which his head office is situated;
  - (b) where the investment firm is a legal person, the EEA State in which its registered office is situated or, if under its national law it has no registered office, the EEA State in which its head office is situated;
- (3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated;
- (4) (in relation to a market) the EEA State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the EEA State in which that body's head office is situated;
- (5) (in relation to a Treaty firm) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Act (Treaty rights);

### "Regulated Activities Order"

the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

### "Regulations"

the FSA Handbook (including the COLL Sourcebook);

### "Trust Deeds"

the trust deeds constituting the Funds, as amended from time to time in accordance with the COLL Sourcebook;

### "UCITS Directive"

the European Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (85/611/ECC);

### "UCITS Scheme"

a scheme constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK); and

### "Unitholder"

a holder of registered units in one or more of the Funds.

Defined terms in this Prospectus shall have the same meaning as they are given in the Regulations unless otherwise defined in this Prospectus.

## 2. Management and administration

### 2.1 The Manager

The Manager of the Funds is Artemis Fund Managers Limited, a private limited company incorporated in England on 11th February 1986. The Manager's issued share capital is £6,212,058 fully paid, and it is a subsidiary of Artemis Investment Management Limited, which is incorporated in Scotland.

The Manager's address is Cassini House, 57 St James's Street, London SW1A 1LD, which is both the head office and registered address.

The Directors of Artemis Fund Managers Limited are:

R J Turpin (Managing)

M R J Tyndall

J E Dodd

All of the above Directors are employed by Artemis Investment Management Limited (which is the parent company of Artemis Fund Managers Limited). Mark Tyndall is a director of Artemis Investment Management Limited, Artemis Asset Management Limited and a non-executive director of Cairn Energy Plc. John Dodd is a director of Artemis Investment Management Limited and Artemis Asset Management Limited.

The Manager is authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.

The Manager may delegate its management and administration functions to third parties including associates subject to the rules contained in the COLL Sourcebook.

## 2.2 The Trustee

The Trustee of all the Funds is The Royal Bank of Scotland plc, a public limited company incorporated in Scotland on 31st October 1984. The Trustee is a subsidiary of The Royal Bank of Scotland Group plc, incorporated in Scotland. The Trustee's registered office is at 36 St. Andrew Square, Edinburgh EH2 2YB and its head office is at Gogarburn, PO Box 1000, Edinburgh EH12 1HQ. Its principal address is The Royal Bank of Scotland Trustee & Depositary Services, The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ. Its principal activity is banking. The Trustee is authorised and regulated by the Financial Services Authority of the address set out above.

## 2.3 The Investment Adviser

The Investment Adviser to each Fund is Artemis Investment Management Limited which is incorporated in Scotland and whose registered address is 42 Melville Street, Edinburgh EH3 7HA.

The principal activity of the Investment Adviser is providing investment management services, and the agreement with the Manager provides for advising on the purchase, sale and variation of investments within the categories allowed. The Investment Adviser has authority to make all day to day investment decisions on behalf of the Manager but subject to further instructions which the Manager may give. The appointment of the Investment Adviser may be terminated by either party by giving three months' notice to the other party or such longer or shorter notice period as may be agreed between the parties. The appointment may also be terminated immediately by the Manager in a range of circumstances where it is in the best interests of the Unitholders to do so.

The Investment Adviser is authorised and regulated by the Financial Services Authority of the address set out above.

## 2.4 The Registrar

The Registrar is International Financial Data Services (UK) Limited. The Registrar's registered address is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS. The Register of holders of units in each of the Funds can be inspected at this address.

## 2.5 The Auditors

The Auditors are Ernst & Young LLP, Chartered Accountants and Registered Auditors, of Ten George Street, Edinburgh EH2 2DZ.

## 2.6 Fund Pricing

BNP Paribas Fund Services UK Limited of 55 Moorgate, London EC2R 6PA has been appointed to provide accounting and pricing functions for each Fund.

## 2.7 Administration

International Financial Data Services (UK) Limited, of IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS has been appointed as transfer agent.

## 3. Funds Under Management

The Funds covered by this Prospectus are:

Artemis Capital Fund, Artemis European Growth Fund, Artemis Global Growth Fund, Artemis High Income Fund, Artemis Income Fund, Artemis New Enterprises Fund, Artemis Strategic Bond Fund, Artemis UK Growth Fund, Artemis UK Smaller Companies Fund and Artemis UK Special Situations Fund.

## 4. The Constitution

Each Fund is constituted by a Trust Deed made between the Manager and the Trustee. The Funds are Authorised Unit Trust Schemes and comply with the conditions of the UCITS Directive as Authorised Unit Trusts and hold UCITS certificates. Unitholders are not liable for the debts of the Funds.

## 5. Investment Limitations

The limitations on the types of investments which may be included in the property of the Funds are those contained in the Regulations, as amended from time to time, and the Trust Deeds.

### 5.1 General rules of investment

The scheme property of the Funds will be invested with the aim of achieving the objective of each of the Funds but subject to the limits set out in Chapter 5 of COLL and this Prospectus. These limits apply to each of the Funds individually, as summarised below.

#### 5.1.1 Prudent spread of risk

The Manager must ensure that, taking account of the objective and investment policy of each of the Funds, the scheme property of each of the Funds aims to provide a prudent spread of risk.

#### 5.1.2 Cover

5.1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transaction or out of the retention would not cause any breach of any limits in Chapter 5 of COLL, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.

5.1.2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

- it must be assumed that in applying any of those rules, a Fund must also simultaneously satisfy any other obligation relating to cover; and
- no element of cover may be used more than once.

#### 5.1.3 Transferable securities

5.1.3.1 A transferable security is an investment falling within article 76 (shares etc), article 77

(instruments creating or acknowledging indebtedness), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “Regulated Activities Order”)

- 5.1.3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 5.1.3.3 In applying paragraph 5.1.3.2 of this Section 5 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 5.1.3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

## 5.2 UCITS Schemes - general

- 5.2.1 The scheme property of each of the Funds must, except where otherwise provided in Chapter 5 of COLL or as otherwise set out in this Prospectus, only consist of any or all of:
  - 5.2.1.1 transferable securities;
  - 5.2.1.2 permitted money market instruments;
  - 5.2.1.3 permitted derivatives and forward transactions;
  - 5.2.1.4 permitted deposits; and
  - 5.2.1.5 permitted units in collective investment schemes.
- 5.2.2 Transferable securities and money market instruments held within the Funds must (subject to paragraph 5.2.5 of this Section 5) be admitted to or dealt on an eligible market as described below.
- 5.2.3 Not more than 10% in value of the scheme property of each of the Funds is to consist of transferable securities, which are not approved securities.
- 5.2.4 Not more than 10% in the value of the scheme property of each of the Funds is to consist of money market instruments which do not fall within paragraph 5.8 below.
- 5.2.5 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of a Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk in paragraph 5.1.1 of this Section 5 is complied with.

## 5.3 Eligible Markets Regime: purpose

- 5.3.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality (“eligible”) at the time of acquisition of each investment and until it is sold.

5.3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

- 5.3.3 A market is eligible for the purposes of the rules if it is:
  - 5.3.3.1 a regulated market as defined in the Regulations; or
  - 5.3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 5.3.4 A market not falling within paragraph 5.3.3 of this Section 5 is eligible for the purposes of Chapter 5 of COLL if:
  - 5.3.4.1 the Manager, after consultation and notification with the Trustee, decides that market is appropriate for investment of, or dealing in, the scheme property;
  - 5.3.4.2 the market is included in a list in the Prospectus; and
  - 5.3.4.3 the Trustee has taken reasonable care to determine that:
    - (a) adequate custody arrangements can be provided for the investments dealt in on that market; and
    - (b) all reasonable steps have been taken by the Manager in deciding whether that market is eligible.

5.3.5 In paragraph 5.3.4 of this Section 5, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

## 5.4 Spread: general

- 5.4.1 This paragraph 5.4 does not apply to government and public securities.
- 5.4.2 For the purposes of this requirement, companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 5.4.3 Not more than 20% in value of the scheme property of each of the Funds is to consist of deposits with a single body.
- 5.4.4 Not more than 5% in value of the scheme property of each of the Funds is to consist of transferable securities or money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the scheme property. For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 5.4.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of each of the Funds. This limit is raised to 10% where the counterparty is an Approved Bank.
- 5.4.6 Not more than 20% in value of the scheme property of each of the Funds is to consist of transferable securities and money market instruments issued by the same group.

- 5.4.7 No more than 5% of the scheme property of each of the Funds will be invested in collective investment schemes.
- 5.4.8 In applying the limits in paragraphs 5.4.3, 5.4.4 and 5.4.5 of this Section 5 not more than 20% in value of the scheme property of each of the Funds is to consist of any combination of two or more of the following:
- 5.4.8.1 transferable securities or money market instruments issued by; or
- 5.4.8.2 deposits made with; or
- 5.4.8.3 exposures from OTC derivatives transactions made with a single body.
- 5.4.9 For the purpose of calculating the limits in paragraph 5.4.5 and 5.4.8, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
- 5.4.9.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- 5.4.9.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 5.4.9.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- 5.4.9.4 can be fully enforced by the relevant Fund at any time.
- 5.4.10 For the purpose of calculating the limits in paragraph 5.4.5 and 5.4.8, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 5.4.10.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
- 5.4.10.2 are based on legally binding agreements.
- 5.4.11 In applying this paragraph 5.4, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets both of the following conditions:
- 5.4.11.1 it is backed by an appropriate performance guarantee; and
- 5.4.11.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 5.5 Spread: government and public securities**
- 5.5.1 This paragraph 5.5 applies to government and public securities ("such securities").
- 5.5.2 Where no more than 35% in value of the scheme property of each of the Funds is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 5.5.3 The Funds may each invest more than 35% in value of the scheme property in such securities issued by any one body provided that:
- 5.5.3.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the objectives of the relevant Fund;
- 5.5.3.2 no more than 30% in value of the scheme property consists of such securities of any one issue;
- 5.5.3.3 the scheme property includes such securities issued by that or another issuer, of at least six different issues; and
- 5.5.3.4 the disclosures required by the FSA have been made.
- 5.5.4 Over 35% of the scheme property of each of the Funds may be invested in government and public securities issued by or on behalf of or guaranteed by the Government of the United Kingdom, the Scottish Administration, the National Assembly of Wales, the Executive Committee of the Northern Ireland Assembly or the Governments of Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United States of America. In relation to such securities:
- 5.5.4.1 "issue", "issued" and "issuer" include "guarantee", "guaranteed" and "guarantor"; and
- 5.5.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 5.6 Investment in collective investment schemes**
- 5.6.1 Up to 5% in value of the property of each Fund may be invested in units or shares in other collective investment schemes (each a "Second Scheme") provided that such Second Scheme satisfies all of the following conditions:
- 5.6.1.1 The Second Scheme must:
- (a) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (b) be recognised under the provisions of section 270 of the Financial Services and Markets Act 2000; or
- (c) be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or
- (d) be authorised in another EEA State provided the requirements of Article 19(1)(e) of the UCITS Directive are met;
- 5.6.1.2 The Second Scheme has terms which prohibit more than 10% in value of its scheme property consisting of units in collective investment schemes.
- 5.6.2 Investment may only be made in other collective investment schemes managed by the Manager or an associate of the Manager if the Funds' Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with. The Funds may invest in collective investment schemes managed or operated by or whose manager is Artemis Fund Managers Limited or an associate of Artemis Fund Managers Limited.
- 5.7 Investment in warrants and nil and partly paid securities**
- 5.7.1 Where a Fund invests in a warrant, the exposure created by the exercise of the right conferred by the warrant

must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R “Spread: General”; and COLL 5.2.12R “Spread: government and public securities”).

