



Artemis Strategic Bond Fund - January 2008

The Artemis Strategic Bond Fund aims to achieve the best total returns from a portfolio invested in a wide range of bonds. And in keeping with our emphasis on hunting for the value that others overlook, we have taken a different approach to many of our competitors.

What makes this bond fund different?

Many funds invest purely for yield and often choose just one area on which to concentrate. For example, highly-rated bonds for generating a more stable income or solely high yield corporate bonds for more aggressive returns. What sets the Artemis Strategic Bond Fund apart is the fact that it can invest in any type of bonds, in any combination, choosing its holdings based on the economic cycle.

The scope is widespread ranging from government bonds through to investment grade, high yield or even index linked bonds. The Fund invests globally across all sectors though is focussed predominantly towards Sterling and Euro assets. However, we may well invest in US or Japanese assets if we think appropriate.

Bonds and the economic cycle

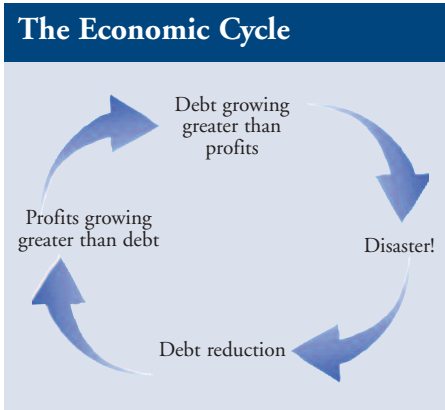
As we all know, the economy goes through many ups and downs over a number of years. Like any investment, bonds are affected by what happens in the economy as a whole.

And at certain points in the economic cycle, different types of bonds can do the best job of protecting and growing capital. We carefully choose those bonds we feel are right for the particular stage of the cycle we are currently in. This means we can make the most of any situation, preserving capital in tough times and profiting when conditions are good. In this way our Fund can be said to be truly strategic.

How do we select individual bonds?

In the same way that Artemis uses a stock picking approach in its share portfolios, our bond team assembles the Fund bond

by bond. We look at the economic cycle, and also the characteristics of each organisation, examining how each one fits into what is happening in bond markets. The diagram below shows the cycle that a bond issuer may typically go through at different stages of the economic cycle.



The case of BT illustrates the process perfectly. In 1995, just before the telecoms boom began to gather pace, profits were good, and BT was generally thought to be a very stable company. As a result it enjoyed a 'AAA' rating. But by 2000, debt had begun to build as the company diversified into other areas. Its credit rating fell to 'BBB' as debts increased.

The next stage saw the company fall from favour as the huge growth enjoyed by telecoms companies came to an end. Shares were also dropping as investors became concerned. BT was forced to reduce their debt, divisions were sold off and a rights issue launched to repair their stretched balance sheet. After a period of consolidation, profits once more improved, until BT again enjoyed a reputation as a fairly stable organisation.

All companies, and even governments, go through this cycle, borrowing and paying back money, as the cycle dictates, driven often by the ebb and flow of shareholder value.

Our selection process is driven by this, and it determines our investment strategy.

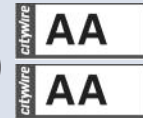
So which bonds are best for each scenario?

In some periods, our choices are going to be more about protecting the client's initial investment, while in others, they will be aimed at trying to maximise returns. For example, when interest rates are falling and the economy is not doing well, we might consider adding more government bonds; these are relatively stable and carry less risk than corporate bonds. In a period of good economic growth, we might add more high yield corporate bonds; these are riskier and are more sensitive to interest rate fluctuations than investment grade corporate bonds, but are likely to benefit from an improvement in the economic outlook.

How do we manage risk?

Our approach gives us ultimate flexibility. We judge what is best for the Fund given what is happening to the economy and bond markets. We also spread our holdings across many different bond providers, reducing our risk further. The overseas holdings are all hedged. Currency movements can be very volatile so we take out this risk by hedging the currency element.

