

Artemis European Hedge Fund Limited

Interim Financial Report (unaudited)
For the six months ended 30 June 2008



ARTEMIS
The PROFIT Hunter

Artemis European Hedge Fund Limited

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Artemis European Hedge Fund Limited

Directors and other information

Directors	Thierry de Sépibus * Dr Wolfgang Schwartzkopff * Paul Turnbull * Henry Kelly * * Each of the above is a non-executive director and independent of the investment manager
Registered office	Walker House Mary Street, PO Box 908 Grand Cayman, KY1-9002 Cayman Islands
Investment manager	Artemis Investment Management Limited Cassini House 57 St. James's Street London, SW1A 1LD United Kingdom 42 Melville Street Edinburgh, EH3 7HA United Kingdom
Prime broker	Goldman Sachs International Peterborough Court 133 Fleet Street London, EC4A 2BB United Kingdom
Bankers	HSBC Institutional Trust Services (Ireland) Ltd 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
Administrator, registrar, transfer agent and company secretary	HSBC Securities Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
Legal advisors <i>(Cayman Islands law)</i>	Walkers 48 Gracechurch Street London, EC3V 0EJ United Kingdom

Artemis European Hedge Fund Limited

Directors and other information *(continued)*

Legal advisors

(United Kingdom law)

Dechert LLP
160 Queen Victoria Street
London, EC4V 4QQ
United Kingdom

Auditors

KPMG
P.O. Box 493
Century Yard
Grand Cayman, KY1-1106
Cayman Islands

Artemis European Hedge Fund Limited

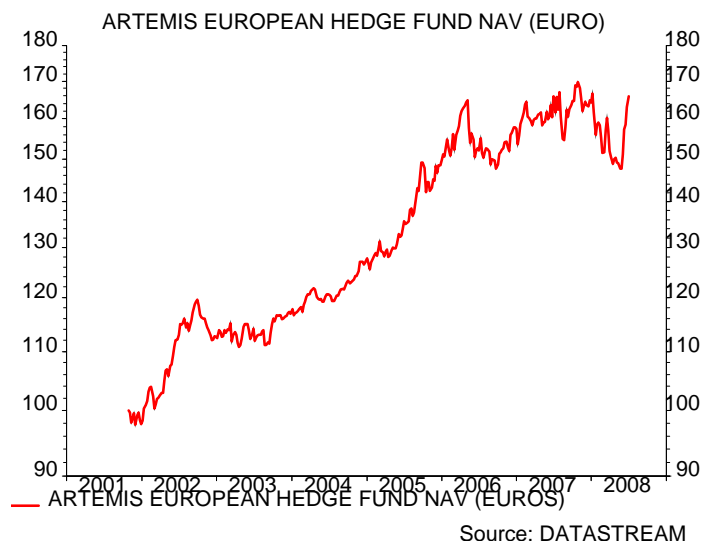
Investment manager's report

Summary

- Fund up 0.3% YTD
- Shorts successful
- Since inception NAV up 7.9% per annum

Performance

The Fund performed poorly in the first quarter and well in the second quarter to leave it marginally up over the course of the first half of 2008. Over the same period, the European stock market fell by 18.5%, our longs fell by 20.5% and our shorts fell by 22.1%. In effect, markets have been very weak and our longs and shorts have, over the full six months, moved broadly in line with the market. Since inception the Fund has compounded at about 7.9% per annum and shown little correlation with equity markets.