- 5.7.2 A transferable security or a money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Fund, at the time when payment is required, without contravening the rules in Chapter 5 of COLL.
- 5.7.3 A warrant which is an investment falling within article 80 of the Regulated Activities Order (“certificates representing certain securities”) and which is akin to an investment falling within article 79 (“instruments giving entitlement to investments”) of the Regulated Activities Order may not be included in the scheme property unless it is listed on an eligible market.
- 5.7.4 No more than 5% of the value of the property of a Fund may be invested in warrants.

## 5.8 Investment in money market instruments

- 5.8.1 Each Fund may invest in money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided:
  - 5.8.1.1 the money market instrument is listed on or normally dealt on an eligible market; or
  - 5.8.1.2 the money market instrument is issued or guaranteed by a central, regional or local authority, a central bank of an EEA State, the European Central Bank, the European Union or the European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or issued by a body, any securities of which are dealt in on an eligible market; or issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by EU law or by an establishment which is subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by EU law.

## 5.9 Derivatives

### 5.9.1 Derivatives: general

**Derivatives may be used for specific investment purposes in addition to being used for efficient portfolio management. Whilst the Manager does not expect to use derivatives aggressively, this may lead to a higher volatility in the unit price of the Funds. However, it is the Manager's intention that the Funds will not have volatility over and above the general volatility of the markets of the Funds' underlying investments owing to their use of derivatives and/or forward transactions in the pursuit of their objectives. It is not the Manager's intention that the use of derivatives and forward transactions in the pursuit of the Funds' objectives will cause their risk profiles to change.**

A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 5.9.2 below; and the transaction is covered, as required by paragraph 5.9.8.

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits in paragraphs 5.4 and 5.5 except for index-based derivatives where the rules below apply.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

Where a Fund invests in an index-based derivative, provided the relevant index falls within COLL 5.2.32 (“Schemes replicating an index”) the underlying constituents of the index do not have to be taken into account for the purposes of paragraphs 5.4 and 5.5. The relaxation is subject to the Manager continuing to ensure that the scheme property of each Fund provides a prudent spread of risk.

### 5.9.2 Permitted transactions (derivatives and forwards)

A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 5.9.5.

A transaction in a derivative must have an underlying consisting of any or all of the following to which a Fund is dedicated: transferable securities, money market instruments, deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 5.6, financial indices, interest rates, foreign exchange rates, and currencies.

A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

A transaction in a derivative must not cause a Fund to diverge from its objectives as stated in the Trust Deed constituting the Fund and the most recently published version of this Prospectus.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units in collective investment schemes, or derivatives.

Any forward transaction must be with an Eligible Institution or an Approved Bank.

### 5.9.3 Transactions for the purchase of property

A derivative or forward transaction (which is a permitted transaction under paragraph 5.9.2) which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of a Fund, and the Manager, having taken reasonable care, determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

### 5.9.4 Requirement to cover sales

5.9.4.1 No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by that Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by that Fund at the time of the agreement. This requirement does not apply to a deposit.

5.9.4.2 Paragraph 5.9.4.1 does not apply where:

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another

- financial instrument and the underlying financial instrument is highly liquid; or
- (b) the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the scheme property which falls within one of the following asset classes:
- (i) cash;
- (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
- (iii) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

5.9.4.3 In the asset classes referred to in 5.9.4.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

#### 5.9.5 OTC transactions in derivatives

Any transaction in an OTC derivative under this paragraph 5.9.5 must be:

5.9.5.1 a future or an option or a contract for differences; and

5.9.5.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange; and

5.9.5.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Trustee is satisfied that the counterparty has agreed with the Manager: to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any other time at the request of the Manager; and that it will, at the request of the Manager, enter into a further transaction to close out that transaction at any time, at a fair value arrived at under the pricing model or other reliable basis agreed under the following paragraph; and

5.9.5.4 capable of valuation; a transaction in derivatives is capable of valuation only if the Manager, having taken reasonable care, determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy either on the basis of the pricing model which has been agreed between the Manager and the Trustee or on some other reliable basis reflecting an up-to-date market value which has been so agreed.

#### 5.9.6 Risk management: derivatives

The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and

measure as frequently as appropriate the risk of a Fund's derivatives and forwards positions and their contribution to the overall risk profile of that Fund. The risk management process has been notified to the FSA.

#### 5.9.7 Derivative exposure

Each Fund may invest in derivatives and forward transactions as long as the exposure to which that Fund is committed by that transaction itself is suitably covered from within its scheme property. Exposure will include any initial outlay in respect of that transaction. Cover ensures that a Fund is not exposed to the risk of loss of scheme property, including money, to an extent greater than the net value of the scheme property. Therefore, a Fund must hold scheme property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Fund is committed. Paragraph 5.9.8 sets out detailed requirements for cover of a Fund.

A future is to be regarded as an obligation to which a Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the Fund is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

Cover used in respect of one transaction in derivatives or a forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

#### 5.9.8 Cover for transactions in derivatives and forward transactions

A transaction in derivatives or a forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which a Fund is or may be committed by another person is covered globally. Exposure is covered globally if adequate cover from within the scheme property is available to meet that Fund's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions. Cash not yet received into the scheme property but due to be received within one month is available as cover. Scheme property which is the subject of a stock lending transaction is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required. The total exposure relating to derivatives held in a Fund may not exceed the net value of the scheme property.

#### 5.10 Cover and borrowing

Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous paragraph 5.9.8 as long as the normal limits on borrowing (see paragraph 5.17) are observed.

Where, for the purposes of this paragraph, a Fund borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount

in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this paragraph 5.10 applies as if the borrowed currency, and not the deposited currency, were part of the property, and the normal limits on borrowing under paragraph 5.17 do not apply to that borrowing.

#### 5.11 Investment in deposits

The Funds may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and mature in no more than 12 months.

#### 5.12 Significant influence

5.12.1 The Manager must not acquire or cause to be acquired for the Funds transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

- (a) immediately before the acquisition, the aggregate of any such securities held by a Fund, taken together with any such securities already held for other trusts for which it is the Manager, gives the Manager power significantly to influence the conduct of business of that body corporate; or
- (b) the acquisition gives the Manager that power.

5.12.2 The Manager is to be taken to have power to significantly influence the conduct of business of a body corporate if it can, because of the transferable securities held for all trusts for which it is the Manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

#### 5.13 Concentration

Each of the Funds:

5.13.1 must not acquire transferable securities other than debt securities which:

- 5.13.1.1 o not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
- 5.13.1.2 represent more than 10% of those securities issued by that body corporate;

5.13.2 must not acquire more than 10% of the debt securities issued by any single body;

5.13.3 must not acquire more than 25% of the units in a collective investment scheme;

5.13.4 must not acquire more than 10% of the money market instruments issued by any single body; and

5.13.5 need not comply with the limits in paragraphs 5.13.2, 5.13.3 and 5.13.4 if at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

#### 5.14 General

5.14.1 It is not intended that any Fund will have an interest in any immovable property or tangible movable property.

5.14.2 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the Manager or an associate of the Manager, the Manager must pay to the Fund by the close of business on the fourth business day the amount

of any initial charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

5.14.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by a Fund if the consent of the Trustee is obtained in writing but, in the event of a consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Unitholders.

#### 5.15 Stock lending

5.15.1 The Trustee, at the request of the Manager, may enter into certain stock lending arrangements in respect of a Fund. Such arrangements are those where the Trustee delivers securities to a third party in return for which it is agreed that those securities or securities of the same kind and amount should be redelivered to the Trustee at a later date. The Trustee at the time of delivery receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of the property of the Fund which may be the subject of stock lending arrangements.

5.15.2 Such arrangements must always comply with the requirements of the Taxation of Chargeable Gains Act 1992 and the requirements of the COLL Sourcebook and the Guidance on stock lending issued by the FSA as amended from time to time.

#### 5.16 Underwriting

5.16.1 Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of a Fund.

#### 5.17 Borrowing powers

5.17.1 The Trustee may, on the instructions of the Manager subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of a Fund on terms that the borrowing is to be repayable out of the scheme property.

5.17.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis.

5.17.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the relevant Fund.

5.17.4 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

#### 5.18 Cash

5.18.1 Cash and near cash must not be retained in the scheme property of each of the Funds except to the extent that this may reasonably be regarded as necessary in order to enable:

- 5.18.1.1 the pursuit of the relevant Fund's objectives; or
- 5.18.1.2 redemption of units; or
- 5.18.1.3 efficient management of the relevant Fund in accordance with its objectives; or
- 5.18.1.4 other purposes which may reasonably be

regarded as ancillary to the objectives of the relevant Fund.

5.18.2 During the period of an initial offer the scheme property of a Fund may consist of cash and near cash without limitation.

#### 5.19 Guarantees and Indemnities

5.19.1 The Trustee for the account of the Funds must not provide any guarantee or indemnity in respect of the obligation of any person.

5.19.2 None of the scheme property of a Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

5.19.3 These requirements do not apply to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used accordance with COLL 5, or in respect of a Fund an indemnity given to a person winding up a body corporate or other scheme in circumstances where those assets are becoming part of the scheme property by way of a unitisation.

### 6. Typical Investor Profile

The Funds are marketable to all retail investors and as appropriate to pension funds and other institutional investors.

### 7. Past Performance

Appendix B contains details of the Funds' past performance.

### 8. Characteristics of Units in the Funds

8.1 The Trust Deeds provide for different classes of unit to be established in each Fund. Each such class may vary by factors such as their fee structure. Each of the Funds (except for the Artemis Strategic Bond Fund - see below) issue Class R units. The Artemis European Growth Fund, Artemis Global Growth Fund, Artemis High Income Fund, Artemis Income Fund and Artemis UK Special Situations Fund also issue Class I units. Class R units and Class I units are distinguished by their criteria for subscription (please see section 15 and Appendix A). In addition, within each class there may be made available both Distribution Units and Accumulation Units. The types currently available in each Fund are as set out in Appendix A. With Accumulation Units, the net income is not distributed but retained within the relevant Fund increasing the value of each Accumulation Unit but leaving the number of units held unchanged. With Distribution Units, the net income is paid to holders of those units.

8.2 Artemis Strategic Bond Fund issues Class MR, Class QR, Class MI and Class QI units, distinguished by their criteria for subscription and frequency of income distributions (please see section 15 and Appendix A).

8.3 Class I, Class MI and Class QI units are only available to such investors as the Manager shall determine from time to time at the Manager's sole discretion.

8.4 The Trust Deeds allow gross Distribution and gross Accumulation Units to be issued as well as net Distribution and net Accumulation Units. Net units are units in respect of which income allocated to them is distributed periodically to the relevant Unitholders (in the case of Distribution Units) or credited periodically to capital (in the case of Accumulation Units), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the relevant Fund. Gross

units are Distribution or Accumulation Units where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the relevant Fund. Currently, however, only net Distribution and net Accumulation Units are available, and all references in this Prospectus to Distribution and Accumulation Units are to net Distribution and net Accumulation Units.

