

# Artemis Global Hedge Fund Limited

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Directors' Report and Consolidated Financial Statements  
For the year ended 31 December 2008



**ARTEMIS**  
The PROFIT Hunter

# Artemis Global Hedge Fund Limited

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# Artemis Global 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  
87 Mary Street, George Town  
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 brokers

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London, EC4A 2BB  
United Kingdom

UBS AG (Appointed on 23 October 2008)  
1 Finsbury Avenue  
London EC2M 2PP  
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

# Artemis Global Hedge Fund Limited

## Directors and other information *(continued)*

**Legal advisors**  
*(Cayman Islands law)*

Walkers  
6 Gracechurch Street  
London, EC3V 0AT  
United Kingdom

**Legal advisors**  
*(United Kingdom law)*

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

**Auditors**

KPMG  
Chartered Accountants  
Cricket Square  
George Town, Grand Cayman  
Cayman Islands

# Artemis Global Hedge Fund Limited

## Directors' report

The Directors present herewith their report and annual consolidated financial statements for the year ended 31 December 2008.

### **Review of the development of the business**

The consolidated balance sheet and consolidated income statement are set out on pages 10-13.

The Directors report that the Company's Euro, Sterling and US Dollar share classes produced returns of -40.7%, -39.8% and -39.2% (2007: 22.0%, 24.6% and 23.1%) respectively with the net asset values per share standing at: €70.42, £73.49 and \$73.55 (2007: €18.66, £122.13 and \$120.93) respectively at 31 December 2008.

For the year ended 31 December 2008 the Company intends to make an application to the United Kingdom's HM Revenue & Customs to be approved as a distributing fund for each of its share classes. If such approval is granted, the Directors and Investment Manager consider that this could widen the investment potential of the Fund to a broader investor base. Under current regulations, an application for approval as a distributing fund requires to be made on an annual basis and it is intended that the Company will make such application each year.

### **Appointment of additional prime broker**

On 23 October 2008 the directors appointed UBS AG as an additional prime broker to the Company.

### **Segregation of liability**

The assets of each of the share classes are not segregated for any claims arising from the creditors of any other share class. The Directors confirm that they are not aware of any such existing or potential liability.

### **Directors and directors' interests**

The Directors who held office during the year are listed on page 1. None of the Directors have, nor have had, an interest in any of the Company's share classes.

### **Statement of Directors' Responsibilities in respect of the Financial Statements**

The Directors are required to prepare consolidated financial statements for each financial year which give a fair representation of the state of affairs of the Company and of its financial performance for the year. The financial statements have been prepared using accounting policies appropriate for the Company, in the context of its business as an investment fund, and these have been and will be applied consistently. The financial statements have been prepared in accordance with International Financial Reporting Standards.

The Directors, in discharging their responsibility for keeping proper accounting records, and having appropriate internal controls around these to seek to ensure that the financial statements are free from any misstatement, use the services of a third party administrator, who is appointed under contract. The administrator maintains the accounting records of the Company, from which the financial statements are prepared on behalf of the Directors. In preparing these, accounting estimates may be used, and such estimates will be made in accordance with, and appropriate to, the business of the Company. The administrator provides assurances to the Directors that its systems of control are appropriate and effective, and that they are not aware of any material matters which would require any amendment to the financial statements as presented.

# Artemis Global Hedge Fund Limited

Directors' report *(continued)*

## **Auditors**

KPMG, Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the board

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Thierry de Sépibus  
Director

# Artemis Global Hedge Fund Limited

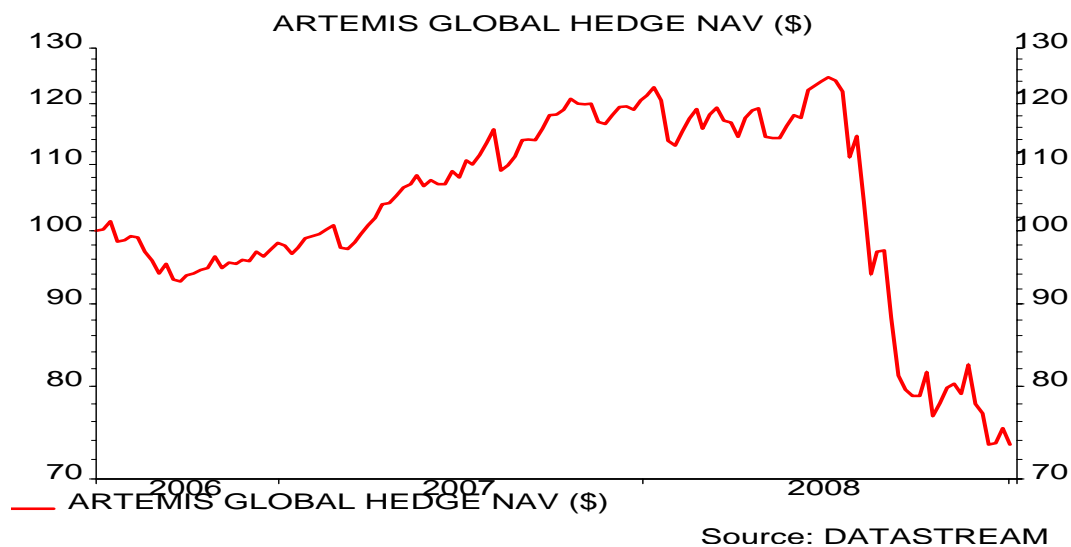
## Investment manager's report

### Summary

- Very poor year for the Company.
- Severe lack of traction of our investment process, only partially mitigated by fund manager judgment.
- Sticking to our guns.

### Performance

The Company has had a very poor year in 2008. Its net asset value fell by 39.2%, thus more than offsetting its 2007 advance of 23.1%. Having been up at the half year mark, the vast majority of the losses (36.9% to be precise) were incurred in the third quarter. As a result, this annual report focuses on what went wrong during the July to September period. To understand what happened, however, it is necessary to recall how we go about choosing stocks to invest in.



### SmartGARP™ Recap

It is well known that in managing the Company we rely heavily on Artemis' proprietary stock screening tool called SmartGARP. This tool screens stocks for a variety of financial characteristics (growth, value, changes in earnings estimates, etc.) and is designed to highlight those with particularly attractive attributes for inclusion in the long book and those with unattractive ones for the short book.

In essence, SmartGARP is a model of what makes certain kinds of investors buy and sell shares. Some investors are attracted to cheap valuations, some to strong forecast growth, some like to invest in companies from sectors that should thrive in the current economic environment, whilst others look for stocks in sectors that have fallen out of favour. We look at a combination of these factors because we never know in advance which will be the dominant driver of share prices in the near term. Building portfolios that, on aggregate, are positively skewed towards all the characteristics should minimize the risk that the portfolio is completely out of sync with the price action in the equity market. Yet, this is precisely what happened in the third quarter of 2008.