Review

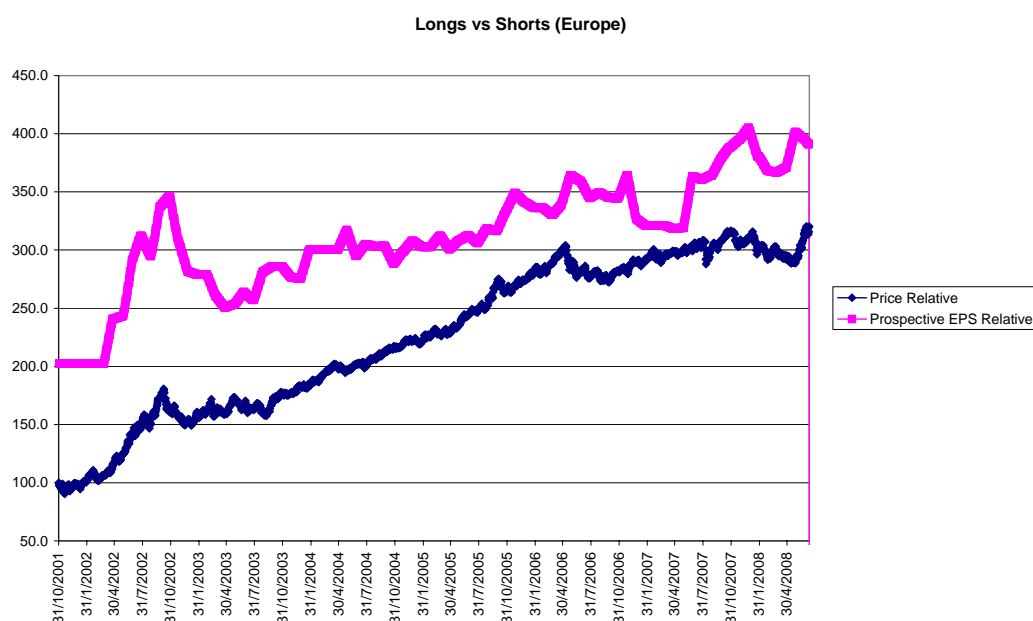
The history of stock markets demonstrates that over time companies with superior Earnings Per Share ("EPS") growth typically outperform those with inferior EPS growth. Since an equity market neutral strategy has a bunch of longs offset by a group of shorts, by implication, the manager expects the former to have better EPS growth than the latter.

In the chart below we illustrate the relative price performance of our longs versus our shorts. We also chart the relative level of forecast EPS. The suggestion is that indeed our longs deliver better EPS growth (pink line is going up). So long as this continues we should expect the price relative to continue its uptrend and hence for the NAV of the Fund to continue to rise.

In the first few months of the year, the market ignored the better growth rates of our longs, but of late, investors appear to be reacting in a more understandable fashion. So long as we continue to ensure that our longs have superior growth than our shorts, then the pink line should continue to rise and in turn this should drag the price relative upwards.

Artemis European Hedge Fund Limited

Investment manager's report (continued)



Quantitative Overview

We run the money in a largely quantitative fashion. That is, over 90% of what we do could be regarded as quantitative. What this means is that we measure the characteristics of each company that we monitor and choose our positions on the basis of this data rather than any subjective views that we may have. In general, we look to have our longs in stocks that have better value, faster growth and positive surprises compared to our shorts. Over time this has proven to be a successful strategy.

Current Positions

We rank the stocks in our universe from 0 to 100 (zero being lousy, 100 fantastic). We then try to build a portfolio of longs that have great characteristics and shorts that have poor ones. In the table below the average SmartGARP™ score of our longs is 90 - hence on average our longs are just in the top decile of stocks, whilst our shorts are just outside the bottom decile. The table below suggests that the Fund is net long of revisions, momentum and growth and is largely neutral on value.

European Hedge Fund	GAV (EUR million)	% Fund	Growth	Value	Revisions	Momentum	Accruals	Macro	Fund Manager	Total
	12.5									
Long	14.0	112.0	62	57	81	76	58	68	47	90
Short	(13.4)	(107.2)	24	64	19	21	41	40	39	11
Net Long	0.6	4.8	38	-6	62	56	17	28	9	79
Gross	27.4	219.2								

At the sector level the Fund is long of chemicals, oil and banks, whilst being short of travel, construction and telecoms.