8.5 If you invest in Artemis Strategic Bond Fund, in particular, you need to be aware that the level of your income and the investment can fluctuate. Whilst investing in the monthly distributing unit classes (Class MR and Class MI units) will produce a regular income, it may constrain the potential for capital growth in comparison to the quarterly distributing unit classes (Class QR and Class QI units). Because Class QR and Class QI distribute quarterly they effectively invest more in the Fund than Class MR and Class MI which means that they will experience proportionally larger gains in a rising market, and proportionally larger losses in a falling market, than Class MR and Class MI units. The different unit classes may suit the needs of different investors. If you are unsure which unit class is most appropriate to your needs we recommend that you seek advice from a professional adviser. The Manager and the Trustee will monitor the administration of Artemis Strategic Bond Fund to ensure that all unitholders are treated fairly regardless of which class they are invested in, but taking into consideration the inherent differences between the classes due to their different distribution frequencies.

8.6 The holders of units in each Fund are entitled to participate in the property of the Fund and the income thereof *pari passu* with the other Unitholders. Title to the units in each Fund will be evidenced by entry of each Unitholder's name and address on the relevant register of Unitholders.

8.7 Further classes of units may be established by the Manager with the approval of the FSA, the agreement of the Trustee and in accordance with the Trust Deeds. On the introduction of any new class, a revised Prospectus will be prepared setting out the detail of each class.

8.8 Where a Fund has different classes, each class may attract different charges and so monies may be deducted from that Fund's property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes to the relevant Fund's total scheme property will be adjusted accordingly.

8.9 Unitholders are entitled (subject to certain restrictions) to convert all or part of their units in a class for units in another class within the same or another Fund. Details of this conversion facility and the restrictions are set out below.

8.10 The nature of the right represented by units is that of a beneficial interest under a trust.

8.11 The base currency of each of the Funds is pounds sterling and units are priced in pounds sterling.

### 9. Converting Between Units within a Fund

A Unitholder in a Fund may at any time convert all or some of his units of one class or type (the "Original Units") for units of another class or type (the "New Units") in the Fund, subject to certain restrictions including meeting the subscription criteria for the relevant class (please see sections 8 and 15 for more information). The Manager will not normally make a charge on converting

between classes. A conversion between different types of units e.g. between accumulation and distribution units or between Class R units and Class I units, will not incur any charges.

Unitholders may be required to provide written instructions to the Manager (which, in the case of joint Unitholders must be signed by all the joint Unitholders) before a conversion is effected. Any request for a conversion must be received by the earlier of the relevant dealing cut off points for both the redemption of Original Units and for the acquisition of the New Units.

The number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the valuation point applicable at the time the Original Units are redeemed and the New Units are issued.

Conversion of the Original Units specified in a conversion notice shall take place at the first valuation point after the conversion notice is received or deemed to have been received by the Manager or at such other valuation point as the Manager at the request of the Unitholder giving the relevant conversion notice may determine. For the purposes of this clause and for the avoidance of doubt, the Manager shall be construed as the Unitholder of all units in the Scheme which are in issue and in respect of which no other person's name is entered on the register of Unitholders.

The Manager shall determine the number of new units to be issued or sold to the Unitholder on a conversion in accordance with the following formula:

$$N = \frac{O \times (CP \times ER)}{SP}$$

where:

- N is the number of New Units to be issued or sold (rounded down to three decimal places);
- O is the number of Original Units specified (or deemed to be specified) in the conversion notice which the holder has requested to convert;
- CP is the price at which a single Original Unit may be cancelled or redeemed as at the valuation point applicable to the cancellation or redemption as the case may be;
- ER is 1, where the Original Units and the New Units are designated in the same currency and, in any other case, is the exchange rate determined by the Manager in its absolute discretion (subject to the COLL Sourcebook) as representing the effective rate of exchange between the two relevant currencies as at the date the conversion notice is received (or deemed to have been received) by the Manager having adjusted such rate as may be necessary to reflect any costs incurred by a Fund in making any transfer of assets as may be required as a consequence of such a conversion being effected; and
- SP is the price at which a single New Unit may be issued or sold as at the valuation point applicable to the cancellation or redemption as the case may be.

The Manager may adjust the number of New Units to be issued or sold to reflect the imposition of any conversion charges (as set out above) together with any other charges or levies in respect of the issue or sale of the New Units or cancellation or redemption of the Original Units as may be made without infringement of the COLL Sourcebook.

If the conversion would result in the Unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding in the class concerned, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Original Units to New Units (and make a charge on such conversion) or refuse to effect any

conversion of the Original Units. No conversion will be allowed during any period when the right of Unitholders to require the redemption of their units is suspended. A conversion between units within a fund may be subject to income equalisation as referred to in Paragraph 20.2. A conversion of units within the same scheme is not treated as a disposal for the purposes of taxation of capital gains. A Unitholder who converts between classes of units will not be given a right by law to withdraw from or cancel the transaction.

## 10. Switching Between Funds

Switches between Funds are permitted at the discretion of the Manager where the investor meets the investment criteria of the unit class into which he wishes to switch. The Manager may at its discretion make a charge on switching of units between Funds, including any applicable SDRT provision.

Unitholders may be required to provide written instructions to the Manager (which, in the case of joint Unitholders must be signed by all the joint Unitholders) before switching is effected. Any request for switching must be received by the earlier of the relevant dealing cut off points for both the redemption of Original Units and for the acquisition of the New Units.

No switch will be allowed during any period when the right of Unitholders to require the redemption of their units is suspended. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch.

Written instructions must be received by the Manager before the dealing cut off point in the Fund concerned to be dealt with at the prices at the relevant valuation point on that dealing day or the next dealing day, or on the next dealing day following a suspension of units in the Fund. Switching requests received after a dealing cut off point will be held over until the next day which is a dealing day in each of the relevant Funds.

Where a request is to switch between unit trusts with a choice of unit classes, then the switch will be made to units of the same class in the new unit trust, and where both such classes have a redemption charge, the redemption charge will not be applied. When switching from a unit trust with a redemption charge to one without, the redemption charge will be applied. The initial fee will be applied when switching into a unit trust with an initial charge.

Please note that a switch of units in one Fund for units in any other Fund is treated as a redemption of the Original Units and a purchase of New Units and will, for persons subject to United Kingdom taxation, be a disposal for the purposes of taxation of capital gains. Unitholders may wish to seek professional advice in relation to their tax status.

A Unitholder who switches between Funds will not be given a right by law to withdraw from or cancel the transaction.

## 11. Unitholder Meetings

11.1 The provisions below, unless the context otherwise requires, apply to class meetings as they apply to general meetings of each of the Funds, but by reference to units of the class concerned and the Unitholders and value and prices of such units.

11.2 The Manager may requisition a general meeting at any time. Subject to certain conditions, Unitholders may also requisition a general meeting of a Fund in which they hold units. A requisition by Unitholders must state the objects of the meeting, be dated, be signed by Unitholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all units then in issue in

that Fund and the requisition must be deposited at the office of the Trustee. The Manager must convene a general meeting no later than eight weeks after receipt of such a requisition.

- 11.3 Unitholders will receive at least 14 days' notice of a general meeting of a Fund in which they hold units and are entitled to be counted in the quorum and vote at such a meeting either in person or by proxy. The quorum for a meeting is two Unitholders, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Unitholders of the relevant Fund at their registered addresses.
- 11.4 At a general meeting, on a show of hands every Unitholder in that Fund who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.
- 11.5 On a poll vote, Unitholders may vote either in person or by proxy in relation to the units which they hold. The voting rights attaching to each unit are such proportion of the voting rights attached to all the units in issue that the price of the unit bears to the aggregate price of all the units in issue at a reasonable date before the notice of meeting is sent out, such date to be decided by the Manager.
- 11.6 A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
- 11.7 In the case of joint Unitholders, the vote of the most senior Unitholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Unitholders. For this purpose seniority must be determined by the order in which the names stand in the register of Unitholders.
- 11.8 Except where the Regulations or the Trust Deeds require an extraordinary resolution (which needs at least 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the Regulations will be passed by a simple majority of the votes validly cast for and against the resolution.
- 11.9 The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the Regulations) of the Manager is entitled to vote at any meeting of a Fund except in respect of units which the Manager or such associate holds on behalf of or jointly with a person who, if the registered Unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.
- 11.10 Where all the units in a Fund are registered to, or held by, the Manager or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Trustee, instead be passed with the written consent of Unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the units in issue.
- 11.11 "Unitholders" in this context means Unitholders entered on the relevant Fund's register at a time to be determined by the Manager and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## 12. Income Allocations

- 12.1 The annual and interim accounting periods of the Funds end each year on the dates set out in Appendix A. Allocations of income are made in respect of the income available for allocation in each relevant accounting period. The Trustee shall allocate the amount of income available between the classes of units in issue in each Fund at the end of the relevant accounting period.
- 12.2 Distributions of income for the Funds are paid on or before the relevant annual income allocation date and on or before the relevant interim income allocation dates.
- 12.3 In respect of Accumulation Units, the income will become part of the capital property of the relevant Fund as at the end of the relevant annual accounting period to increase the value of each unit.
- 12.4 For Artemis Strategic Bond Fund, Class QR and Class QI units will go ex-dividend on 31 March, 30 June, 30 September and 31 December. Any income will then be either distributed (in the case of Distribution Units) or transferred to the capital property of the Fund (in the case of Accumulation Units) on the next income allocation date (a month following the ex-dividend date). Class MR and Class MI units will go ex-dividend on the last day of each calendar month. Any income will then be either distributed (in the case of Distribution Units) or transferred to the capital property of Artemis Strategic Bond Fund (in the case of Accumulation Units) on the last day of the following month (the Income Allocation Date). Allocation of income to holders of Accumulation Units will be transferred to the capital property of Artemis Strategic Bond Fund on the relevant income allocation date and be reflected in the value of units on the first business day following that income allocation date. Unless advised otherwise, the Manager will distribute the income attributable to Distribution Units. This will be paid directly into the Unitholder's bank account on or before the relevant allocation dates shown in Appendix A. Where such Unitholders have not provided bank account details, income will be reinvested in new units until such bank account details have been received by the Manager. Included in the price of units will be an income equalisation amount representing the value of income attributable to the unit in question accrued since the end of the last accounting period (interim or final as the case may be). For more information on equalisation please see paragraph 20.2.
- 12.5 If a distribution remains unclaimed for a period of six years after it has become due it will be forfeited and will revert to the relevant Fund.
- 12.6 The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of a Fund in respect of that period, and deducting the aggregate of the Manager's and Trustee's remuneration for that Fund and other payments properly paid or payable out of the income account in respect of that accounting period and adding the Manager's best estimate of any relief from tax on that remuneration and those other payments. The Manager then makes such other adjustments as it considers appropriate (and after consulting the Auditors as appropriate) in relation to taxation of the proportion of the prices received or paid for units that is related to income (taking into account any provisions in the Trust Deed relating to income equalisation), potential income which is

unlikely to be received until 12 months after the income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters. Distributions are paid by crediting a Unitholder's bank or building society account.