Fund Accolades



James Foster



Alex Ralph



1st Place Fixed Income
GBP Sector over 1 year

Fund Key Points

Artemis

- Artemis is an owner managed business and was established in 1997.
- All fund managers are required to invest their own money in Artemis funds which means their interests are closely aligned with those of our investors.
- We take a pragmatic investment approach and do not categorise our funds as value or growth.
- Each of our ten unit trusts are 'benchmark aware, not driven', investing in a share only if it is going to add value, not because it represents a percentage of the index.

Fund Managers

- Managed by James Foster, who has 16 years experience of managing bond funds and was one of the first to establish a retail bond fund in the UK, and Alex Ralph who joined Artemis from F&C and has experience of managing all the major bond asset classes.

Fund

- The Fund aims to achieve a total return by investing in fixed income markets but may selectively invest in other markets and asset classes as determined by the managers' strategy.
- The managers look at the economic cycle, and also the characteristics of each organisation, examining how each one fits into what is happening in bond markets.
- Unlike many bond funds who invest purely for yield and often choose just one area on which to concentrate, the scope is widespread ranging from government bonds through to investment grade, high yield or even index linked bonds.
- Because the managers choose those bonds that are right for the particular stage of the cycle being faced, they are able to make the most of any situation, preserving capital in tough times and profiting when conditions are good.
- The Fund was awarded 1st Place Fixed Income GBP Sector over 1 year at the Standard & Poor's UK Fund Awards 2007.

The Fund Managers



James Foster

James joined Artemis in April 2005 from F&C Asset Management where he was the Head of Credit and was ultimately responsible for about

£15bn of assets. He has 15 years experience of managing bond funds and was one of the first to establish a retail bond fund in the UK. He has managed all the major bond asset classes focusing more recently on discretionary bond portfolios. With Alex Ralph, James manages the Artemis Strategic Bond Fund.

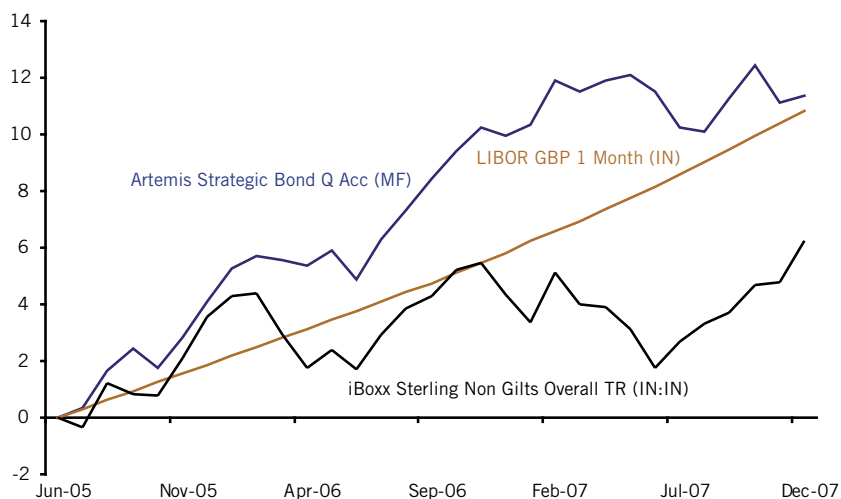


Alex Ralph

Alex graduated in 2000 from the London School of Economics with a degree in Economics. She then joined Royal & Sun Alliance as a

graduate training initially as a credit analyst. In 2002, Alex moved into retail bond fund management with ISIS, specialising in high yield, latterly, after the merger with F&C, this widened to duration and investment grade positioning as well. Alex is a CFA charterholder.

Performance



Source: Lipper Limited, bid to bid in sterling with net income reinvested to 31st December 2007. Data from 30th June 2005, due to the fixed price of the Fund. All figures show total return. Fund Benchmark: iBoxx Sterling Non Gilt. Cash shown only as an indication.

Awards

1st Place Fixed Income GBP Sector over 1 year – Standard & Poor's UK Fund Awards 2007

Citywire Team All Stars – Sector Winner – UK Other Bond



James Foster

Alex Ralph



Fund Managers

James Foster & Alex Ralph

Managers of this Fund since launch.