Artemis European Hedge Fund Limited

Investment manager's report *(continued)*

	AEH Long	AEH Short	Net
Chemicals	20.9	(1.6)	19.3
Oil & Gas	15.6	(0.4)	15.2
Banks	12.0	-	12.0
Financial Services	9.5	(0.5)	9.0
Basic Resources	9.0	(3.9)	5.1
Retail	7.4	(4.8)	2.6
Household Goods	1.2	-	1.2
Luxury Goods	1.8	(0.7)	1.1
Media	3.7	(2.9)	0.8
Automobiles & Parts	-	(0.6)	(0.6)
Industrial Services	4.0	(5.3)	(1.3)
Food & Beverage	1.4	(2.8)	(1.4)
Insurance	-	(1.5)	(1.5)
Health Care	1.0	(2.8)	(1.8)
Technology	-	(3.3)	(3.3)
Industrial Goods	9.1	(14.1)	(5.0)
Utilities	1.0	(8.6)	(7.6)
Telecommunications	-	(9.9)	(9.9)
Construction & Materials	5.3	(18.3)	(13.0)
Travel & Leisure	-	(15.8)	(15.8)

In having a similar amount of money invested in both the longs and shorts, we should find that the Fund is largely uncorrelated with equity markets. In general, this has indeed been true (the correlation with European equity market returns has been about 0 on average).

Our belief is that our system is very good at identifying mis-priced stocks. Over the past seven years, our longs have tended to outgrow our shorts by about 7% per annum. This has been a solid rather than spectacular performance. However, in a period when equity markets have been somewhat weak and volatile, we believe that our Fund will demonstrate good characteristics against our competitors' products.

Philip Wolstencroft
Investment Manager
Artemis Investment Management Limited

Artemis European Hedge Fund Limited

Consolidated balance sheet (unaudited)

At 30 June 2008

	<i>AEHFL</i> <i>Dollar Class</i> <i>US\$</i>	<i>AEHFL</i> <i>Sterling Class</i> <i>£</i>	<i>AEHFL</i> <i>Euro Class</i> <i>€</i>	<i>AEHFLP</i> <i>Master</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>30 June 2008</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>31 Dec 2007</i> <i>€</i>
Assets						
Financial assets at fair value through profit or loss	118	24,978	-	14,011,334	14,042,978	116,310,137
Investment in Master Fund	557,718	6,143,433	4,144,221	-	-	-
Cash and cash equivalents	-	-	-	571,897	571,897	244,606
Balances due from brokers	-	-	-	12,554,809	12,554,809	112,249,152
Dividend receivable	-	-	-	26,554	26,554	-
Interest receivable	-	-	-	1,363	1,363	458
Other assets	-	-	-	12,639	12,639	-
Total assets	557,836	6,168,411	4,144,221	27,178,596	27,210,240	228,804,353
Liabilities						
Financial liabilities at fair value through profit or loss	(3,205)	(2,673)	-	(13,383,153)	(13,388,567)	(105,346,091)
Balances due to brokers	-	-	-	(1,386,883)	(1,386,883)	(1,636,128)
Performance fees payable	-	(10,032)	(3,407)	-	(16,086)	(1,642,254)
Equalisation credit payable	-	-	(16)	-	(16)	(17,536)
Management fees payable	-	-	-	(54,601)	(54,601)	(467,663)
Administration fees payable	-	-	-	(5,000)	(5,000)	(40,439)
Audit fees payable	-	-	-	(42,434)	(42,434)	(28,626)
Other accrued expenses	-	-	-	(43,340)	(43,340)	(131,533)
Total liabilities (excluding net assets attributable to holders of redeemable shares)	(3,205)	(12,705)	(3,423)	(14,915,411)	(14,936,927)	(109,310,270)
Net assets attributable to holders of redeemable shares	554,631	6,155,706	4,140,798	12,263,185	12,273,313	119,494,083
Net Asset Value per redeemable share class	144.66	158.31	164.51			
Number of redeemable shares per class	3,834	38,883	25,171			

See accompanying notes to the consolidated interim financial statements.