- 12.7 In the case of Class MR and Class MI units and Class QR and Class QI units in Artemis Strategic Bond Fund, where there are Distribution Units, and in the case of any other unit class in any other Fund where the Manager may, from time to time, consider it appropriate, it is the Manager's policy to smooth the income payments during the accounting year with the balance of income (if any) being paid in respect of the final distribution period of an annual accounting period.

Income relating to a Fund is allocated at each valuation point among unit classes in that Fund in proportion to the value of each unit class relative to the value of the entire Fund as at the immediately preceding valuation point including any unit issue and cancellation movements applied at the immediately preceding valuation point.

### 13. Valuation of Property

- 13.1 The property of each Fund is valued regularly, in accordance with the provisions set out in Appendix C, for the purpose of determining prices at which units may be sold and redeemed by the Manager. The valuations will be as at 12 noon on each business day for the purposes of determining prices at which units may be bought or sold. The Manager may determine that any business day shall not be a business day. Such a determination would generally only be made in respect of a particular day if that day were a holiday on a stock exchange which was the principal market for a significant portion of a Fund's portfolio of securities (namely, its assets other than cash, deposits and short term paper) or was a holiday elsewhere which impeded the calculation of the fair market value of the portfolio.

- 13.2 Prices are calculated on an offer basis (for the purposes of calculating the issue price of a unit) or a bid basis (for the purposes of calculating the cancellation price of a unit) respectively. The price at which the Manager sells units (the offer price), may not exceed the issue price of units plus the Manager's initial charge. The price at which the Manager redeems units (the bid price) will not be less than the cancellation price (less any redemption charge and any SDRT provision). The bid price will not exceed the relevant issue price.

Large deals, see paragraph 15.11, may be carried out at a higher offer price or a lower bid price than those published, provided these prices do not exceed the relevant maximum and minimum parameters set out in the paragraph above.

- 13.3 The Manager will, upon completion of each valuation, notify the Trustee of the issue price, the cancellation price, the maximum offer price and the minimum bid price of units of each class.
- 13.4 The price per unit at which units are issued or cancelled is calculated by taking the proportion, attributable to the units of the class in question, of the value on the issue basis (when calculating the issue price per unit) or the cancellation basis (when calculating the cancellation price per unit) of the scheme property by reference to the most recent valuation, computing the number of units of the

relevant class in issue immediately before that valuation and dividing the total by that number of units. Any initial charge or redemption charge, (or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

- 13.5 The Manager may change the time for the valuation point in accordance with the Regulations. The Manager reserves the right to revalue the property of each Fund at any time at its discretion. Valuations are in two parts, one on an offer basis (which will form the basis for the price at which units are sold) and the other on a bid basis (which will form the basis for the price at which units are redeemed). For the purposes of calculating the Manager's and Trustee's periodic charges, the property of the Funds is valued on a mid-market basis.

- 13.6 Where permitted and subject to the Regulations, the Manager may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

### 14. Charges and Expenses

All fees and expenses payable out of the property of the Funds or by Unitholders are set out in this section. All charges and expenses, with the exception of the Manager's initial charge, are charged to the Funds. The Manager's initial charge is included in the issue price of each unit.

- 14.1 The Manager

The Trust Deeds permit the Manager to include in the sale price of units an initial charge. These charges are as set out in Appendix A.

The Manager is also remunerated by way of an annual management charge calculated daily by reference to the mid-market value of the property of each Fund and which is payable monthly. The current annual management charges for each of the Funds are as set out in Appendix A.

In the case of Artemis High Income Fund and Artemis Income Fund, which have been structured so as to concentrate on the generation of income as an equal or higher priority than capital growth, the whole of the annual management charge will be charged to the capital of the Funds. Whilst this will increase the amount of income available for distribution in those Funds, it may constrain or erode capital growth.

Under the terms of each of the Trust Deeds the Manager is entitled to make a charge on the redemption of units. At present the Manager does not make such a charge.

The Manager cannot levy these charges or increase the rates except in accordance with the Regulations.

- 14.2 The Trustee

The Trustee will be remunerated for its services by a periodic charge calculated and payable out of the scheme property of each of the Funds. This charge is based upon the mid-market value of each Fund. This fee is calculated, accrued and paid on the same basis as the Manager's remuneration, set out in section 14.1 above and is subject to Value Added Tax ("VAT"). For each Fund, the fee is 0.02% in respect of the first £100m of scheme property and 0.01% thereafter. The current rate of the Trustee's remuneration may only be increased in accordance with the Regulations.

The Trust Deeds also authorise payment to the Trustee out of the property of each Fund for transaction charges referable to dealing in investments and derivatives ("Transaction Charges") and fees for custody services ("Custody Charges"). These charges vary according to the countries in which the dealing takes place and custody services are rendered. The current range of Transaction Charges is £7.50 to £100 per transaction, and relates to fees levied by the custodian in order to settle deals within each respective marketplace.

The current range of annual Custody Charges is 0.004% per annum to 0.50% of the amount invested in the geographic region to which the Custody Charge relates, and relates to fees levied by the Custodian in respect of the safekeeping of the assets. The Transaction Charges are paid monthly and Custody Charges are accrued and settled monthly. The current rate of the Transaction and/or Custodian Charges may only be increased in accordance with the Regulations.

- 14.3 Other expenses payable out of the property of each Fund are as follows and are determined where appropriate by agreement with the parties involved:
- (a) The Registrar's fee for all the Funds is currently at an annual rate of £13.00 per registered account plus expenses and disbursements. The Registrar's fee is payable monthly in arrears on the total accounts held at the month end.  
The current rate of the Registrar's fee may only be increased in accordance with the Regulations;
  - (b) Brokers' commission, fiscal charges and other disbursements which are necessarily incurred in effecting transactions for each Fund;
  - (c) Interest on borrowings permitted by each Fund and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
  - (d) Taxation and duties payable in respect of the property of each Fund, the Trust Deed or the issue of units and any Stamp Duty Reserve Tax charged in accordance with Schedule 19 of the Finance Act 1999 (or any statutory notification or re-enactment thereof);
  - (e) The costs of removing any obsolete provisions from the Trust Deed of each Fund;
  - (f) Any costs incurred in respect of meetings of Unitholders convened for any purpose;
  - (g) The audit fee properly payable to the Auditors and VAT thereon and any proper expenses of the Auditors;
  - (h) The fees of the Financial Services Authority (FSA) in accordance with the FSA's Fee Manual and the corresponding fees of any regulatory authority in any country or territory outside the United Kingdom in which units in each Fund are or may be marketed;
  - (i) Liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances specified in the Regulations;
  - (j) Any costs incurred in connection with obtaining a guarantee for a Fund's capital value;
  - (k) Any fees, expenses or disbursements of any legal or other professional adviser of a Fund;
  - (l) Any costs incurred in publishing the price of units in a national or other newspaper or in any other form of media;
  - (m) Any costs incurred in preparing, translating, producing

(including printing), distributing and modifying a Trust Deed, the Prospectus, the Simplified Prospectus (apart from the costs of distributing the Simplified Prospectus) or reports (including obtaining valuations), accounts, statements, contract notes and other documentation, or any other relevant document required under the Regulations; and

- (n) Any costs incurred in the administration of a Fund, including any fees, expenses or disbursements of the Administrator, costs incurred in respect of fund accounting and obtaining fund prices, any costs incurred in producing and dispatching payments made by the Funds and any costs incurred in development, purchasing or maintaining fund administration and fund accounting systems including software.

Any fees or expenses shall, where applicable, be increased to include VAT thereon at the prevailing rate. The Manager's initial and management charges are not currently subject to VAT, but in the event of such tax being reimposed the Trust Deed authorises that this may be levied against the property of the Fund.

## 15. The Sale And Redemption Of Units

- 15.1 The Manager will be available to receive requests for the sale and redemption of units during normal business hours, 8.00am to 6.00pm, excluding weekends, public and bank holidays.
- 15.2 Units will be sold by the Manager upon receipt of orders either by telephone, letter, facsimile, application form or other form of communication which the Manager deems acceptable, at a price as determined under 15.5 below. Units may be purchased directly from the Manager or through a financial adviser. Certificates are not issued to investors purchasing units in a Fund. Instead, Unitholders will be sent six-monthly statements as at April and October each year detailing holdings and transactions executed during the period.
- 15.3 The minimum holding of units in Class R and Class QR is £1,000. The minimum amount which may be redeemed is £1,000 and a redemption must not reduce a holding below £1,000. The minimum lump sum investment in Class R and Class QR is £1,000. For each of the Funds, a Unitholder's holding in Class R or Class QR may be increased by subsequent investments of £1,000 or more in value (for Unitholders investing through a regular savings plan the minimum subsequent investment is £50 per month).  
Class MR units have a minimum holding and lump sum investment amount of £25,000. The minimum amount which may be redeemed is £1,000 and a redemption must not reduce a holding below £25,000. The minimum subsequent investment amount for Class MR units is £1,000.  
The minimum holding of units in Class I, Class MI and Class QI is £10,000,000. The minimum amount which may be redeemed is £500,000 and a redemption must not reduce a holding below £10,000,000. The minimum lump sum investment in Class I, Class MI and Class QI is £10,000,000. For each of the Funds, a Unitholder's holding in Class I, Class MI and Class QI may be increased by subsequent investments of £250,000 or more in value. The Manager may, at its sole discretion, decide to waive any of the above investment minimums.