# Artemis Global Hedge Fund Limited

## Investment manager's report (*continued*)

### **When does SmartGARP not work?**

SmartGARP tends to struggle when investors change their behaviour and focus on factors or themes other than stocks' financial characteristics. An example of this was the Technology, Media and Telecommunications ("TMT") bubble, when investors' attention drifted towards a variety of esoteric growth and valuation metrics at the expense of everything else. During such periods, SmartGARP fails to capture what is driving stock prices and the strategy struggles.

However, beyond such memorable, but rare periods, there are more frequent, though usually less severe, times when SmartGARP struggles. These often coincide with turning points in economic or sector-wide themes. Examples include the economic and stock market turning point in Q2 2003. In this case, for a number of months after the invasion of Iraq, as risk appetite returned, the stock market price action was dominated by a re-rating of risky stocks (which had suffered most during the preceding bear market) with little regard for their other financial characteristics. Once again, investors' focus shifted from fundamentals to a temporary theme, causing SmartGARP to fail in its task of capturing the drivers of stock prices.

### **What happened this time?**

The third quarter of last year shares some similarities with these previous episodes, yet, as always in financial markets, with an added twist. The superficial cause of the poor performance of the Company was a fundamental reversal in the oil and mining sector which coincided with a strong rally in bank shares from oversold levels. As some commentators put it, the popular Long Energy/Mining, Short Banks trade, went into reverse.

Unsurprisingly, being net long Energy and Mining hurt us when the oil price rolled over in early July. Irritatingly, what compounded our pain is that even though we were net long Banks, our long positions in solid Banks with decent newsflow benefited much less from the reversal in sentiment than beaten up Banks on the verge of bankruptcy of which we had a few in our short book (e.g. Wachovia).

All of this, however, would hardly register in the usual volatility of the performance of the Company over the course of time. The first additional aspect that made Q3 2008 exceptionally painful, is that once again investors' attention was drawn from current stock specific characteristics to what I would call hoped-for future characteristics.

To be clear, the market ignored information companies had communicated about the most recent trading period (i.e. Q2 results), but rather focused on identifying which companies, having suffered in recent years from ever rising energy and other raw material costs, would stand to gain from the present commodity price reversal. This proved to be a long list, including Airlines, Construction companies, Automobiles and many more. Having many short positions in these parts of the market was where in fact the majority of the pain came from in the first six weeks of the third quarter of 2008.

It is worth noting that in the majority of cases, we have taken the adverse price action on the chin in the belief that eventually the market will come round to the view that it was not just higher input costs, but exposure to a fast deteriorating economic cycle and excessive debt levels that are the problem.

# Artemis Global Hedge Fund Limited

Investment manager's report (*continued*)

## **The De-leveraging Twist**

Even the combination of the issues treated thus far would have resulted in a quarter of poor rather than disastrous performance. The final twist that made things much worse turned out to be severe and drawn out de-leveraging, by which, in this context, I mean a combination of forced and voluntary reduction in equity exposure on the part of managed funds (be it through fund closures or drastic reductions in gross exposure).

This is partly the usual ebb and flow of markets – for fund managers with mixed recent performance, poor performance during the reversal in July might have been enough to decide/be forced to shut their funds down. Other fund managers, in retrospect wisely, decided that there was a lack of rationality in the market and went on to reduce gross exposure materially until they felt the dust had settled.

What was different this time, however, was that the credit crisis made capital extremely scarce, with banks and other institutions seeking ways to hoard cash. Margin requirements for funds were raised and the cost of leverage rose materially, thus fuelling the de-leveraging process.

In addition, and possibly most significantly, fears of potential bankruptcies of hedge funds' prime brokers in general and the demise of Lehman Brothers in particular prompted many investors to shut their funds down and move as much cash into perceived safe havens as they could.

All of these voluntary and forced actions aimed at reducing exposure to equities have one thing in common: They lead investors to buy and sell shares with scant regard for their financial characteristics. Worse still: to the extent that many of the fund managers (particularly in this last category) had well spread books of overvalued shorts and cheap longs, their actions resulted in what at times looked like perverse price action. The bottom line is: the pain was caused by price action that was once again driven by the behaviour of stock market participants rather than by stock specific newsflow.

## **Honest, It Wasn't My Fault', Then?**

Sadly not. We try to generate performance using a combination of quantitative techniques (SmartGARP) and fund manager judgment. Whilst we usually say that subjective judgment only makes a 10% contribution, it is precisely at times like these, when extraneous factors are driving stock prices, that judgment is called for to protect the Company.

The way to measure the contribution of fund manager judgment is to compare the performance of the Company with what it would have been had SmartGARP been allowed to run on autopilot. The upshot here is that, whereas we added some value at the judgmental level in our long book, this was mostly offset by the value subtracted on our short book.

# Artemis Global Hedge Fund Limited

Investment manager's report *(continued)*

## **What Could We Have Done Better?**

Clearly, the simplest answer to the question is that we could have taken down the gross exposure to limit losses when SmartGARP started losing traction. But then, hindsight is a beautiful thing.

In times like these it is always tempting to say that it is necessary to add some bells and whistles to the process to make it better at dealing with times like the one we have just lived through. The process works because at the end of the day, investors always go back to their day job, which is to look for companies that are cheaper than the market, growing a bit faster than the market and are in parts of the market that might benefit from the current economic environment, but are not yet over-owned.

Yes, there are times when this predictable behaviour gets overshadowed by considerations of de-leveraging or thematic reversals. But, tautologically, the norm is that people do normal things and that is what we are trying to model using SmartGARP.

So our resolve is to stick to our knitting and hold out until market participants' behaviour normalises. History teaches that once this happens, the process regains traction and we will start making money again.

## **Conclusion**

There is no doubt that the Company has performed poorly and we certainly feel miserable. However, all the work we have done suggests that there are good reasons as to why our process works in the long run, why it has done poorly of late and why it should do well in future. Whilst, arguably, the moves in share prices were not easy to predict, the pattern has a certain logic to it. I would argue that markets are not being irrational, but rather displaying the normal patterns of inefficiencies of the past few decades. SmartGARP is designed to exploit these inefficiencies and over time has added significant value. We look forward to it continuing to add value in the future.