Artemis European Hedge Fund Limited

Consolidated income statement (unaudited)

For the six months ended 30 June 2008

	<i>AEHFL</i> <i>Dollar Class</i> US\$	<i>AEHFL</i> <i>Sterling Class</i> £	<i>AEHFL</i> <i>Euro Class</i> €	<i>AEHFLP</i> <i>Master</i> €	<i>Consolidated</i> <i>Total</i> <i>June 2008</i> €	<i>Consolidated</i> <i>Total</i> <i>June 2007</i> €	<i>Consolidated</i> <i>Total</i> <i>December 2007</i> €
Investment income							
Interest income	-	-	-	1,248,835	1,248,835	6,593,797	11,815,246
Dividend income	-	-	-	566,893	566,893	5,545,745	6,759,344
Other income	-	-	-	-	-	-	43,215
Net (losses)/gains from financial assets and liabilities at fair value through profit or loss	(3,755,795)	78,751	(24,038)	(4,071,990)	(3,151,592)	5,011,753	11,190,542
Net foreign exchange (losses)/gains	(1,145,540)	(36,835)	-	1,180,535	406,098	492,434	(1,124,277)
Net investment (expense)/income	(4,901,335)	41,916	(24,038)	(1,075,727)	(929,766)	17,643,729	28,684,070
Expenses							
Interest expense	-	-	-	(238,448)	(238,448)	(3,197,156)	(3,884,104)
Dividend expense	-	-	-	(1,217,968)	(1,217,968)	(8,153,437)	(9,499,222)
Management fees	-	-	-	(282,334)	(282,334)	(1,382,907)	(2,396,469)
Performance fees	-	(10,032)	(3,407)	(1,114)	(17,200)	(1,351,427)	(1,622,690)
Administration fees	-	-	-	(37,626)	(37,626)	(89,040)	(165,932)
Audit fees	-	-	-	(14,185)	(14,185)	(13,676)	(35,252)
Directors' fees	-	-	-	(12,976)	(12,976)	(18,980)	(33,945)
Prime broker fees	-	-	-	(241,780)	(241,780)	(1,130,332)	(3,658,253)
Other expenses	-	-	-	(25,205)	(25,205)	-	(136,486)
Operating expenses	-	(10,032)	(3,407)	(2,071,636)	(2,087,722)	(15,336,955)	(21,432,353)
Net (loss)/gain from operations before taxation	(4,901,335)	31,884	(27,445)	(3,147,363)	(3,017,488)	2,306,774	7,251,717
Withholding tax on dividend income	-	-	-	(83,989)	(83,989)	(820,048)	(1,029,773)
Change in net assets attributable to holders of redeemable shares resulting from operations	(4,901,335)	31,884	(27,445)	(3,231,352)	(3,101,477)	1,486,726	6,221,944

See accompanying notes to the consolidated interim financial statements.

Artemis European Hedge Fund Limited

Consolidated statement of changes in net assets attributable to holders of redeemable shares (unaudited)

For the six months ended 30 June 2008

	<i>AEHFL</i> <i>Dollar Class</i> <i>US\$</i>	<i>AEHFL</i> <i>Sterling Class</i> <i>£</i>	<i>AEHFL</i> <i>Euro Class</i> <i>€</i>	<i>AEHFLP</i> <i>Master</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>June 2008</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>June 2007</i> <i>€</i>
Balance at 1 January 2008	155,194,511	6,263,920	4,608,505	120,483,307	119,494,083	198,805,025
Currency translation	-	-	-	-	(4,357,796)	(236,929)
Issue of redeemable shares during the period	358,006	500,000	2,547	972,837	856,300	4,951,906
Redemption of redeemable shares during the period	(150,099,709)	(648,640)	(446,552)	(105,961,607)	(100,634,343)	(41,142,242)
Change in net assets attributable to holders of redeemable shares resulting from operations	(4,901,335)	31,884	(27,445)	(3,231,352)	(3,101,477)	1,486,726
Equalisation capital	3,158	8,542	3,743	-	16,546	(15,831)
Balance at 30 June 2008	554,631	6,155,706	4,140,798	12,263,185	12,273,313	163,848,655

See accompanying notes to the interim consolidated financial statements.