- 15.4 Units will be redeemed by the Manager upon receipt of an order either by telephone, letter, facsimile or other form of communication which the Manager deems acceptable, at a price determined under 15.5 below. Where orders have been placed either by telephone or facsimile the redemption proceeds will not be released until the Manager is in receipt of a written redemption instruction duly signed by the Unitholder(s) in question. Units may be sold back to the Manager directly or through a financial adviser. Payment will be made within four working days following receipt of all necessary documentation. The minimum redemption amount for Class R, MR and QR units is £1,000 while the minimum redemption amount for Class I, MI and QI units is £500,000. Unitholders should note that should their holding fall below the minimum holding values detailed under 15.3 above, the Manager has the discretion to automatically redeem their holding.
- 15.5 Units are dealt on a forward pricing basis by reference to the next valuation point immediately following receipt of instructions by the Manager. The Manager has elected to sell and redeem units on a forward pricing basis only.
- 15.6 Where a Unitholder requests a redemption of units representing not less than 5% of the value of a Fund, that Unitholder may receive, in place of payment for the units in cash, scheme property which has either been chosen by the Manager by a notice of election served on the Unitholder or which has been requested by the Unitholder.
- 15.7 The Manager may, with the agreement of the Trustee or if the Trustee so requires, suspend the sale and redemption of units for a period not exceeding 28 days if the Manager or the Trustee, where it has requested suspension, considers such a course to be in the interests of Unitholders.
- 15.8 Recalculation of issue and cancellation prices will take place on each occasion that each Fund is valued.
- 15.9 The most recent sale and redemption prices are published on the Manager's web site, [www.artemisonline.co.uk](http://www.artemisonline.co.uk), which is the primary method of price publication. In addition, the Manager will publish prices in the Financial Times or other newspapers that the Manager may from time to time decide to use. The cancellation price last notified to the Trustee is available on request directly from the Manager.
- 15.10 Units are not quoted on any recognised investment exchange.
- 15.11 A large deal (except for the purposes of Stamp Duty Reserve Tax) within the meaning of the Regulations is a deal which exceeds £30,000. For large deals (subject to the Regulations), the Manager may sell units at more than, or redeem units at less than the published price.
- 15.12 The Manager's annual management charge, Trustee's remuneration, Auditor's and Registrar's fees accrue daily and are reflected in the unit prices.
- 16. Compulsory Transfer and Redemption of Units**
- 16.1 The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no units are acquired or held by any person in breach of the law or governmental regulations (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in a Fund incurring any liability to taxation which a Fund is not able to recoup itself or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of units.
- 16.2 If it comes to the notice of the Manager that any units ("Affected Units"):
- 16.2.1 are owned directly or beneficially in breach of any law or governmental regulations (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- 16.2.2 would result in a Fund incurring any liability to taxation which the Fund would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- 16.2.3 are held in any manner by virtue of which the Unitholder or units in question is/are not qualified to hold such units or if it reasonably believes this to be the case;
- the Manager may give notice to the Unitholder(s) of the Affected Units requiring the transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such units in accordance with the Regulations. If any unitholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his Affected Units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the Affected Units, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of all the Affected Units.
- 16.3 A Unitholder who becomes aware that he is holding or owns Affected Units shall immediately, unless he has already received a notice as set out above, either transfer all his Affected Units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all his Affected Units.
- 16.4 Where a request in writing is given or deemed to be given for the redemption of Affected Units, such redemption will (if effected) be effected in the same manner as provided for in the Regulations.
- 17. Cancellation Rights**
- Where investments in units are made following advice given by a financial adviser, the investor has the right to cancel the contract within 14 days of receipt of a 'Notice of Cancellation' which is sent to the investor at the same time as the contract note. This gives the investor the right to change their mind about investing without incurring any dealing costs (bid to offer spread) but the investor will have a legal obligation to cover any investment shortfall arising from any downward movement in the offered price between the date upon which the transaction was effected and the price applicable on receipt by the Manager of the signed 'Notice of Cancellation'. Where investors place a deal either by written application or telephone directly with the Manager, they automatically waive their right to cancel.
- 18. Taxation**
- 18.1 This section summarises the tax position of the Funds and UK resident investors in them. The tax position of the Funds and UK resident investors may change in future.

Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, are recommended to take professional advice.

- 18.2 As each Fund is an Authorised Unit Trust it is exempt from capital gains tax (CGT) or corporation tax in respect of gains accrued on the disposal of its investments. However, individual investors who are resident in the UK for tax purposes may be liable to CGT on total realised gains (from all sources) after adjustment for the annual CGT allowance.
- 18.3 The net income of each Fund (other than dividends from UK companies) is subject to corporation tax. Each Fund will be treated, for tax purposes, as distributing to its Unitholders (by way of a dividend or interest distributions (as appropriate to the relevant Fund)) the whole of the income shown in its accounts for each of its distribution periods as being available for allocation to Unitholders.
- 18.4 Any dividend distribution payable by a Fund to its UK resident Unitholders will carry a tax credit (currently 10%). Credit will be given for this tax in computing the Unitholder's own liability (if any) to UK income taxation on the amount of the distribution.
- 18.5 Any interest distribution payable by a Fund to its holders will carry a tax credit (currently 20%). Credit will be given for this tax in computing the holder's own liability (if any) to UK income tax on the amount of the distribution.
- 18.6 UK resident individuals liable to income tax at the starting or basic rate will have no further liability to tax. Higher rate taxpayers will have to pay additional income tax. Non-taxpayers may not reclaim the tax credits on dividend distributions.
- 18.7 Corporate Unitholders which receive dividend distributions may have to divide them into two (as per the tax voucher); the part representing UK company dividends will not be taxable but the remainder must be treated as an annual payment after deduction of income tax at the lower rate. UK corporate unitholders who receive interest distributions will be liable to tax on the gross interest but will receive credit for the 20% income tax withheld.
- 18.8 Non UK residents will not generally be entitled to reclaim any part of the tax credit from HM Revenue & Customs.
- 18.9 Individual Unitholders will find further information in the HM Revenue & Customs tax return guidance. Unitholders may wish to seek professional advice in relation to their tax status.

## **19. Stamp Duty Reserve Tax**

- 19.1 The SDRT system imposes a charge of 0.5% on the aggregated value of all transfers of units in a Fund, including surrenders to the Manager or the Trustee, in a calendar week. The SDRT charge may be reduced proportionately if, taken over that week and the following week, more units have been surrendered than issued. It may also be reduced proportionately to the extent the unit trust holds exempt investments such as foreign securities and fixed interest stocks.
- 19.2 Where SDRT is payable by the Trustee, which will include transfers involving changes to the register, it will normally be paid out of the property of the relevant Fund. The Manager reserves the right, however, to make a provision for SDRT in the acquisition or redemption price of units in the case of large deals (where a transaction in a Fund

exceeds 5% of the value of that Fund) and to require the transferor or transferee in transfers not involving redemptions to bear the SDRT cost (up to a maximum of 0.5%) where it considers this to be material. If introduced, an SDRT provision would increase the acquisition cost or decrease the redemption proceeds, as appropriate.

- 19.3 In the last 12 months the Manager did not impose any SDRT provision. On this basis the Manager does not expect to impose such provisions in the future.

## **20. General Information**

### **20.1 Availability of documentation**

Copies of the Prospectus, Trust Deeds and any amending Deeds, and of the most recent periodic reports (see paragraph 22 below) may be inspected at the offices of the Trustee and Manager or copies may be obtained from the Manager (the Manager reserves the right to make a charge at its discretion for copies of the Trust Deeds and any amending Deeds) or may be made available on the Manager's website ([www.artemisonline.co.uk](http://www.artemisonline.co.uk)). Copies of the most recent periodic reports and the Prospectus are available to any person free of charge.

### **20.2 Income Equalisation**

On the first distribution following the purchase of units in each Fund, the Unitholder will receive as part of the distribution a capital sum representing the part of the purchase price of the units which represents the value of the accrued income at the time of purchase. This is known as income equalisation.

The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the issue price of units issued or re-issued in an accounting period or other grouping period by the number of those units and applying the resulting average to each of the units in question.

The actual amount of the distribution is the same for an existing Unitholder but the equalisation amount is not subject to income tax. The equalisation payment is a deduction from the base cost of the units for capital gains tax purposes. However, this does not apply when Accumulation Units are held as the equalisation is reinvested along with the element of taxed income. Since the equalisation has not been repaid, the investor should not deduct it from the original cost.

Grouping for equalisation is permitted by each Trust Deed. Equalisation is averaged over the distribution period resulting in the same rate of distributions on all units within a Fund. An equalisation amount may be included as part of any income allocation to Unitholders and represents a return of capital rather than income.

## **21. Manager acting as Principal**

The Manager may make a profit when dealing in units as principal but it does not actively seek to do so. The Manager is under no obligation to account to the Trustee or Unitholders for any profit it makes on the issue of units or on the re-issue or cancellation of units which it has redeemed.

## **22. Reports and Accounts**

- 22.1 Subject to the Regulations, an annual report and accounts will be made available to Unitholders of each Fund every year. A long Annual Report will be available on the Manager's website [www.artemisonline.co.uk](http://www.artemisonline.co.uk) within two months of each annual accounting date and an Interim

Report will be available on the same website within two months of each interim accounting date. Copies of a Fund's most recent Annual and Interim long reports are available to anyone who requests them.

- 22.2 Additionally, the Manager will provide short Annual and Interim Reports which will be issued to Unitholders within two months of the annual and interim accounting dates of each Fund.

### 23. Risk Warnings

The attention of Unitholders and prospective Unitholders is drawn to the following risk warnings and should be read in conjunction with the Fund specific data contained in Appendix A:

- 23.1 Unitholders should appreciate that there are risks in securities investment. For example, stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- 23.2 Investment in each Fund should be regarded as a long-term investment. There can be no guarantee that the objectives of the Funds will be achieved.
- 23.3 The capital value of, and the income attributable to, units in the Funds can fluctuate and the price of units and the income attributable to units can go down as well as up and is not guaranteed. In particular, there can be no assurance that capital appreciation will occur in the early stages as initial charges are levied on investments in the Funds and charges are not made uniformly throughout the life of the investment. On encashment, particularly in the short term, Unitholders may receive less than the original amount invested.
- 23.4 Past performance is not necessarily a guide to future growth or rates of return.
- 23.5 Investment in the securities of smaller and unquoted companies can involve greater risk than is customarily associated with investment in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for securities in smaller companies is often less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Proper information for determining their value, or the risks to which they are exposed, may also not be readily available.
- 23.6 Where any of the Funds hold securities denominated in a currency other than sterling, changes in exchange rates may affect the value of an investment in that Fund.
- 23.7 Where charges are taken wholly or partly out of a Fund's capital, distributable income will be increased at the expense of capital which may constrain or erode capital growth.
- 23.8 Some Funds often carry greater risks in return for higher potential rewards. Specialist funds, which invest in specialist markets or small sectors of industry, are likely to carry higher risks than most general funds. This particularly applies to the Artemis New Enterprises Fund. Investment in technology-related stocks can be more volatile than investment in more established companies. Above average price movements can be expected.
- 23.9 A significant proportion of Artemis Global Growth Fund may be invested in emerging markets. Investment in

emerging markets can involve greater risk than is customarily associated with more mature markets meaning above average price movement, both positive and negative, can be expected.

If you invest in Artemis Strategic Bond Fund, you need to be aware that the level of your income and the value of your original investment can fluctuate. Whilst investing in the monthly distributing unit classes (Class MR and Class MI units) will produce a regular income it may constrain the potential for capital growth by comparison to the quarterly distributing unit classes (Class QR and Class QI units). Because Class QR and Class QI distribute quarterly they effectively invest more in the Fund than Class MR and Class MI which means that they will experience proportionally larger gains in a rising market, and proportionally larger losses in a falling market, than Class MR and Class MI units. The different unit classes may suit the needs of different investors. If you are unsure which unit class is most appropriate to your needs we recommend that you seek advice from a professional adviser.

- 23.10 Funds investing in fixed interest securities, such as gilts and bonds, are sensitive to changes in interest rates, which are in turn determined by a number of economic factors, in particular market expectations of future inflation. Where a proportion of a Fund is invested in higher yielding bonds this may increase the risk to your capital due to a higher likelihood of default by the bond issuer. Changes to market conditions and interest rate levels can have a larger effect on the values of higher yielding bonds than other bonds.
- 23.11 The Manager will provide on the request of a Unitholder further information relating to the quantitative limits applying to the risk management of a Fund, the methods used in relation to the risk management of a Fund and any recent developments in the risk and yields of the main categories of investment.
- 23.12 **Derivatives may be used for specific investment purposes in addition to being used for efficient portfolio management. Should the Manager decide to invest in derivatives and forward transactions in the pursuit of the objectives, the net asset value of the Funds may at times be highly volatile (in the absence of compensating investment techniques). However, it is the Manager's intention that the Funds will not have volatility over and above the general volatility of the markets of the Funds' underlying investments owing to their use of derivatives and/or forward transactions in the pursuit of their objectives. It is not the Manager's intention that the use of derivatives and forward transactions in the pursuit of the Funds' objectives will cause their risk profiles to change.**

### 24. Winding Up

- 24.1 A Fund will be wound up in the following circumstances:
- 24.1.1 if it ceases to be authorised by the FSA; or
  - 24.1.2 if the FSA approves a request for winding up from the Manager or the Trustee; or
  - 24.1.3 on the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property.
- 24.2 If either of the events in 24.1.1 and 24.1.2 set out above occurs, the rules in the COLL Sourcebook concerning Dealing (COLL 6.2), Valuation and Pricing (COLL 6.3) and Investment and Borrowing Powers (COLL 5) will cease to

apply to that Fund. In such circumstances, the Trustee shall cease to issue and cancel units and the Manager will stop selling and redeeming units.