*Peter Saacke*  
*Investment Manager*  
*Artemis Investment Management Limited*



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## **Independent Auditors' Report to the Shareholders**

We have audited the accompanying consolidated financial statements of Artemis Global Hedge Fund Limited ("the Company"), which comprise the consolidated balance sheet and consolidated schedule of investments as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in net assets attributable to holders of redeemable shares and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Director's Responsibility for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

17 June 2009

# Artemis Global Hedge Fund Limited

## Consolidated balance sheet

At 31 December 2008

	<i>Note</i>	<i>AGHFL Euro Class €</i>	<i>AGHFL Sterling Class £</i>	<i>AGHFL USD Class US\$</i>	<i>AGHFL Master US\$</i>	<i>Consolidated Total 2008 US\$</i>
<b>Assets</b>						
Financial assets at fair value through profit or loss	6	378,850	290,173	-	135,879,087	136,831,252
Investment in Master Fund		3,422,755	46,620,558	28,485,337	-	-
Cash and cash equivalents	7	-	-	-	234,950	234,950
Balances due from brokers	8	-	-	-	110,365,330	110,365,330
Dividends receivable		-	-	-	172,985	172,985
Interest receivable		-	-	-	115	115
Other assets		-	-	-	21,302	21,302
<b>Total assets</b>		<b>3,801,605</b>	<b>46,910,731</b>	<b>28,485,337</b>	<b>246,673,769</b>	<b>247,625,934</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	6	(54,560)	(2,720,878)	-	(139,480,061)	(143,521,289)
Balances due to brokers	8	-	-	-	(5,309,743)	(5,309,743)
Performance fees payable	10	-	-	(93,202)	-	(93,202)
Management fees payable	10	-	-	-	(410,218)	(410,218)
Administration fees payable	10	-	-	-	(27,619)	(27,619)
Audit fees payable		-	-	-	(40,595)	(40,595)
Dividends payable		-	-	-	(178,367)	(178,367)
Other accrued expenses		-	-	-	(21,917)	(21,917)
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>(54,560)</b>	<b>(2,720,878)</b>	<b>(93,202)</b>	<b>(145,468,520)</b>	<b>(149,602,950)</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>3,747,045</b>	<b>44,189,853</b>	<b>28,392,135</b>	<b>101,205,249</b>	<b>98,022,984</b>
Net asset value per redeemable share		69.41	71.60	72.98		
Number of redeemable shares per class	5	53,984	617,206	389,057		

See accompanying notes to the consolidated financial statements

# Artemis Global Hedge Fund Limited

## Consolidated balance sheet

At 31 December 2007

	<i>Note</i>	<i>AGHFL Euro Class €</i>	<i>AGHFL Sterling Class £</i>	<i>AGHFL USD Class US\$</i>	<i>AGHFL Master US\$</i>	<i>Consolidated Total 2007 US\$</i>
<b>Assets</b>						
Financial assets at fair value through profit or loss	6	-	-	-	139,892,884	139,892,884
Investment in Master Fund		3,374,884	32,715,755	34,948,568	-	-
Cash and cash equivalents	7	-	-	-	10,661,253	10,661,253
Balances due from brokers	8	-	-	-	91,587,773	91,587,773
Dividends receivable		-	-	-	53,069	53,069
Interest receivable		-	-	-	38,702	38,702
<b>Total assets</b>		<b>3,374,884</b>	<b>32,715,755</b>	<b>34,948,568</b>	<b>242,233,681</b>	<b>242,233,681</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	6	(28,835)	(373,969)	-	(136,159,387)	(136,943,169)
Balances due to brokers	8	-	-	-	(722,807)	(722,807)
Performance fees	10	(97,994)	(500,224)	(1,287,993)	(14,639)	(2,437,724)
Equalisation credit	10	(29,266)	(908,944)	(169,402)	-	(2,014,855)
Management fees payable	10	-	-	-	(382,257)	(382,257)
Administration fees payable	10	-	-	-	(35,937)	(35,937)
Audit fees payable		-	-	-	(41,766)	(41,766)
Other accrued expenses		-	-	-	(117,573)	(117,573)
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>(156,095)</b>	<b>(1,783,137)</b>	<b>(1,457,395)</b>	<b>(137,474,366)</b>	<b>(142,696,088)</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>3,218,789</b>	<b>30,932,618</b>	<b>33,491,173</b>	<b>104,759,315</b>	<b>99,537,593</b>
Net asset value per redeemable share		117.97	121.42	120.24		
Number of redeemable shares per class	5	27,284	254,752	278,535		

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated income statement

For the year ended 31 December 2008

	Note	AGHFL Euro Class €	AGHFL Sterling Class £	AGHFL USD Class US\$	AGHFL Master US\$	Consolidated Total 2008 US\$
<b>Investment income</b>						
Interest income from financial assets that are not at fair value through profit or loss		-	-	-	5,558,574	5,558,574
Dividend income from financial assets designated at fair value through profit or loss		-	-	-	6,577,050	6,577,050
Other income		-	-	-	3,144	3,144
Net losses from financial assets and liabilities at fair value through profit or loss	4	(2,426,453)	(34,371,914)	(16,711,348)	(55,798,806)	(86,610,985)
Net foreign exchange gains/(losses)		103,374	1,900,853	-	(8,619,404)	(4,949,097)
<b>Net investment expense</b>		<b>(2,323,079)</b>	<b>(32,471,061)</b>	<b>(16,711,348)</b>	<b>(52,279,442)</b>	<b>(79,421,314)</b>
<b>Expenses</b>						
Interest expense for financial liabilities that are not at fair value through profit or loss		-	-	-	(3,093,704)	(3,093,704)
Dividend expense for financial liabilities designated at fair value through profit or loss		-	-	-	(7,405,881)	(7,405,881)
Management fees	10	-	-	-	(2,321,376)	(2,321,376)
Performance fees	10	-	-	(93,202)	-	(93,202)
Administration fees	10	-	-	-	(227,101)	(227,101)
Audit fees		-	-	-	(42,041)	(42,041)
Directors' fees	10	-	-	-	(50,859)	(50,859)
Prime broker fees	10	-	-	-	(2,613,830)	(2,613,830)
Other expenses		-	-	-	(142,167)	(142,167)
<b>Operating expenses</b>		<b>-</b>	<b>-</b>	<b>(93,202)</b>	<b>(15,896,959)</b>	<b>(15,990,161)</b>
Net loss from operations before taxation		(2,323,079)	(32,471,061)	(16,804,550)	(68,176,401)	(95,411,475)
Withholding tax on dividend income		-	-	-	(1,043,664)	(1,043,664)
<b>Change in net assets attributable to holders of redeemable shares resulting from operations</b>		<b>(2,323,079)</b>	<b>(32,471,061)</b>	<b>(16,804,550)</b>	<b>(69,220,065)</b>	<b>(96,455,139)</b>