Artemis Strategic Bond Fund

The Fund's Aims & Objective

The Fund aims to achieve a total return by investment predominantly in fixed income markets but may selectively invest in other markets and asset classes as determined by the manager's strategy from time to time. The Fund will invest in all types of bonds from government to corporate bonds from investment grade AAA rated bonds to C rated bonds.

Fund Manager's Comment

Government Bonds

A volatile month for government markets with yields rising quite sharply at the beginning of the month, despite cuts in interest rates. Later on, they declined again to end the month broadly unchanged.

Investment Grade

A much better month for investment grade bonds with the market starting to get inured to all of the bad news about the credit crunch.

High Yield

Not the best month for high yield with fears about rising default rates starting to affect sentiment.

Data as at 31st December 2007

Key Facts

IMA Sector	UK Other Bond
Sedol - Quarterly Dist	B09DMK3
Sedol - Quarterly Acc	B09DMJ2
Fund Size (offer basis)	£192.1m
Net Distribution Yield*	5.2%
Gross Distribution Yield*	6.5%
Net Underlying Yield*	5.2%
Gross Underlying Yield*	6.5%
Unit offer price (Class Q dist. units)	53.76p
Unit bid price (Class Q dist. units)	50.59p
Unit offer price (Class Q acc. units)	59.17p
Unit bid price (Class Q acc. units)	55.68p
Minimum lump sum investment	£1000
Minimum monthly investment	£50
Launch	1st June 2005
Launch price	50p
Initial charge	5.25%
Annual Management Charge	1.0%
Unit type	Distribution, Accumulation
Distribution pay dates (Class Q units)	30th Apr, 31st Jul, 31st Oct, 31st Jan
Valuation (UK business days)	12:00 noon daily
Year end	31st March

* Based on initial and annual management charges. Class M units are available for investments over £25,000. For more information please contact us. Data as at 31st December 2007.

Market Sector Split*

	% Fund
Banks	16.9
General Financial	14.1
Non-Life Insurance	9.1
Fixed Line Telecommunications	8.1
General Industrials	6.3
Travel & Leisure	5.8
Electricity	5.6
Oil & Gas Producers	5.3
Media	3.4
Others	25.4

Source: Internal. * Without cash. Sector Classification: FTSE Actuaries.

Performance	Since Launch*	1 Year	6 months	3 months
Strategic Bond Fund†	11.4	1.3	-0.1	0.1
iBoxx Sterling non gilt†	6.2	1.8	4.4	2.5
Sector Average †	6.2	-1.2	-1.1	-0.2
Position in Sector	8	8	23	21
Funds in Sector	44	49	51	51
Quartile	1	1	2	2

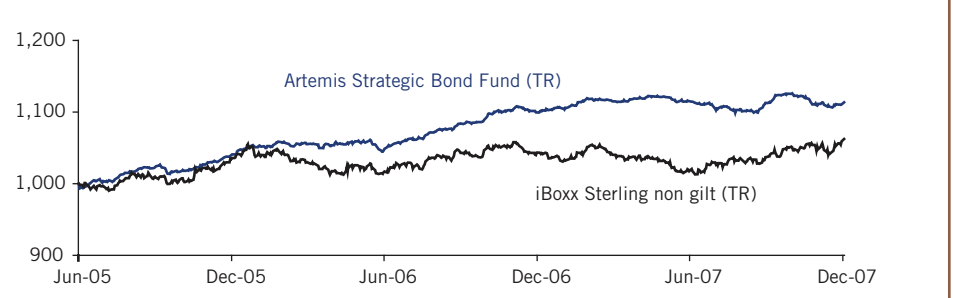
Please remember that past performance is not a guide to the future. * Data from 30th June 2005, due to the fixed price period of the fund. Source: Lipper Limited, bid to bid in sterling with net income reinvested to 31st December 2007. All figures show total returns. †Percentage Growth. Sector is IMA UK Other Bond.

