Fund Manager
William Littlewood
Manager of this Fund since launch.

Artemis Strategic Assets Fund

The Fund's Aims

The objective of the fund is to achieve long–term growth through investment in a portfolio of UK and international assets. The fund will take a broadly 'multi-asset' approach with the intention to perform well when markets are favourable, and preserve capital when markets are poor. It therefore aims to provide longer term positive returns under most market conditions, outperforming both cash and equities over rolling three-year periods.

Data as at 30 November 2010

Key Facts

IMA sector	Active Managed
Sedol number	B3VDDQ5
Fund size (offer basis)	£735.0m
Unit offer price	65.82p
Unit bid price	62.17p
Minimum lump sum investment	£1,000
Minimum monthly investment	£50
Launch	5 May 2009
Launch price	50p
Preliminary charge	5.25%
Annual Management Charge	1.50%
Unit type	Accumulation
Accumulation date	31 October
Valuation (UK business days)	12:00 noon daily
Total Expense Ratio	1.58%
Historic Yield	0.80%

Source: Artemis.

Top 10 Long Equity Positions*	% Fund
BP	3.0
GlaxoSmithKline	2.4
Lloyds Banking Group	2.2
Royal Dutch Shell B	2.2
Microsoft	2.1
Chevron	2.0
AstraZeneca	2.0
Betfair Group	2.0
HSBC	1.9
IG Group	1.8

*With cash. Source: Artemis

Fund Manager's Comments

Overview

As the macroeconomic environment deteriorated, equities fell in November: the Chinese continue to tighten their monetary policy, albeit slowly; the sovereign debt crisis rumbled on with Ireland having to be rescued; and North Korea reminded the world of its potential menace. Interestingly, bonds also performed poorly. Yields rose (and prices fell) in most parts of the world. As we have substantial government bond shorts, this was helpful for the fund. But because our equity longs also fell in the month, the fund was flat overall.

The sovereign debt crisis remains the biggest threat to investors. Our view, long espoused here, is that this problem will be with us for years to come. Ireland was rescued with a €85 billion package. But given the huge levels of debt and the ever deteriorating demographic pressures, Europe will not be able to save itself. Next in line for a bail-out will be Portugal, followed by Spain. If Ireland with a population of 4.5 million needed €85 billion, what will Spain – with a population nine times larger – require?
Our view remains that at some stage this crisis will envelop countries that the bond market currently views as strong: these include the UK, France, Japan and the US.

I expect markets will begin to price in some form of European quantitative easing. This would be helpful to equities in the short run, but bad for bonds: investors would begin to realise that the only way for over-indebted countries to reduce their borrowings is to create inflation.

Performance	Since Launch*	1 Year	6 Months	3 Months	1 Month
Strategic Assets†	31.1	15.6	4.5	8.1	0.1
FTSE APCIMS/Growth TR	28.8	10.7	6.1	6.5	-0.9
FTSE All Share	33.9	11.5	8.6	6.8	-2.3
IMA Active Managed	30.5	12.4	7.7	9.2	0.3
Position in sector	57	26	119	94	67
Funds in sector	121	126	128	128	129
Quartile	2	1	4	3	3

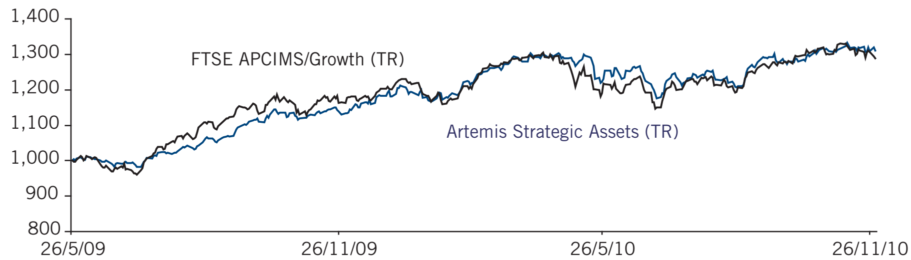
Please remember that past performance is not a guide to the future. *Data from 26 May 2009 due to the fixed price period of the fund. Source: Lipper Limited, bid to bid in sterling with net income reinvested to 30 November 2010. All figures show total returns. †Percentage Growth. Sector is IMA Active Managed.
As the Artemis Strategic Assets Fund launched on the 5 May 2009 complete five year performance data is not yet available.

Percentage Growth Artemis Strategic Assets Fund 12 Months to 30 September 2010

2010	2009	2008	2007	2006
14.2	n/a	n/a	n/a	n/a

Source: Lipper Limited, bid to bid in sterling with net income reinvested. All figures show total returns.
As the Artemis Strategic Assets Fund launched on the 5 May 2009 complete five year performance data is not yet available.

Value of £1,000 Invested at Launch to 30 November 2010



Data from 26 May 2009 due to the fixed price period of the fund. Source: Lipper Limited, bid to bid in sterling with net income reinvested to 30 November 2010.

Fund Exposure	Long %	Short %	Gross %
Cash	9.0	-	9.0
Equities	85.5	7.5	93.0
Commodities	5.5	-	5.5
Government Bonds	-	80.0	80.0

Source: Artemis Data as at 30 November 2010

Equities

We took advantage of falling equity prices in November to add to our shares. As a result our net equity exposure rose slightly from 76% to 78%. Our geographic weightings changed little over the month, but we have continued adding to our large cap stocks. Stocks large enough to be in the FTSE 100 and their international equivalents now account for 73% of the equity long portfolio. Our largest sector weightings continue to be healthcare (pharmaceuticals and medical device makers) and oil shares, which account for 16% and 15% of the long equity position respectively.