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated income statement

For the year ended 31 December 2007

	Note	AGHFL Euro Class €	AGHFL Sterling Class £	AGHFL USD Class US\$	AGHFL Master US\$	Consolidated Total 2007 US\$
<b>Investment income</b>						
Interest income from financial assets that are not at fair value through profit or loss		-	-	-	4,393,898	4,393,898
Dividend income from financial assets designated at fair value through profit or loss		-	-	-	1,144,418	1,144,418
Other income		-	3,469	-	10,573	17,454
Net gains from financial assets and liabilities at fair value through profit or loss	4	496,397	1,922,332	6,708,317	12,284,571	11,548,292
Net foreign exchange gains/(losses)		40,722	427,601	-	(196,976)	710,520
<b>Net investment income</b>		<b>537,119</b>	<b>2,353,402</b>	<b>6,708,317</b>	<b>17,636,484</b>	<b>17,814,582</b>
<b>Expenses</b>						
Interest expense for financial liabilities that are not at fair value through profit or loss		-	-	-	(2,322,578)	(2,322,578)
Dividend expense for financial liabilities designated at fair value through profit or loss		-	-	-	(1,859,641)	(1,859,641)
Management fees	10	-	-	-	(822,733)	(822,733)
Performance fees	10	(97,951)	(499,332)	(1,287,992)	-	(2,421,253)
Administration fees	10	-	-	-	(79,158)	(79,158)
Audit fees		-	-	-	(39,549)	(39,549)
Directors' fees	10	-	-	-	(42,021)	(42,021)
Prime broker fees	10	-	-	-	(170,566)	(170,566)
Other expenses		-	-	-	(125,748)	(125,748)
<b>Operating expenses</b>		<b>(97,951)</b>	<b>(499,332)</b>	<b>(1,287,992)</b>	<b>(5,461,994)</b>	<b>(7,883,247)</b>
Net income from operations before taxation		439,168	1,854,070	5,420,325	12,174,490	9,931,335
Withholding tax on dividend income		-	-	-	(192,994)	(192,994)
<b>Change in net assets attributable to holders of redeemable shares resulting from operations</b>		<b>439,168</b>	<b>1,854,070</b>	<b>5,420,325</b>	<b>11,981,496</b>	<b>9,738,341</b>

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

Consolidated statement of changes in net assets attributable to holders of redeemable shares  
For the year ended 31 December 2008

	<i>AGHFL</i> <i>Euro Class</i> €	<i>AGHFL</i> <i>Sterling Class</i> £	<i>AGHFL</i> <i>USD Class</i> US\$	<i>AGHFL</i> <i>Master</i> US\$	<i>Consolidated</i> <i>Total 2008</i> US\$
Balance at 1 January 2008	<b>3,218,789</b>	<b>30,932,618</b>	<b>33,491,173</b>	<b>104,759,315</b>	<b>99,537,593</b>
Currency translation	-	-	-	-	(4,975,545)
Issue of redeemable shares during the year	4,825,258	49,908,126	44,464,457	152,531,083	141,538,035
Redemption of redeemable shares during the year	(2,003,189)	(5,088,774)	(32,928,347)	(86,865,084)	(43,490,048)
Change in net assets attributable to holders of redeemable shares resulting from operations	(2,323,079)	(32,471,061)	(16,804,550)	(69,220,065)	(96,455,139)
Equalisation capital	29,266	908,944	169,402	-	1,868,088
<b>Balance at 31 December 2008</b>	<b>3,747,045</b>	<b>44,189,853</b>	<b>28,392,135</b>	<b>101,205,249</b>	<b>98,022,984</b>

On behalf of the board,

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Thierry de Sépibus

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated statement of changes in net assets attributable to holders of redeemable shares

For the year ended 31 December 2007

	<i>AGHFL Euro Class €</i>	<i>AGHFL Sterling Class £</i>	<i>AGHFL USD Class US\$</i>	<i>AGHFL Master US\$</i>	<i>Consolidated Total 2007 US\$</i>
Balance at 1 January 2007	<b>1,947,940</b>	<b>1,284,965</b>	<b>19,640,251</b>	<b>24,748,140</b>	<b>24,728,649</b>
Currency translation	-	-	-	-	302,182
Issue of redeemable shares during the year	855,086	27,966,374	8,430,597	69,529,112	65,145,275
Redemption of redeemable shares during the year	-	(7,473)	-	(1,499,433)	(14,823)
Change in net assets attributable to holders of redeemable shares resulting from operations	439,168	1,854,070	5,420,325	11,981,496	9,738,341
Equalisation capital	(23,405)	(165,318)	-	-	(362,031)
<b>Balance at 31 December 2007</b>	<b>3,218,789</b>	<b>30,932,618</b>	<b>33,491,173</b>	<b>104,759,315</b>	<b>99,537,593</b>

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated statement of cash flows

For the year ended 31 December 2008

	<i>AGHFL</i> <i>Euro Class</i> €	<i>AGHFL</i> <i>Sterling Class</i> £	<i>AGHFL</i> <i>USD Class</i> US\$	<i>AGHFL</i> <i>Master</i> US\$	<i>Consolidated</i> <i>Total 2008</i> US\$
<b>Operating activities</b>					
Change in net assets attributable to holders of redeemable shares resulting from operations	(2,323,079)	(32,471,061)	(16,804,550)	(69,220,065)	(96,455,139)
Currency translation	-	-	-	-	(4,975,545)
Adjustment for movement in net gains/losses on financial assets and liabilities at fair value through profit or loss	2,426,453	34,371,914	16,711,348	55,798,806	86,610,985
Net operating cash flow before changes in operating assets and liabilities	103,374	1,900,853	(93,202)	(13,421,259)	(14,819,699)
Net purchases & sales of trading securities	(2,827,449)	(46,219,981)	(10,248,117)	(48,464,335)	(76,971,233)
Decrease in interest receivable	-	-	-	38,587	38,587
Increase in other assets	-	-	-	(18,918,775)	(18,918,775)
(Decrease)/increase in performance fees and other payables	(97,994)	(500,224)	(1,194,791)	4,673,480	2,343,597
Net change in operating assets and liabilities	(2,925,443)	(46,720,205)	(11,442,908)	(62,671,043)	(93,507,824)
Cash flows from operating activities	(2,822,069)	(44,819,352)	(11,536,110)	(76,092,302)	(108,327,523)

# Artemis Global Hedge Fund Limited

## Consolidated statement of cash flows

For the year ended 31 December 2008 (*continued*)

	<i>AGHFL Euro Class €</i>	<i>AGHFL Sterling Class £</i>	<i>AGHFL USD Class US\$</i>	<i>AGHFL Master US\$</i>	<i>Consolidated Total 2008 US\$</i>
<b>Financing activities</b>					
Proceeds from issue of redeemable shares	4,825,258	49,908,126	44,464,457	152,531,083	141,538,035
Payments on redemption of redeemable shares	(2,003,189)	(5,088,774)	(32,928,347)	(86,865,084)	(43,490,048)
Decrease in equalisation credit	-	-	-	-	(146,767)
Cash flows from financing activities	<u>2,822,069</u>	<u>44,819,352</u>	<u>11,536,110</u>	<u>65,665,999</u>	<u>97,901,220</u>
Decrease in cash and cash equivalents during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,426,303)</u>	<u>(10,426,303)</u>
Cash and cash equivalents at beginning of the year	-	-	-	10,661,253	10,661,253
Cash and cash equivalents at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,950</u>	<u>234,950</u>
<b>Supplementary information on cash flows from operating activities</b>					
Interest received	-	-	-	5,597,161	5,597,161
Interest paid	-	-	-	(3,093,704)	(3,093,704)
Dividends received	-	-	-	6,457,134	6,457,134
Dividends paid	-	-	-	(7,227,514)	(7,227,514)
Withholding tax paid	-	-	-	(1,043,664)	(1,043,664)

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated statement of cash flows