- 24.3 In the case of a scheme of arrangement, the Trustee shall wind up the Fund in accordance with the approved scheme of arrangement.
- 24.4 In any other case, the Trustee shall, as soon as practicable after a Fund falls to be wound-up, realise the assets of the relevant Fund and, after paying, or retaining adequate provision for, all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings (upon production by them of such evidence, if any, as the Trustee may reasonably require as to their entitlement).
- 24.5 Any unclaimed net proceeds or other cash (including unclaimed distribution payments) still held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify the FSA in writing of that fact and the Trustee or the Manager shall request the FSA to revoke the order of authorisation.

## **25. Material Information**

This Prospectus contains all material information which:

- 25.1 investors and their financial advisers might reasonably require and reasonably expect to find in the Prospectus for the purpose of making an informed judgement about the merits of participating in any Fund and the extent of the risks accepted by so participating; and
- 25.2 is within the knowledge of the Manager or which the Manager would have obtained having made reasonable enquiries.

The information contained in this document is accurate as at 7 March 2008. Existing and intending Unitholders should note that nothing contained herein can be relied upon as giving a binding indication of future policies to be adopted either in respect of any Fund or the management or administration thereof. Complaints about the operation of any Fund may be made to the Manager's Client Services Department at Cassini House, 57 St James's Street, London SW1A 1LD or direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London, E14 9SR.

## **26. The Artemis Unit Trusts**

- 26.1 Information relating to all of the Funds is set out in Appendix A.
- 26.2 All of the Funds are eligible investments for the stocks and shares component under the Individual Savings Account Regulations 1998. They are also eligible investments under the Personal Equity Plan Regulations 1989.

## **27. Identity Verification and Fraud Prevention**

As a result of legislation in force in the United Kingdom to prevent money laundering, the Manager, as a company conducting investment business, is responsible for compliance with anti-money laundering regulations. This includes, but is not limited to, verifying the identity and address of Unitholders and of any third party making payments on behalf of Unitholders. Such verification may include electronic searches of the electoral roll and the use of credit reference agencies. In accordance with the Data Protection

Act 1998, instructions to purchase units, whether by completion of the Application Form, by telephone or other medium, represents permission for the Manager to access this information. The Manager reserves the right to delay processing an investment and/or withhold any payment due until satisfactory evidence is received. Any cash will be held in a non-interest bearing client account. The right is reserved to refuse any application to purchase units without giving a reason for doing so.

## **28. Market Timing**

The Manager may refuse to accept a new subscription, or a switch from another Fund if it has reasonable grounds, relating to the circumstances of the Unitholder or the transaction concerned, for refusing to accept such subscription or switch. In particular, the Manager may exercise this discretion if it believes the Unitholder has been engaging or intends to engage in market timing activities.

## **29. Data Protection**

The Manager may provide names and addresses of Unitholders to companies within the Manager's group to enable information about other investment services to be sent by letter, telephone, email or other reasonable means of communication.

This will not apply if the Manager has received written confirmation from Unitholders that they do not wish to receive such communication.

The Manager and other companies within the Manager's group will use Unitholders' personal data for the purposes of the administration of products and services which the Manager provides to Unitholders, preventing fraud and money laundering, marketing and for market and product analysis.

The Manager and other companies within the Manager's group may require to disclose Unitholders' personal data to intermediaries, independent financial advisors or other introducers who represent Unitholders.

The Manager and other companies within the Manager's group may require to disclose Unitholders' personal data to service providers, agents and contractors involved in providing services to the Manager and/or the Manager's group.

It may be necessary for the Manager and members of the Manager's group to transfer Unitholders' personal data abroad to other companies within the Manager's group, service providers, agents and subcontractors in countries where they may not have data protection laws providing the same level of protection as those in the European Economic Area. In such circumstances, the Manager will ensure that Unitholders' personal data is processed only in accordance with the applicable legislation and under suitable obligations of confidentiality.

## **30. Telephone Calls**

Telephone calls may be monitored and recorded.

## **31. Information**

The Manager also manages:

Artemis Institutional UK Alpha Fund  
Artemis Institutional UK Growth Fund  
Artemis Institutional UK Special Situations Fund  
Artemis Institutional Equity Income Fund  
Artemis Institutional Global Capital Fund

**7 March 2008**

## APPENDIX A

Artemis Capital Fund		Artemis European Growth Fund		
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth. The emphasis of the Fund will be investment in UK companies in the FTSE 100 Index, however, the Manager has the flexibility to invest in UK companies outside the FTSE 100 Index and overseas companies.</p> <p>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.</p> <p>This income is reflected in the dealing prices of the Fund. Units have no nominal value.</p>	<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth through investment principally in companies in Europe (excl. the United Kingdom). The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in the choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.</p> <p>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.</p>	
<b>Constituted by a Trust Deed date</b>	20 November 1986	<b>Constituted by a Trust Deed date</b>	28 April and 4 May 2000	
<b>Order of Authorisation</b>	21 November 1986	<b>Order of Authorisation</b>	17 May 2000	
<b>Type of Scheme</b>	UCITS Scheme	<b>Type of Scheme</b>	UCITS Scheme	
<b>Annual Accounting Date</b>	7 April	<b>Annual Accounting Date</b>	31 March	
<b>Interim Accounting Date</b>	7 October	<b>Interim Accounting Date</b>	30 September	
<b>Annual Income Allocation Date</b>	7 June	<b>Annual Income Allocation Date</b>	31 May	
<b>Interim Income Allocation Dates</b>	N/A	<b>Income Allocation Dates</b>	N/A	
<b>Valuation Point and Frequency</b>	12 noon each business day	<b>Valuation Point and Frequency</b>	12 noon each business day	
	<b>Class R Units</b>		<b>Class R Units</b>	<b>Class I Units</b>
<b>Distribution Units issued</b>	No	<b>Distribution Units issued</b>	No	No
<b>Accumulation Units issued</b>	Yes	<b>Accumulation Units issued</b>	Yes	Yes
<b>Current Initial Charge</b>	5.00%	<b>Current Initial Charge</b>	5.25%	1.00%
<b>Current Annual Management Charge</b>	1.50%	<b>Current Annual Management Charge</b>	1.50%	0.75%
<b>Minimum Initial Lump Sum Investment</b>	£1,000	<b>Minimum Initial Lump Sum Investment</b>	£1,000	£10,000,000
<b>Minimum Monthly Savings Amount</b>	£50	<b>Minimum Monthly Savings Amount</b>	£50	N/A
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000	<b>Minimum Subsequent Lump Sum Investment</b>	£1,000	£250,000
<b>Minimum Redemption Amount</b>	£1,000	<b>Minimum Redemption Amount</b>	£1,000	£500,000
<b>Eligible Securities Markets</b>		<b>Eligible Securities Markets</b>		
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded	<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.	
<b>Canada</b>	Toronto Stock Exchange Montreal Stock Exchange	<b>Switzerland</b>	SWX Swiss Exchange	
<b>Japan</b>	Tokyo Stock Exchange Nagoya Stock Exchange Osaka Securities Exchange	<b>United States</b>	New York Stock Exchange American Stock Exchange Chicago Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange	
<b>United States</b>	American Stock Exchange New York Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange Chicago Stock Exchange NASDAQ (Over the Counter Market regulated by The National Association of Securities Dealers Inc)		NASDAQ (Over the Counter Market regulated by the National Association of Securities Dealers Inc)	
<b>UK</b>	The Alternative Investment Market (AIM)	<b>UK</b>	The Alternative Investment Market (AIM)	
<b>Eligible Derivatives Markets</b>	American Stock Exchange Chicago Board Options Exchange Chicago Mercantile Exchange (Globex) Copenhagen Stock Exchange (incl. FUTOP) Eurex Euronext Amsterdam Helsinki Exchanges Irish Stock Exchange EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX)	<b>Eligible Derivatives Markets</b>	EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX)	

<b>Artemis Global Growth Fund</b>		
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth from a diversified portfolio investing in any economic sector in any part of the world. The Manager actively manages the portfolio in order to achieve the objective and 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.</p> <p>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.</p> <p>Income within the Fund is accumulated and reinvested.</p>	
<b>Constituted by a Trust Deed date</b>	1 May 1990	
<b>Order of Authorisation</b>	9 May 1990	
<b>Type of Scheme</b>	UCITS Scheme	
<b>Annual Accounting Date</b>	7 April	
<b>Interim Accounting Date</b>	7 October	
<b>Annual Income Allocation Date</b>	7 June	
<b>Income Allocation Dates</b>	N/A	
<b>Valuation Point and Frequency</b>	12 noon each business day	
	<b>Class R Units</b>	<b>Class I Units</b>
<b>Distribution Units issued</b>	No	No
<b>Accumulation Units issued</b>	Yes	Yes
<b>Current Initial Charge</b>	5.25%	1.00%
<b>Current Annual Management Charge</b>	1.50%	0.75%
<b>Minimum Initial Lump Sum Investment</b>	£1,000	£10,000,000
<b>Minimum Monthly Savings Amount</b>	£50	N/A
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000	£250,000
<b>Minimum Redemption Amount</b>	£1,000	£500,000
<b>Eligible Securities Markets</b>	<p>Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.</p>	
<b>Australia</b>	Australian Stock Exchange	
<b>Brazil</b>	Bolsa de Valores de Sao Paulo	
<b>Canada</b>	Toronto Stock Exchange Montreal Stock Exchange	
<b>China</b>	Shanghai Stock Exchange Shenzhen Stock Exchange	
<b>Czech Republic</b>	Prague Stock Exchange	
<b>Hong Kong</b>	Hong Kong Exchanges	
<b>Hungary</b>	Budapest Stock Exchange	
<b>Indonesia</b>	Jakarta Stock Exchange	
<b>Japan</b>	Tokyo Stock Exchange Nagoya Stock Exchange Osaka Securities Exchange	
<b>Korea</b>	Korean Stock Exchange	
<b>Mexico</b>	Mexico Stock Exchange	
<b>New Zealand</b>	New Zealand Stock Exchange	
<b>Philippines</b>	Philippine Stock Exchange	