The next largest sector is global consumer brands, which account for 8%, and outsourcing companies at 7%. We decreased our positions in the outsourcing sector earlier in the year, but recently we have been rebuilding them. The shares have been poor performers of late as the market worries about the short term impact of government austerity programs. However, in the long run, many of the outsourcing companies we hold should benefit from government actions to reduce the cost and improve the efficiency of the services the state provides.

Long-only equity breakdown	%
Large Cap	72.9
Mid Cap	19.7
Small Cap	7.4
Asset allocation	
Geographical breakdown	**%**
UK	62.7
US	29.2
Japan	3.3
Switzerland	3.2
Europe	1.2
Canada	0.4
Number of equity holdings	
UK	76
US	33
Switzerland	3
Japan	2
Europe	2
Canada	2

Bonds

Despite the announcement from the US Federal Reserve that they will be buying another $600 billion of US treasury bonds, bond yields rose in November. Investors are becoming concerned about the inflationary outlook and the ability of governments to repay their loans. Inflation remains stubbornly high in the UK. On the CPI measure, inflation is now 3.2% and 4.5% on the RPI (which the public and the trade unions prefer). The Bank of England has raised yet again its forecasts for inflation, with its new projections suggesting CPI will rise further to 3.5%. (As usual they expect inflation to then fall after this, blaming one-off events. The trouble is that these one-offs appear to be recurring event). Elsewhere, expectations for inflation are still rising and inflation in China is now officially recorded at 4.4%. My view on this is quite clear: the west needs rising inflation to reduce the real value of its debts.

Although our bond shorts as a percentage of the fund went down a little last month, we have increased the duration of the bond shorts. Currently 17% of our government bond short exposure is in 20- and 30-year bonds. At the end of October, this figure was 10%.

Government bond shorts breakdown	% NAV of fund
Japan	54.8
UK	14.9
US	10.3

Currencies

Our core position of being long the Asian currencies and short the big four reserve currencies remains little changed. We expect to have these positions for a long time. The biggest movement over the month was the reduction in the sterling long from 9% to 5%. As explained in previous factsheets, we are effectively short of sterling because 35% of the fund's assets are in overseas shares and commodities, which we deliberately don't hedge back into sterling. The 5% sterling long in the currency overlay part of the fund is a way of hedging partially the currency of the overseas assets.

As they all face difficult headwinds, it is quite hard to work out which of the big four reserve currencies is the least attractive. Currently we favour the US dollar over the yen, euro and sterling. Although we applaud the attempts by the UK coalition government to sort out the public finances, the UK still has enormous levels of private sector debt, massive off balance sheet liabilities and house prices which to me still look too high. All these factors suggest that sterling needs to fall further. So we have reduced our position.

Currencies (excluding securities)	
Long	**% of fund**
Singapore $	21.3
Taiwan $	14.4
Hong Kong $	10.2
Norwegian Krone	9.3
Malaysian Ringgit	6.2
Swedish Krona	5.0
Sterling	4.9
Korean Won	4.9
Short	**% of fund**
US $	25.2
Euro	22.6
Japanese Yen	19.3
Australian $	6.3
South African Rand	2.6

Commodities

As in previous months, we have been gentle sellers of commodities into rising prices. We believe that being long of commodities and short of government bonds will be correlated trades, but that the downside from shorting government bonds is lower than being long of commodities. So although we think the outlook for commodities is good, we prefer to have large government bond shorts. It is also worth noting that we have 13% of the fund in oil shares. This reflects our bullish view on the oil price.

Key holdings	% NAV of fund
Gold	3.3%
Platinum	1.1%
Agriculture	1.1%

Investment terms

Long positions or exposure – percentage of the fund's net assets which have been purchased in the expectation that they will increase in value.
Short positions or exposure – percentage of the fund's net assets which have been loaned by a third party and sold in the expectation that the stock can be re-acquired at a lower price. This enables the loaned stock to be returned to the owner whilst the "profit" on the transaction remains within the fund. As the fund is a UCITS fund, all short positions are assumed using contracts for difference.
Gross market exposure – All stock long positions plus all stock short positions (e.g. 80% long plus 45% short = Gross market exposure of 125%.
Net market exposure – All long stock positions less all stock short positions (e.g. 80% long less 45% short = net market long exposure of 35%
CFDs – Contracts For Difference: a synthetic short or long instrument by which the fund may gain exposure (either short or long) to a company without physically holding the shares. ETFs; ETNs; ETCs - Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Certificates. These are instruments by which the fund gains access to commodities. Prices of these instruments may be higher or lower than the value of the underlying investments. Other factors which may influence their prices include: global supply and demand of the commodity involved; investors' expectations with respect to inflation rates; currency exchange rates; interest rates; investment and trading activities of hedge funds and commodity funds; and global or regional political, economic or financial events and situations. A downgrade in the credit rating of an ETN issuer may cause the value of the ETN to fall despite there being no change in the underlying index. A greater explanation of investment terms is available in the Glossary of Investment Terms on the website www.artemisonline.co.uk.

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