For the year ended 31 December 2007

	<i>AGHFL</i> <i>Euro Class</i> €	<i>AGHFL</i> <i>Sterling Class</i> £	<i>AGHFL</i> <i>USD Class</i> US\$	<i>AGHFL</i> <i>Master</i> US\$	<i>Consolidated</i> <i>Total 2007</i> US\$
<b>Operating activities</b>					
Change in net assets attributable to holders of redeemable shares resulting from operations	439,168	1,854,070	5,420,325	11,981,496	9,738,341
Currency translation	-	-	-	-	302,182
Adjustment for movement in net gains on financial assets and liabilities at fair value through profit or loss	(496,397)	(1,922,332)	(6,708,317)	(12,281,993)	(11,545,715)
Net operating cash flow before changes in operating assets and liabilities	(57,229)	(68,262)	(1,287,992)	(300,497)	(1,505,192)
Net purchases & sales of trading securities	(891,374)	(29,133,869)	(8,600,000)	9,890,441	9,934,766
Increase in interest receivable	-	-	-	(21,256)	(21,256)
Increase in other assets	(10,338)	(620)	-	(67,307,824)	(67,324,137)
Increase in performance fees and other payables	97,994	500,224	1,287,993	370,710	2,793,796
Net change in operating assets and liabilities	(803,718)	(28,634,265)	(7,312,007)	(57,067,929)	(54,616,831)
Cash flows from operating activities	(860,947)	(28,702,527)	(8,599,999)	(57,368,426)	(56,122,023)

# Artemis Global Hedge Fund Limited

## Consolidated statement of cash flows

For the year ended 31 December 2007 (*continued*)

	<i>AGHFL Euro Class €</i>	<i>AGHFL Sterling Class £</i>	<i>AGHFL USD Class US\$</i>	<i>AGHFL Master US\$</i>	<i>Consolidated Total 2007 US\$</i>
<b>Financing activities</b>					
Proceeds from issue of redeemable shares	855,086	27,966,374	8,430,597	69,529,112	65,145,275
Payments on redemption of redeemable shares	-	(7,473)	-	(1,499,433)	(14,823)
Increase in equalisation credit	5,861	743,626	169,402	-	1,652,824
Cash flows from financing activities	<u>860,947</u>	<u>28,702,527</u>	<u>8,599,999</u>	<u>68,029,679</u>	<u>66,783,276</u>
Increase in cash and cash equivalents during the year	-	-	-	10,661,253	10,661,253
Cash and cash equivalents at beginning of the year	-	-	-	-	-
Cash and cash equivalents at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,661,253</u>	<u>10,661,253</u>
<b>Supplementary information on cash flows from operating activities</b>					
Interest received	-	-	-	4,372,642	4,372,642
Interest paid	-	-	-	(2,334,841)	(2,334,841)
Dividends received	-	-	-	1,103,969	1,103,969
Dividends paid	-	-	-	(1,875,120)	(1,875,120)
Withholding tax paid	-	-	-	(192,994)	(192,994)

See accompanying notes to the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (long)</b>			
Abbott Laboratories	12,000	640,440	0.65
ACE Ltd	26,000	1,371,760	1.40
Actelion Pharmaceuticals Ltd	26,800	1,496,728	1.53
Aflac Inc	22,700	1,040,568	1.06
Aggreko Plc	67,000	435,227	0.44
Alstom	14,000	821,084	0.84
AMEC Plc	50,000	356,492	0.36
American Financial Group	56,000	1,281,280	1.31
AmerisourceBergen Corp	29,000	1,033,850	1.05
Anglo Irish Bank Corp Plc	140,000	31,787	0.03
AON Corp	25,300	1,155,451	1.18
Apollo Group Inc (Class A)	8,000	612,960	0.63
Arch Coal Inc	44,000	713,680	0.73
Archer Daniels Midland Co	34,500	993,600	1.01
Aspen Insurance Holdings	65,000	1,571,700	1.60
AstraZeneca Plc	34,000	1,390,324	1.42
AT&T Inc	21,000	598,500	0.61
Autonomy Corp Plc	71,862	995,931	1.02
Babcock International Group Plc	58,000	400,853	0.41
BAE Systems Plc	160,000	872,049	0.89
Balfour Beatty Plc	184,000	882,862	0.90
Banco Santander	78,436	738,660	0.75
Bank of Montreal	17,500	445,164	0.45
Bilfinger Berger	23,000	1,166,550	1.19
Boskalis Westminster CVA	28,000	635,350	0.65
Bouygues	16,000	674,137	0.69
BP Plc	80,000	612,649	0.63
Brasil Telecom (Preference Shares)	73,000	430,117	0.44
Bristol-Myers Squibb Co	42,000	975,660	1.00
British American Tobacco Plc	28,000	732,440	0.75
Cable & Wireless Plc	400,000	905,275	0.92
Canadian Imperial Bank of Commerce	14,500	602,188	0.61
Cardinal Health Inc	16,000	551,520	0.56
Cattles Plc	350,000	86,709	0.09
Centennial Coal Company Ltd	119,500	274,923	0.28
Centex Corp	17,500	186,200	0.19
Centrica Plc	355,000	1,367,076	1.39
Cephalon Inc	11,500	885,845	0.90
CF Industries Holdings Inc	3,600	176,868	0.18
Chaoda Modern Agriculture	1,903,036	1,215,472	1.23

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (long)</b>			
<i>(continued)</i>			
China Agri Industries Holdings Ltd	2,100,000	1,043,212	1.06
China Communication Services Corp	1,880,000	1,178,927	1.20
China Oilfield Services Ltd	700,000	564,509	0.58
China Petroleum & Chemical (H Shares)	720,000	435,710	0.44
China Unicom	418,000	501,054	0.51
China Yurun Food Group Ltd	1,000,000	1,175,469	1.20
Circle K Sunkus Co Ltd	18,000	321,914	0.33
CNP Assurances	5,100	364,276	0.37
Coca-Cola Co	7,600	343,672	0.35
Cogent Inc	39,000	529,230	0.54
Cubist Pharmaceuticals Inc	24,000	579,120	0.59
CVS Caremark Corp	62,000	1,781,260	1.82
Daito Trust Construction Co Ltd	9,100	467,567	0.48
DCC Plc	26,000	370,546	0.38
Deutsche Telekom	40,000	599,693	0.61
Dominion Resources Inc	11,200	401,184	0.41
DR Horton Inc	30,000	211,800	0.22
Drax Group Plc	123,553	1,010,102	1.03
E.ON	63,692	2,493,572	2.54
Eli Lilly & Co	9,400	378,444	0.39
Endurance Specialty Holdings Ltd	7,200	218,952	0.22
Express Scripts Inc	8,000	439,840	0.45
FamilyMart Co Ltd	10,500	450,356	0.46
Fast Retailing Co Ltd	12,600	1,800,496	1.84
Finmeccanica	126,000	1,917,200	1.96
First Solar Inc	3,600	495,288	0.51
Flowserve Corp	15,200	782,800	0.80
Fluor Corp	25,000	1,121,750	1.14
Forest Laboratories Inc	54,000	1,374,300	1.40
Focus Media Holding Ltd	226,000	2,054,340	2.10
Fortum	37,000	787,355	0.80
France Telecom	42,000	1,171,329	1.19
GDF Suez	12,000	592,036	0.60
General Dynamics Corp	41,600	2,395,744	2.43
G4S Plc	480,000	1,416,497	1.45
HBOS Plc	188,423	-	-
Hewlett-Packard Co	44,100	1,598,625	1.63
Hochtief	28,000	1,392,762	1.42
Humana Inc	6,472	241,147	0.25
IBM Corp	12,000	1,009,680	1.03
Imtech	45,800	767,920	0.78