Artemis European Hedge Fund Limited

Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2008

	<i>AEHFL</i> <i>Dollar Class</i> <i>US\$</i>	<i>AEHFL</i> <i>Sterling Class</i> <i>£</i>	<i>AEHFL</i> <i>Euro Class</i> <i>€</i>	<i>AEHFLP</i> <i>Master</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>June 2008</i> <i>€</i>	<i>Consolidated</i> <i>Total</i> <i>June 2007</i> <i>€</i>
Operating activities						
Change in net assets attributable to holders of redeemable shares resulting from operations	(4,901,335)	31,884	(27,445)	(3,231,352)	(3,101,477)	1,486,726
Currency translation	-	-	-	-	(4,357,796)	(236,929)
Adjustment for movement in net gains/(losses) on financial assets and liabilities at fair value through profit or loss	3,755,795	(78,751)	24,038	4,071,990	3,151,592	(5,011,753)
Net operating cash flow before changes in operating assets and liabilities	(1,145,540)	(46,867)	(3,407)	840,638	(4,307,681)	(3,761,956)
Net purchases and sales of trading securities	152,762,672	274,464	632,661	5,640,516	7,158,042	(3,014,002)
Increase in interest receivable	-	-	-	(905)	(905)	31,184
Decrease in other assets	-	-	-	99,655,150	99,655,150	46,448,581
Decrease in performance fees and other payables	(1,875,429)	(78,957)	(185,249)	(819,338)	(2,398,299)	(2,185,798)
Net change in operating assets and liabilities	150,887,243	195,507	447,412	104,475,423	104,413,988	41,279,965
Cash flows from operating activities	149,741,703	148,640	444,005	105,316,061	100,106,307	37,518,009

Artemis European Hedge Fund Limited

Consolidated statement of cash flows (unaudited) *(continued)*

For the six months ended 30 June 2008

	<i>AEHFL</i> <i>Dollar Class</i> US\$	<i>AEHFL</i> <i>Sterling Class</i> £	<i>AEHFL</i> <i>Euro Class</i> €	<i>AEHFLP</i> <i>Master</i> €	<i>Consolidated</i> <i>Total</i> <i>June 2008</i> €	<i>Consolidated</i> <i>Total</i> <i>June 2007</i> €
Financing activities						
Proceeds from issue of redeemable shares	358,006	500,000	2,547	972,837	856,300	5,261,221
Payments on redemption of redeemable shares	(150,099,709)	(648,640)	(446,552)	(105,961,607)	(100,634,343)	(41,142,242)
Increase in equalisation credit	3,158	8,542	3,743	-	16,547	(15,831)
Decrease in equalisation credit payable	(3,158)	(8,542)	(3,743)	-	(17,520)	(1,468,894)
Cash flows from financing activities	(149,741,703)	(148,640)	(444,005)	(104,988,770)	(99,779,016)	(37,365,746)
Increase in cash and cash equivalents during the period	-	-	-	327,291	327,291	152,263
Cash and cash equivalents at beginning of period	-	-	-	244,606	244,606	1,253,455
Cash and cash equivalents at end of period	-	-	-	571,897	571,897	1,405,718
Supplementary information on cash flows from operating activities						
Interest received				1,247,930	1,247,930	6,624,981
Interest paid				(238,480)	(238,480)	(3,914,874)
Dividends received				540,339	540,339	5,223,693
Dividends paid				(1,237,210)	(1,237,210)	(8,153,437)
Withholding tax paid				(83,989)	(83,989)	(820,048)

See accompanying notes to the consolidated interim financial statements.