<b>Peru</b>	Lima Stock Exchange
<b>Poland</b>	Warsaw Stock Exchange
<b>Singapore</b>	Singapore Exchanges
<b>South Africa</b>	JSE Securities Exchange
<b>Sri Lanka</b>	Colombo Stock Market
<b>Switzerland</b>	SWX Swiss Exchange
<b>Thailand</b>	Stock Exchange of Thailand
<b>Turkey</b>	Istanbul Stock Exchange
<b>United States</b>	American Stock Exchange New York Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange Chicago Stock Exchange NASDAQ (Over-the Counter Market regulated by the National Association of Securities Dealers Inc)
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Eligible Derivatives Markets</b>	American Stock Exchange Australian Stock Exchange Chicago Board of Trade (Global) Chicago Board Options Exchange Chicago Mercantile Exchange (Globex) Copenhagen Stock Exchange (Including FUTOP) Eurex Euronext Paris Euronext Amsterdam Helsinki Exchanges Hong Kong Exchanges Irish Stock Exchange JSE Securities Exchange Kansas City Board of Trade Korea Stock Exchange EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX) MEFF Renta Fija MEFF Renta Variable Montreal Stock Exchange New York Futures Exchange New York Mercantile Exchange New York Stock Exchange Stockholmborsen Osaka Securities Exchange Pacific Stock Exchange Philadelphia Board of Trade Philadelphia Stock Exchange Singapore Exchange South African Futures Exchange Sydney Futures Exchange Tokyo Stock Exchange Toronto Futures Exchange Toronto Stock Exchange

<b>Artemis High Income Fund</b>	
<b>Objective and Investment Policy</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Units have no nominal value.</p>
<b>Constituted by a Trust Deed date</b>	26 May 1995
<b>Order of Authorisation</b>	23 May 1995
<b>Type of Scheme</b>	UCITS Scheme
<b>Annual Accounting Date</b>	7 August
<b>Interim Accounting Date</b>	7 February 7 May* 7 November*
<b>Annual Income Allocation Date</b>	7 October
<b>Interim Income Allocation Dates</b>	7 January 7 April 7 July
<b>Valuation Point and Frequency</b>	12 noon each business day
	<b>Class R Units</b> <b>Class I Units</b>
<b>Distribution Units issued</b>	Yes                      Yes
<b>Accumulation Units issued</b>	No                        No
<b>Current Initial Charge</b>	5.25%                    1.00%
<b>Current Annual Management Charge</b>	1.25%**                0.625%
<b>Minimum Initial Lump Sum Investment</b>	£1,000                    £10,000,000
<b>Minimum Monthly Savings Amount</b>	£50                        N/A
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000                    £250,000
<b>Minimum Redemption Amount</b>	£1,000                    £500,000
<b>Eligible Securities Markets</b>	
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.
<b>Canada</b>	Toronto Stock Exchange Montreal Stock Exchange
<b>Japan</b>	Tokyo Stock Exchange Nagoya Stock Exchange Osaka Securities Exchange
<b>United States</b>	American Stock Exchange New York Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange Chicago Stock Exchange NASDAQ (Over the Counter Market regulated by The National Association of Securities Dealers Inc)
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Eligible Derivatives Markets</b>	American Stock Exchange Chicago Board Options Exchange Chicago Mercantile Exchange (Globex) Copenhagen Stock Exchange (including FUTOP) Eurex Euronext Amsterdam Helsinki Exchanges Irish Stock Exchange EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX)
	* Please note interim financial statements are prepared on these dates to determine the level of distribution and are not issued to unitholders.
	** As the Fund aims to provide income combined with capital growth, the Manager and the Trustee have agreed that to protect the income distribution, some or all of the annual management charge will be taken from the capital of the Fund. Charges deducted from capital will increase distributable income by the amount charged and the capital of the Fund will be deducted by the same amount. Accordingly capital growth may be constrained.

<b>Artemis Income Fund</b>	
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve a rising income combined with capital growth from a portfolio primarily made up of investments in the United Kingdom. The Manager actively manages the portfolio in order to achieve the objective with exposure to ordinary shares, preference shares, convertibles and fixed interest securities. 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.</p> <p>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.</p>
<b>Constituted by a Trust Deed date</b>	28 April and 4 May 2000
<b>Order of Authorisation</b>	17 May 2000
<b>Type of Scheme</b>	UCITS Scheme
<b>Annual Accounting Date</b>	30 April
<b>Interim Accounting Date</b>	31 October
<b>Annual Income Allocation Date</b>	30 June
<b>Interim Income Allocation Dates</b>	31 December
<b>Valuation Point and Frequency</b>	12 noon each business day
	<b>Class R Units</b> <b>Class I Units</b>
<b>Distribution Units issued</b>	Yes                      Yes
<b>Accumulation Units issued</b>	Yes                      Yes
<b>Current Initial Charge</b>	5.25%                    1.00%
<b>Current Annual Management Charge</b>	1.50%*                 0.75%
<b>Minimum Initial Lump Sum Investment</b>	£1,000                    £10,000,000
<b>Minimum Monthly Savings Amount</b>	£50                        N/A
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000                    £250,000
<b>Minimum Redemption Amount</b>	£1,000                    £500,000
<b>Eligible Securities Markets</b>	
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Eligible Derivatives Markets</b>	EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX)
	*As the Fund aims to maximise the generation of income, the Manager and the Trustee have agreed that to protect the income distribution, some or all of the annual management charge will be taken from the capital of the Fund. Charges deducted from capital will increase distributable income by the amount charged and the capital of the Fund will be reduced by the same amount. Accordingly, capital growth may be constrained.

<b>Artemis New Enterprises Fund</b>	
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth through investment in companies likely to benefit from the implementation or provision of new technologies. The Manager actively manages the portfolio in order to achieve the objective and 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.</p> <p>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.</p>
<b>Constituted by a Trust Deed date</b>	28 April and 4 May 2000
<b>Order of Authorisation</b>	17 May 2000
<b>Type of Scheme</b>	UCITS Scheme
<b>Annual Accounting Date</b>	28 February
<b>Interim Accounting Date</b>	31 August
<b>Annual Income Allocation Date</b>	30 April
<b>Income Allocation Dates</b>	N/A
<b>Valuation Point and Frequency</b>	12 noon each business day
	<b>Class R Units</b>
<b>Distribution Units issued</b>	No
<b>Accumulation Units issued</b>	Yes
<b>Current Initial Charge</b>	5.25%
<b>Current Annual Management Charge</b>	1.50%
<b>Minimum Initial Lump Sum Investment</b>	£1,000
<b>Minimum Monthly Savings Amount</b>	£50
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000
<b>Minimum Redemption Amount</b>	£1,000
<b>Eligible Securities Markets</b>	
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.
<b>USA</b>	<p>New York Stock Exchange</p> <p>American Stock Exchange</p> <p>Pacific Stock Exchange</p> <p>Philadelphia Stock Exchange</p> <p>NASDAQ (Over the Counter Market regulated by the National Association of Securities Dealers Inc)</p>
<b>Japan</b>	Tokyo Stock Exchange
<b>Singapore</b>	Singapore Exchange
<b>Hong Kong</b>	Hong Kong Exchanges
<b>Taiwan</b>	Taiwan Stock Exchange
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Eligible Derivatives Markets</b>	
	EURONEXT.LIFFE
	London Securities and Derivatives Exchange (OMLX)

<b>Artemis Strategic Bond Fund</b>		
<b>Objective and Investment Policy</b>	<p>The Fund seeks to achieve a total return by investing predominantly in fixed income markets. The Fund aims to achieve its objective by investment predominantly in fixed income markets but may selectively invest in other markets. Equal emphasis is given to the security of capital and income although from time to time one may take prominence over the other in accordance with the strategy being pursued.</p> <p>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.</p>	
<b>Constituted by a Trust Deed date</b>	26 May 2005	
<b>Order of Authorisation</b>	23 May 2005	
<b>Type of Scheme</b>	UCITS Scheme	
<b>Annual Accounting Date</b>	31 March	
<b>Interim Accounting Date</b>	30 September	
<b>Valuation Point and Frequency</b>	12 noon each business day	
<b>CLASS R:</b>	<b>Class MR Units</b>	<b>Class QR Units</b>
<b>Distribution Units issued</b>	Yes	Yes
<b>Accumulation Units issued</b>	Yes	Yes
<b>Income Allocation Dates</b>	Monthly (on the last calendar day of each month) 31 January, 30 April, 31 July, 31 October	
<b>Current Initial Charge</b>	5.25%	5.25%
<b>Current Annual Management Charge</b>	1.00%	1.00%
<b>Minimum Initial Lump Sum Investment</b>	£25,000	£1,000
<b>Minimum Monthly Savings Amount</b>	N/A	£50
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000	£1,000
<b>Minimum Redemption Amount</b>	£1,000	£1,000
<b>CLASS I:</b>	<b>Class MI Units</b>	<b>Class QI Units</b>
<b>Distribution Units issued</b>	Yes	No
<b>Accumulation Units issued</b>	No	Yes
<b>Income Allocation Dates</b>	Monthly (on the last calendar day of each month) 31 January, 30 April, 31 July, 31 October	
<b>Current Initial Charge</b>	1.00%	1.00%
<b>Current Annual Management Charge</b>	0.50%	0.50%
<b>Minimum Initial Lump Sum Investment</b>	£10,000,000	£10,000,000
<b>Minimum Subsequent Lump Sum Investment</b>	£250,000	£250,000
<b>Minimum Redemption Amount</b>	£500,000	£500,000
<b>Eligible Securities Markets</b>		
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to the official listing in an EEA State are dealt or traded	
<b>Canada</b>	<p>Toronto Stock Exchange</p> <p>Montreal Stock Exchange</p>	
<b>United States</b>	<p>Boston Stock Exchange</p> <p>New York Stock Exchange</p> <p>Pacific Stock Exchange</p> <p>Philadelphia Stock Exchange</p> <p>Chicago Stock Exchange</p> <p>NASDAQ (Over the Counter Market regulated by The National Association of Securities Dealers Inc.)</p>	
<b>UK</b>	The Alternative Investment Market (AIM)	

<b>Eligible Derivatives Market</b>	
	Vienna Stock Exchange
	Eurolist Brussels
	Montreal Stock Exchange
	Toronto Stock Exchange
	Copenhagen Stock Exchange
	Helsinki Stock Exchange
	Eurolist Paris
	EUREX
	Eurolist Paris
	Irish Stock Exchange
	Eurolist Amsterdam
	Stockholmborsen
	ISMA
	LIFFE
	London Securities & Derivatives Exchange
	Chicago Board Option Exchange
	Chicago Board of Trade
	New York Futures Exchange
	American Stock Exchange
	Chicago Mercantile Exchange
	Pacific Stock Exchange
	Philadelphia Stock Exchange

<b>Artemis UK Growth Fund</b>	
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth. The emphasis of the Fund will be investment in companies listed, quoted and/or traded in the UK and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK.</p> <p>The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of choice of investments either by company size or industry. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on PLUS may be included in the portfolio.</p> <p>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.</p>
<b>Constituted by a Trust Deed date</b>	17 March 1998
<b>Order of Authorisation</b>	20 March 1998
<b>Type of Scheme</b>	UCITS Scheme
<b>Annual Accounting Date</b>	31 December
<b>Interim Accounting Date</b>	30 June
<b>Annual Income Allocation Date</b>	28 February
<b>Income Allocation Dates</b>	N/A
<b>Valuation Point and Frequency</b>	12 noon each business day
	<b>Class R Units</b>
<b>Distribution Units issued</b>	No
<b>Accumulation Units issued</b>	Yes
<b>Current Initial Charge</b>	5.00%
<b>Current Annual Management Charge</b>	1.50%
<b>Minimum Initial Lump Sum Investment</b>	£1,000
<b>Minimum Monthly Savings Amount</b>	£50
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000
<b>Minimum Redemption Amount</b>	£1,000
<b>Eligible Securities Markets</b>	
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in that an EEA State are dealt or traded.
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Eligible Derivatives Markets</b>	<p>EURONEXT.LIFFE</p> <p>London Securities and Derivatives Exchange (OMLX)</p>