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (long)</b>			
<i>(continued)</i>			
International Power Plc	354,000	1,239,413	1.26
Intuit Inc	34,000	808,860	0.83
Kakaku.com Inc	100	382,601	0.39
KB Home	12,000	163,440	0.17
KDDI Corp	147	1,024,356	1.05
Koninklijke Ahold	80,300	986,219	1.01
Koninklijke KPN	72,400	1,050,038	1.07
Loomis AB (B Shares)	17,599	109,936	0.11
Massey Energy Co	56,100	773,619	0.79
Mastercard Inc (Class A)	3,600	514,548	0.52
McAfee Inc	85,000	2,937,600	3.00
McDonalds Corp	34,000	2,113,440	2.16
McKesson Corp	18,900	730,674	0.75
Microsoft Corp	50,000	972,000	0.99
Mint Group Ltd	1,200,000	479,994	0.49
Mobile Telesystems ADR	46,000	1,223,600	1.25
Mobistar	19,800	1,425,866	1.45
Monsanto Co	6,700	471,010	0.48
Muenchener Rueckversicherungs	3,700	565,572	0.58
Nestle	32,000	1,251,598	1.28
Netease.com Inc	47,000	1,038,700	1.06
Nippon Telegraph & Telephone Corp	90	464,414	0.47
Nitori Co Ltd	14,300	1,098,969	1.12
Northrop Grumman Corp	30,000	1,351,200	1.38
Novartis	46,400	2,299,060	2.35
Novo-Nordisk (Series B)	10,800	549,128	0.56
NTT Docomo Inc	840	1,627,300	1.66
NVR Inc	210	95,304	0.10
Partnerre Ltd	12,100	862,367	0.88
People's Food Holdings Ltd	940,000	450,448	0.46
Petrobras - Petroleo Brasileiro (Preference shares)	39,000	384,778	0.39
Petrofac Ltd	63,000	317,662	0.32
Pfizer Inc	99,000	1,753,290	1.79
Playtech Ltd	75,000	338,823	0.35
Procter & Gamble Co	9,000	556,200	0.57
Reckitt Benckiser Group Plc	20,000	746,430	0.76
Reed Elsevier Plc	6,087	44,663	0.05
Reinsurance Group of America Inc	30,200	1,287,426	1.31
Rhodia	8	24	0.00
Roche Holding AG	2,800	427,792	0.44
Royal Bank of Canada	37,500	1,099,976	1.12

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (long)</b> <i>(continued)</i>			
RWE	34,500	3,045,082	3.11
Schering-Plough Corp	31,000	527,620	0.54
Scottish & Southern Energy Plc	72,000	1,265,404	1.29
Securitas AB (B Shares)	140,000	1,137,798	1.16
Sempra Energy	13,000	553,800	0.56
Serco Group Plc	41,927	272,660	0.28
SR Teleperformance	45,600	1,261,534	1.29
Stancorp Financial Group Inc	19,800	820,710	0.84
Stanley Inc	17,000	608,600	0.62
Sunoco Inc	14,000	608,440	0.62
Syngenta	2,700	508,471	0.52
Synthes Inc	4,200	526,777	0.54
Tandberg	128,000	1,381,321	1.41
Telefonica	67,800	1,500,562	1.52
Terra Industries Inc	18,500	307,285	0.31
Tesoro Corp	43,000	564,590	0.58
Toronto-Dominion Bank	9,900	350,247	0.36
Toyo Suisan Kaisha Ltd	20,272	575,560	0.59
Travelers Cos Inc	12,400	560,356	0.57
Turkcell Iletisim Hizmetleri	86,000	488,541	0.50
Union Pacific Corp	16,300	778,977	0.79
Valmont Industries Inc	12,600	771,624	0.79
Varian Medical Systems Inc	10,000	350,200	0.36
Verizon Communications Inc	12,000	406,800	0.42
Visa Inc (A Shares)	10,100	528,937	0.54
Vivendi	50,100	1,628,582	1.66
Vodafone Group Plc	765,700	1,550,481	1.58
WMS Industries Inc	43,000	1,152,400	1.18
Wolters Kluwer CVA	45,000	846,304	0.86
Wood Group (John) Plc	281,000	765,768	0.78
Woolworths Ltd	30,800	571,380	0.58
Yamazaki Baking Co Ltd	63,000	955,819	0.98
Zurich Financial Services	7,100	1,513,990	1.54
<b>Total exchange traded equity instruments – held-for-trading (long)</b>		<b>132,844,565</b>	<b>135.52</b>
<b>Forward foreign exchange contracts (Note 9D (ii))</b>		<b>952,165</b>	<b>0.97</b>
<b>Contracts for differences (Note 9D (ii))</b>		<b>3,034,522</b>	<b>3.10</b>
<b>Total financial assets at fair value through profit or loss – held-for-trading</b>		<b>136,831,252</b>	<b>139.59</b>

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (short)</b>			
Abercrombie & Fitch Co (Class A)	(20,000)	(461,800)	(0.47)
Accor	(32,800)	(1,609,524)	(1.64)
Advantest Corp	(131,000)	(2,069,827)	(2.11)
Air France - KLM	(111,500)	(1,441,072)	(1.47)
Aircastle Ltd	(120,200)	(576,960)	(0.59)
Alcoa Inc	(15,500)	(174,685)	(0.18)
Alfa Laval	(150,000)	(1,290,779)	(1.32)
Allegheny Technologies Inc	(29,000)	(740,370)	(0.76)
Alps Electric Co	(64,400)	(309,592)	(0.32)
Aluminum Corp of China Ltd (H Shares)	(3,092,000)	(1,631,757)	(1.66)
Amphenol Corp (A Shares)	(27,200)	(653,616)	(0.67)
Angang New Steel Co Ltd (H Shares)	(402,000)	(449,715)	(0.46)
Anglo American Platinum Corp Ltd	(6,700)	(371,231)	(0.38)
Applied Materials Inc	(17,200)	(174,580)	(0.18)
ASML Holding	(139,800)	(2,490,499)	(2.54)
Atlas Copco (A Shares)	(60,500)	(516,758)	(0.53)
Australia and New Zealand Banking Group Ltd	(11)	(117)	-
Autogrill	(45,000)	(339,842)	(0.35)
Bancorpsouth Inc	(51,900)	(1,212,903)	(1.24)
Barco	(37,600)	(945,122)	(0.96)
Barratt Developments Plc	(306,900)	(313,072)	(0.32)
Bayerische Motoren Werke	(11,700)	(358,994)	(0.37)
BB&T Corp	(26,200)	(721,286)	(0.74)
Beijing Capital International Airport Co Ltd (H Shares)	(4,485,500)	(2,251,403)	(2.30)
Bellway Plc	(71,200)	(622,559)	(0.64)
Black & Decker Corp	(65,600)	(2,743,392)	(2.80)
BOK Financial Corp	(12,000)	(484,920)	(0.49)
Boyd Gaming Corp	(147,000)	(695,310)	(0.71)
Brisa	(127,000)	(956,448)	(0.98)
Cabot Oil & Gas Corp	(5,500)	(143,605)	(0.15)
Central Pacific Financial Corp	(30,100)	(302,204)	(0.31)
Cheesecake Factory Inc	(223,800)	(2,260,380)	(2.31)
China Shipping Development Co Ltd (H Shares)	(424,000)	(421,259)	(0.43)
Cimarex Energy Co	(5,600)	(150,024)	(0.15)
City National Corp	(10,000)	(487,400)	(0.50)
Collective Brands Inc	(93,100)	(1,092,063)	(1.11)
Comerica Inc	(50,000)	(995,000)	(1.02)
Continental Resources Inc	(8,500)	(176,800)	(0.18)
Corning Inc	(16,500)	(157,245)	(0.16)
Cosco Holdings (H Shares)	(581,500)	(405,169)	(0.41)