Percentage Growth Artemis Strategic Bond Fund 12 Months to 31st December

	2007	2006	2005	2004	2003
	1.3	5.6	n/a	n/a	n/a

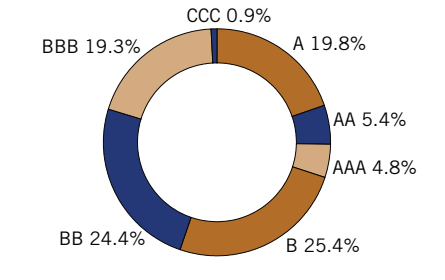
Source: Lipper Limited, bid to bid in sterling with net income reinvested. All figures show total returns.

Value of £1,000 Invested at Launch to 31st December 2007



Data from 30th June 2005, due to the fixed price period of the fund. Source Lipper Limited, bid to bid in sterling with net income reinvested to 31st December 2007.

Asset Allocation*



Source: Internal. * Without cash.

Top Ten Holdings*

	% Fund
Bunds 4% 2037	3.6
Argon Capital 8.162% PERP 05/10/12	2.0
HBOS 6.305% PERP 18/10/17	1.9
HSBC 6.375% 18/10/22 'EMTN'	1.8
Cable & Wireless 8.625% 2019	1.7
Barclays VAR 03/49	1.6
TIM Hellas Floating Note	1.6
BCM Ireland FRN (2016-08-15)	1.6
Boots 5.5% 26/05/09	1.6
General Electric 5.5% (2066-15-09)	1.5

Source: Internal. * Without cash.

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. Please remember that past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. In order to offer a higher yield, a proportion of the Artemis Strategic Bond Fund will be invested in higher risk securities that may increase the risk to your capital. In particular, there can be no assurance that capital appreciation will occur in the early years as initial charges are levied on your investment and charges are not made uniformly throughout the life of your investment. Investments in fixed interest securities and bonds are subject to credit and market risk. The value of the underlying assets and therefore the value of units in this Fund will be impacted by fluctuations in interest rates and the perceived credit risk of an issuer. The distribution yield reflects the amounts that may be distributed over the next twelve months as a percentage of the mid-market unit price of the fund as at the date shown. It does not include any preliminary charge and investors may be subject to tax on distributions. The distribution yield is also the underlying yield for the fund.

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Most Recent Awards

2007

Artemis Fund Managers

Citywire Team All Stars
Divisional Champion – Tier 2

Artemis Fund Managers

Citywire Team All Stars
Sector Winner – UK Other Bond

Mark Tyndall

Winner of the Special Award for
Outstanding Achievement
Investment Week Awards 2007

Artemis Fund Managers

Best Provider of Third Party Links to
International Life Offices
International Investment Fund & Product
Awards 2007

Artemis European Growth
Philip Wolstencroft & Peter Saacke

1st Place Equity Europe ex UK Sector over 5
years Standard & Poor's UK Fund Awards 2007

Artemis Strategic Bond
James Foster & Alex Ralph

1st Place Fixed Income GBP Sector over 1year
Standard & Poor's UK Fund Awards 2007

Best UK Equity Growth Group
Professional Adviser Awards 2007

Artemis Fund Managers

Best Fund Group – Three Years
Professional Adviser Awards 2007

Artemis Fund Managers

2006

Winner, Europe Excluding UK
Moneywise Awards 2006

Artemis European Growth
Philip Wolstencroft & Peter Saacke

Fund Manager of the Year
Investment Week Awards 2006

Artemis European Growth
Philip Wolstencroft & Peter Saacke

Best Provider of Third Party Fund Links
International Investment Fund and
Product Awards 2006

Artemis Fund Managers

Europe Ex UK Award
Lipper Leaders Awards 2006

Artemis European Growth
Philip Wolstencroft & Peter Saacke

Europe Ex UK Award
Lipper Citywire All Stars Awards 2006

Artemis European Growth
Philip Wolstencroft & Peter Saacke

Best UK Equity Growth Group
Professional Adviser Awards 2006

Artemis Fund Managers

Best Fund Group – Three Years
Professional Adviser Awards 2006

Artemis Fund Managers

Best Fund Manager – One Year
Professional Adviser Awards 2006

Artemis Income Fund



Risk Warning

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Performance statistics have been drawn from Lipper Limited (a Reuters Company) in sterling with net income reinvested to 31st December 2007.

For Professional Advisers Only