Artemis European Hedge Fund Limited

Notes

Forming part of the consolidated interim financial statements

1. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). Specifically these financial statements have been prepared in accordance with IAS (International Accounting Standard) 34: Interim Financial Reporting.

The comparative figures for the Balance Sheet relate to the year ended 31 December 2007, while the comparative figures for the Income Statement relate to the period ended 30 June 2007 and the year ended 31 December 2007. The comparative figures for the Statement of Changes in Net Assets Attributable to Redeemable Shareholders and Statement of Cash Flows relate to the period ended 30 June 2007.

The accounting policies used in the preparation of these financial statements are consistent with those used in the Company’s most recent annual financial statements for the year ended 31 December 2007. There have been no changes to the Company’s accounting policies since the date of the Company’s last annual financial statements for the year ended 31 December 2007. The format of these financial statements differs in some respects from that of the most recent annual financial statements, in that the notes to the financial statements are presented in summary form.

2. Significant matters arising during the period

There were no significant matters arising during the six months ended 30 June 2008. Further details of the Company’s performance during the period are included in the Investment Manager’s report on page 3.

3. Related parties

Investment Manager

The Company appointed Artemis Investment Management Limited (the “Investment Manager”), an investment management company incorporated in the United Kingdom, to implement the investment strategy as specified in the prospectus. Goldman Sachs International has been appointed as Prime Broker and HSBC Securities Services (Ireland) Limited has been appointed as Administrator.

Management Fee

Under the Investment Management Agreement, the Master Fund will pay a fee to the Investment Manager at the annual rate of 1.5 per cent of the Net Asset Value of the Master Fund (the ‘Management Fee’), accrued monthly on each Dealing Day and payable quarterly in arrears. The Management Fee for six months ended 30 June 2008 was €282,334 (30 June 2007: €1,382,907; 31 December 2007: €2,396,469). Included in liabilities at 30 June 2008 is investment management fees payable of €54,601 (31 December 2007: €467,663).

Artemis European Hedge Fund Limited

Notes

Forming part of the consolidated interim financial statements (continued)

3. Related parties (continued)

Performance Fee

The Investment Manager is also entitled to a performance fee which is payable in arrears in respect of each fiscal year. The performance fee is equal to 20 per cent of the increase in the net asset value per Share after adding back any distributions of the applicable share class outstanding in respect of each Performance Period subject to a high water mark. The Performance Fee for six months ended 30 June 2008 was €17,200 (30 June 2007: €1,351,427; 31 December 2007: €1,622,690). Included in liabilities at 30 June 2008 are performance fees payable of €16,086 (31 December 2007: €1,642,254).

Prime Brokerage and Custodial Fees

The Prime Broker Goldman Sachs International receives Prime Broker fees, which are based upon a combination of transaction charges, interest costs and borrowing fees at normal commercial rates. The Prime Broker Fee for six months ended 30 June 2008 was €241,780 (30 June 2007: €1,130,332; 31 December 2007: €3,658,253). Included in liabilities at 30 June 2008 are Prime Broker fees payable of €Nil (31 December 2007: €Nil).

Administration Fees

HSBC Securities Services (Ireland) Limited (the “Administrator”) is entitled to a monthly fee, which is calculated and paid by the Master Fund to the Administrator.

The Administration fee for the six months ended 30 June 2008 was €37,626 (30 June 2007: €89,040; 31 December 2007: €165,932). Included in liabilities at 30 June 2008 are administration fees payable of €5,000 (31 December 2007: €40,439).

Directors’ fees and interests

The Company will pay each Director an annual fee of US\$10,000. The Directors interests in the Company as at 30 June 2008 are as follows:

Thierry de Sépibus	245.48 Euro Class Shares (31 December 2007: 243.90)
Dr Wolfgang Schwartzkopff	314.24 Euro Class Shares (31 December 2007: 314.00)

Shareholdings of related parties

The Investment Manager held no redeemable shares at 30 June 2008 (31 December 2007: Nil).



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