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (short)</b>			
<i>(continued)</i>			
DealerTrack Holdings Inc	(13,800)	(164,082)	(0.17)
Denbury Resources Inc	(17,500)	(191,275)	(0.20)
Deutsche Lufthansa	(63,500)	(1,008,796)	(1.03)
DSG International Plc	(3,883,000)	(1,004,419)	(1.02)
Eagle Materials Inc	(25,000)	(460,250)	(0.47)
East-West Bancorp Inc	(150,000)	(2,395,500)	(2.44)
Eaton Corp	(3,300)	(164,076)	(0.17)
Eaton Vance Corp	(10,200)	(214,404)	(0.22)
EMS - Chemie Holding	(7,200)	(602,482)	(0.61)
F.N.B. Corp	(29,200)	(385,440)	(0.39)
First Midwest Bancorp Inc	(16,300)	(325,674)	(0.33)
Fomento de Construcciones y Contratas SA	(26,100)	(852,617)	(0.87)
Forest Oil Corp	(10,400)	(171,496)	(0.17)
Forestar Real Estate Group Inc	(8,333)	(79,413)	(0.08)
Franklin Resources Inc	(2,600)	(166,192)	(0.17)
Fulton Financial Corp	(34,300)	(329,966)	(0.34)
General Electric Co	(130,100)	(2,107,620)	(2.15)
Gentex Corp	(200,900)	(1,773,947)	(1.81)
Georg Fischer	(2,700)	(609,252)	(0.62)
Graco Inc	(7,400)	(175,676)	(0.18)
Harley-Davidson Inc	(36,000)	(610,920)	(0.62)
Heidelberger Druckmaschinen	(167,200)	(1,446,092)	(1.48)
Husky Energy Inc	(10,000)	(251,528)	(0.26)
Illinois Tool Works Inc	(9,000)	(316,170)	(0.32)
Imerys	(25,800)	(1,171,400)	(1.20)
Impala Platinum Holdings Ltd	(25,900)	(373,942)	(0.38)
Ingersoll-Rand Co (Class A)	(10,800)	(187,812)	(0.19)
International Game Technology	(51,200)	(608,768)	(0.62)
International Rectifier Corp	(161,500)	(2,181,865)	(2.23)
Intersil Corp (Class A)	(17,500)	(161,175)	(0.16)
Italcementi	(82,000)	(1,038,033)	(1.06)
JC Decaux SA	(50,900)	(874,410)	(0.89)
Jefferies Group Inc	(97,500)	(1,370,850)	(1.40)
Kesko	(46,500)	(1,156,490)	(1.18)
KLA-Tencor Corp	(80,700)	(1,760,067)	(1.80)
K-Swiss Inc	(42,000)	(480,060)	(0.49)
Kyocera Corp	(5,800)	(408,005)	(0.42)
Lam Research Corp	(140,600)	(2,991,968)	(3.05)
Linear Technology Corp	(40,400)	(894,860)	(0.91)
Lonmin Plc	(36,000)	(484,232)	(0.49)

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (short)</b>			
<i>(continued)</i>			
L'Oreal	(10,000)	(873,271)	(0.89)
Luxottica Group	(112,000)	(1,992,120)	(2.03)
Manpower Inc	(23,300)	(791,967)	(0.81)
Marriott International Inc (Class A)	(77,000)	(1,498,420)	(1.53)
Masco Corp	(56,700)	(631,071)	(0.64)
MDS Inc	(136,700)	(842,053)	(0.86)
Metso	(36,900)	(439,273)	(0.45)
MGM Mirage	(42,346)	(590,727)	(0.60)
Mohawk Industries Inc	(32,700)	(1,405,119)	(1.43)
Nabors Industries Ltd	(11,200)	(134,176)	(0.14)
National Semiconductor Corp	(14,200)	(143,278)	(0.15)
Newfield Exploration Co	(7,600)	(150,632)	(0.15)
NH Hoteles	(124,000)	(646,248)	(0.66)
Nippon Mining Holdings Inc	(112,000)	(470,500)	(0.48)
Nippon Steel Corp	(406,000)	(1,302,674)	(1.33)
Nissan Motor Co Ltd	(85,000)	(305,530)	(0.31)
Nordson Corp	(5,000)	(161,450)	(0.16)
Norsk Hydro ASA	(280,600)	(1,125,477)	(1.15)
Northam Platinum Ltd	(135,300)	(296,982)	(0.30)
Novellus Systems Inc	(112,800)	(1,391,952)	(1.42)
Nucor Corp	(21,500)	(993,515)	(1.01)
Nvidia Corp	(100,400)	(812,236)	(0.83)
Oil Search Ltd	(103,700)	(336,172)	(0.34)
Old National Bancorp	(20,300)	(369,257)	(0.38)
Olympus Corp	(15,000)	(289,597)	(0.30)
Omnivision Technologies Inc	(266,100)	(1,397,025)	(1.43)
Paccar Inc	(31,400)	(898,040)	(0.92)
Paladin Resources Ltd	(530,000)	(916,341)	(0.93)
Panalpina Welttransport Holding	(25,700)	(1,522,283)	(1.55)
Penn Virginia Corp	(5,300)	(137,694)	(0.14)
Philips Electronics	(17,000)	(333,967)	(0.34)
Pioneer Natural Resources Co	(7,900)	(127,822)	(0.13)
Pool Corp	(39,400)	(709,594)	(0.72)
PPL Corp	(44,900)	(1,378,879)	(1.41)
Rational	(2,500)	(302,292)	(0.31)
Rautaruukki	(114,300)	(1,945,192)	(1.98)
Rentokil Initial Plc	(1,429,778)	(916,791)	(0.94)
Robert Half International Inc	(37,800)	(787,374)	(0.80)
Rockwell Automation Inc	(46,100)	(1,486,725)	(1.52)
RTI International Metals Inc	(75,000)	(1,073,250)	(1.09)