<b>Artemis UK Smaller Companies Fund</b>	
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth. The emphasis of the Fund will be investment in smaller companies listed, quoted and/or traded in the UK and in smaller companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK.</p> <p>The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on PLUS may be included in the portfolio.</p> <p>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.</p>
<b>Constituted by a Trust Deed date</b>	17 March 1998
<b>Order of Authorisation</b>	20 March 1998
<b>Type of Scheme</b>	UCITS Scheme
<b>Annual Accounting Date</b>	31 December
<b>Interim Accounting Date</b>	30 June
<b>Annual Income Allocation Date</b>	28 February
<b>Income Allocation Dates</b>	N/A
<b>Valuation Point and Frequency</b>	12 noon each business day
	<b>Class R Units</b>
<b>Distribution Units issued</b>	No
<b>Accumulation Units issued</b>	Yes
<b>Current Initial Charge</b>	5.00%
<b>Current Annual Management Charge</b>	1.50%
<b>Minimum Initial Lump Sum Investment</b>	£1,000
<b>Minimum Monthly Savings Amount</b>	£50
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000
<b>Minimum Redemption Amount</b>	£1,000
	£1,000
<b>Eligible Securities Markets</b>	
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.
<b>UK</b>	The Alternative Investment Market (AIM)
<b>Canada</b>	Toronto Stock Exchange Toronto Stock Exchange Venture
<b>Eligible Derivatives Markets</b>	EURONEXT.LIFFE Toronto Stock Exchange London Securities and Derivatives Exchange (OMLX)

<b>Artemis UK Special Situations Fund</b>		
<b>Objective and Investment Policy</b>	<p>The objective of the Fund is to achieve long-term capital growth by exploiting special situations. The Fund invests principally in UK equities and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK. The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investment either by company size or industry. The securities of companies listed, quoted and/or traded in the UK but domiciled elsewhere and the securities of companies traded on PLUS may be included in the portfolio.</p> <p>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.</p>	
<b>Constituted by a Trust Deed date</b>	25 and 28 February 2000	
<b>Order of Authorisation</b>	1 March 2000	
<b>Type of Scheme</b>	UCITS Scheme	
<b>Annual Accounting Date</b>	31 December	
<b>Interim Accounting Date</b>	30 June	
<b>Annual Income Allocation Date</b>	28 February	
<b>Income Allocation Dates</b>	N/A	
<b>Valuation Point and Frequency</b>	12 noon each business day	
	<b>Class R Units</b>	<b>Class I Units</b>
<b>Distribution Units issued</b>	No	No
<b>Accumulation Units issued</b>	Yes	Yes
<b>Current Initial Charge</b>	5.25%	1.00%
<b>Current Annual Management Charge</b>	1.50%	0.75%
<b>Minimum Initial Lump Sum Investment</b>	£1,000	£10,000,000
<b>Minimum Monthly Savings Amount</b>	£50	N/A
<b>Minimum Subsequent Lump Sum Investment</b>	£1,000	£250,000
<b>Minimum Redemption Amount</b>	£1,000	£500,000
<b>Eligible Securities Markets</b>		
<b>EEA</b>	Any market established in an EEA State on which transferable securities admitted to official listing in an EEA State are dealt or traded.	
<b>UK</b>	The Alternative Investment Market (AIM)	
<b>Eligible Derivatives Markets</b>	EURONEXT.LIFFE London Securities and Derivatives Exchange (OMLX)	

## APPENDIX B

### Past Performance

Artemis Fund	12 Months to 31st December 2007	12 Months to 31st December 2006	12 Months to 31st December 2005	12 Months to 31st December 2004	12 Months to 31st December 2003
Capital	-2.0%	21.3%	26.4%	19.7%	24.6%
European Growth	9.5%	21.3%	33.4%	21.2%	43.4%
Global Growth	22.8%	12.1%	42.0%	16.6%	10.0%
High Income	-1.4%	10.3%	13.3%	13.1%	16.4%
Income	2.0%	18.8%	23.9%	16.6%	29.9%
New Enterprises	6.6%	7.2%	2.7%	10.7%	77.4%
Strategic Bond	1.3%	5.6%	n/a	n/a	n/a
UK Growth	- 4.7%	15.7%	13.6%	24.0%	30.1%
UK Smaller Companies	2.4%	17.1%	20.5%	25.5%	39.8%
UK Special Situations	3.9%	18.8%	23.7%	17.2%	35.5%

Source: Lipper Limited, bid to bid in sterling with net income reinvested.

The above performance figures are based on bid to bid prices. Where a fund does not have a complete 5 year record the table is appropriately marked "N/A". These performance figures are presented as a matter of record and should be regarded as such. Performance is determined by many factors including the general direction and volatility of markets and may not be repeatable. Past performance is not necessarily a guide to future growth or rates of return.

Latest performance figures may be obtained from the Manager directly or online at [www.artemisonline.co.uk](http://www.artemisonline.co.uk)

## APPENDIX C

### Valuation and pricing

The value of the property of each Fund shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

1. All the property of a Fund (including receivables) is to be included, subject to the following provisions.
2. The valuation of the property of a Fund shall consist of two parts, one on an issue basis and one on a cancellation basis calculated in accordance with the following provisions.
  - 2.1 The valuation of property for that part of the valuation which is on an issue basis is as follows:
    - 2.1.1 Property which is not cash (or other assets dealt with in paragraphs 3 and 4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
      - 2.1.1.1 units or shares in a collective investment scheme:
        - (a) if a single price for buying and selling units or shares is quoted, at that price (plus any dealing costs, which means any fiscal charges, commission or other charges (including preliminary charge) payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction and including any dilution levy or SDRT provision which would be added in the event of a purchase by a Fund of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Fund, dealing costs must not include a preliminary charge which would be payable in the event of a purchase by a Fund of those units)); or
        - (b) if separate buying and selling prices are quoted, the most recent maximum sale price, less any expected discount (plus any dealing charges, which means any fiscal charges, commission or other charges (but excluding any preliminary charge on the sale of units in a collective investment scheme) payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction); but where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by a Fund, the issue price shall be taken instead of the maximum sale price; or
        - (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable;
      - 2.1.1.2 any other investment:
        - (a) the best available market dealing offer price on the most appropriate market in a standard size (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction); or
        - (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable.
      - 2.1.1.3 if any other property, or no price exists under 2.1.1.1 or 2.1.1.2, the Manager's reasonable estimate of a buyer's price (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction but excluding any preliminary charge on sale of units in a collective investment scheme). The buyer's price is the consideration which would be paid by the buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.
    - 2.2 The valuation of property for that part of the valuation which is on a cancellation basis is as follows:
      - 2.2.1 Property which is not cash (or other assets dealt with in paragraphs 3 and 4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
        - 2.2.1.1 units or shares in a collective investment scheme:
          - (a) if a single price for buying and selling units or shares is quoted, at that price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction, any redemption charge payable on sale of units in a collective investment scheme, (taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by a Fund of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager

- or authorised corporate director of the collective investment scheme whose units are held by a Fund, dealing costs must not include a redemption charge which would be payable in the event of a sale by a Fund of those units)); or
- (b) if separate buying and selling prices are quoted, the most recent minimum redemption price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction and any charge payable on the sale of units in a collective investment scheme (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by a Fund, dealing costs must not include a redemption charge which would be payable in the event of a sale by a Fund of those units), less any expected discount); but, if the property sold in one transaction would amount to a large deal (as defined in the Glossary), the cancellation price shall be taken instead of the minimum redemption price; or
- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;
- 2.2.1.2 any other investment:
- (a) the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;
- 2.2.1.3 if any other property, or no price exists under 2.2.1.1 or 2.2.1.2, the Manager's reasonable estimate of a seller's price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of a Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by a Fund are the least that could reasonably be expected to be paid in order to carry out the transaction and including any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by a Fund of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by a Fund, dealing costs must not include a redemption charge which would be payable in the event of a sale by a Fund of those units)).
3. Property which is a derivative transaction shall be treated as follows:
- (a) if a written option, (and the premium for writing the option has become part of the scheme property) deduct, for the calculation of the issue basis, the amount of the net valuation of premium (estimated on the basis of writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded, but add, in the case of the calculation of the cancellation basis, dealing costs); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used; or
- (b) if an off-exchange future, include at the net value of closing out (in the case of the calculation of the issue basis, estimated on the basis of the amount of profit or loss receivable or incurable by a Fund on closing out the contract and deducting minimum dealing costs in the case of profit and adding them in the case of loss; but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used); or
- (c) if any other form of derivative transaction, include at the net value of margin on closing out (estimated on the basis of the amount of margin (whether receivable or payable by a Fund on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded and including minimum dealing costs so that the value is the figure as a negative sum); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used.
4. Cash and amounts held in current and deposit accounts shall be valued at their nominal values.
5. In determining the value of the scheme property, all instructions given to the Trustee to issue or cancel units shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all required consequential action required by the Regulations or the Trust Deed shall be assumed (unless the contrary is shown) to have been taken.
6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission shall not materially affect the final net asset amount.
7. Futures or contracts for differences which are not yet due

to be performed and unexpired written or purchased options which have not been exercised shall not be included under paragraph 6.

8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.
9. Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of a Fund; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax.
10. Deduct an estimated amount for any liabilities payable out of the property of a Fund and any tax thereon (treating periodic items as accruing from day to day).
11. Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
12. In the case of a margined contract, deduct any amount reasonably anticipated to be paid by way of variation margin.
13. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
14. Add any other credits due to be paid into the property of a Fund.
15. In the case of a margined contract, add any amount reasonably anticipated to be received by way of variation margin.
16. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
17. The valuation is in a Fund's base currency. To convert to the base currency the value of property which would otherwise be valued in another currency the Manager will either:
  - 17.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the Manager would normally deal if it wished to make such a conversion; or
  - 17.2 invite the Trustee to agree that it is in the interests of unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.



**Artemis Fund Managers Limited**

Cassini House, 57 St James's Street, London SW1A 1LD  
42 Melville Street, Edinburgh EH3 7HA

**Broker Support**

Telephone: 0800 092 2090  
Facsimile: 020 7399 6498

**Client Services**

Telephone: 0800 092 2051  
Facsimile: 020 7399 6497

**Telephone Dealing Desk**

Telephone: 0800 092 2051  
Facsimile: 0131 467 2981

[www.artemisonline.co.uk](http://www.artemisonline.co.uk)

Issued by Artemis Fund Managers Limited which is authorised and regulated by the Financial Services Authority and is a member of the IMA. Artemis Fund Managers Limited is a member of the Artemis Marketing Group.

We only market our own unit trusts. Artemis Fund Managers Limited does not offer investment advice. Telephone calls are usually recorded.