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (short)</b>			
<i>(continued)</i>			
Safilo Group	(1,201,000)	(1,020,271)	(1.04)
Sandisk Corp	(73,600)	(706,560)	(0.72)
SandRidge Energy Inc	(19,300)	(118,695)	(0.12)
Sandvik	(272,500)	(1,702,235)	(1.74)
Santos Ltd	(33,200)	(344,175)	(0.35)
Scania (B Shares)	(56,900)	(565,801)	(0.58)
Scansource Inc	(62,000)	(1,194,740)	(1.22)
Seagate Technology	(155,700)	(689,751)	(0.70)
Seiko Epson Corp	(22,200)	(345,135)	(0.35)
Sekisui House Ltd	(141,500)	(1,215,376)	(1.24)
Service Corp International	(28,100)	(139,657)	(0.14)
Shangri-La Asia Ltd	(244,000)	(282,722)	(0.29)
Sharp Corp	(46,000)	(322,576)	(0.33)
Singapore Exchange Ltd	(985,600)	(3,477,219)	(3.55)
SKF (B Shares)	(109,400)	(1,077,389)	(1.10)
Southern Copper Corp	(22,200)	(356,754)	(0.36)
SSAB Svenskt Stal (Series A)	(150,200)	(1,306,861)	(1.33)
St Mary Land & Exploration	(7,700)	(156,926)	(0.16)
Sumco Corp	(31,400)	(384,645)	(0.39)
Sumitomo Metal Mining Co Ltd	(190,200)	(1,983,893)	(2.02)
Suntrust Banks Inc	(52,500)	(1,556,625)	(1.59)
Susquehanna Bancshares	(21,900)	(348,648)	(0.36)
Svenska Cellulosa (B Shares)	(76,500)	(653,421)	(0.67)
Swatch Group	(2,300)	(315,504)	(0.32)
Synovus Financial Corp	(91,700)	(765,695)	(0.78)
Taylor Wimpey Plc	(514,000)	(101,122)	(0.10)
TCF Financial Corp	(22,600)	(309,168)	(0.32)
Texas Instruments Inc	(95,000)	(1,474,400)	(1.50)
Thor Industries Inc	(10,300)	(135,857)	(0.14)
Timberland Co (Class A)	(164,100)	(1,895,355)	(1.93)
Time Warner Telecom Inc (Class A)	(200,300)	(1,696,541)	(1.73)
Toray Industries Inc	(327,000)	(1,629,682)	(1.66)
Toro Co	(34,900)	(1,155,539)	(1.18)
Toshiba Corp	(167,000)	(675,770)	(0.69)
Toyota Motor Corp	(9,600)	(308,021)	(0.31)
Trustmark Corp	(18,700)	(403,733)	(0.41)
Tullow Oil Plc	(59,600)	(572,810)	(0.58)
Tyco Electronics Ltd	(9,800)	(159,054)	(0.16)
Unit Corp	(5,400)	(144,342)	(0.15)
United Bankshares Inc	(14,400)	(478,368)	(0.49)
UPM-Kymmene	(68,000)	(857,007)	(0.87)

# Artemis Global Hedge Fund Limited

## Consolidated schedule of investments *(continued)*

At 31 December 2008

Security Description	Number of shares	Fair Value US\$	% of Net Assets
<b>Exchange traded equity instruments – held-for-trading (short)</b> <i>(continued)</i>			
US Cellular Corp	(13,400)	(581,024)	(0.59)
Varian Semiconductor Equipment Associates Inc	(146,000)	(2,646,980)	(2.70)
Volvo (B Shares)	(101,600)	(555,658)	(0.57)
Vulcan Materials Co	(9,400)	(654,898)	(0.67)
Webster Financial Corp	(116,000)	(1,599,640)	(1.63)
Wells Fargo & Co	(12,600)	(375,228)	(0.38)
Westamerica Bancorporation	(7,300)	(373,541)	(0.38)
Weyerhaeuser Co	(31,400)	(961,154)	(0.98)
Whirlpool Corp	(4,000)	(165,400)	(0.17)
Williams Cos Inc	(10,000)	(145,100)	(0.15)
Wintrust Financial Corp	(33,200)	(682,924)	(0.70)
Woodside Petroleum Ltd	(14,600)	(373,550)	(0.38)
<b>Total exchange traded equity instruments – held-for-trading (short)</b>		<b>(139,220,612)</b>	<b>(142.03)</b>
<b>Forward foreign exchange contracts <i>(Note 9D (ii))</i></b>		<b>(4,041,228)</b>	<b>(4.12)</b>
<b>Contracts for differences <i>(Note 9D (ii))</i></b>		<b>(259,449)</b>	<b>(0.26)</b>
<b>Total financial liabilities at fair value through profit or loss – held-for-trading</b>		<b>(143,521,289)</b>	<b>(146.41)</b>

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements*

### 1. General Information

Artemis Global Hedge Fund Limited (the “Company”) (“AGHFL”) is an open-ended investment company and was incorporated under the Companies Law of the Cayman Islands on 1 June 2006 as an exempted company with limited liability. The Company registered under the Mutual Funds Law of the Cayman Islands on 21 June 2006. The Company maintains its registered office in the Cayman Islands. As at 31 December 2008 the Company had no employees.

Artemis Global Hedge Fund L.P. (the “Master Fund”), is an exempted limited partnership established in the Cayman Islands on 19 June 2006 by the Company as a sole limited partner. The Master Fund registered under the Mutual Funds Law of the Cayman Islands on 21 June 2006. The sole general partner of the Master Fund is Artemis Global Hedge Fund GP Limited. The Master Fund has unlimited duration.

The Company is structured similar to a master-feeder structure, with the assets of each of the Dollar Class, Sterling Class and Euro Class investing in the Master Fund.

The Company’s primary investment objective is to provide long term capital appreciation, whilst endeavouring to preserve the Fund’s capital, principally through an actively managed and diversified portfolio of long and short positions in global equities.

The Company engages in foreign exchange transactions in order to hedge, as far as is practicable, all non base currency exposure back to the base currency of the respective share class. The difference in the performance of the share classes is therefore expected to be substantially a function of the interest rate differential between the currencies of the share classes.

The measurement and reporting currency of the Company is United States Dollar and not the local currency of the Cayman Islands reflecting the fact that the majority of the Company’s assets and liabilities are denominated in United States Dollars.

It may be possible under certain circumstances for creditors of one share class to claim against the assets of other funds of the Company, thus subjecting individual classes of shareholders to potential risk of loss should all or a portion of the Company’s assets require liquidation in order to satisfy such claims.

The following classes of shares are listed on the Irish Stock Exchange:

- Euro Class Shares
- Sterling Class Shares
- Dollar Class Shares

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies**

#### *(a) Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). The significant accounting policies adopted by the Company are as follows:

#### *(b) Basis of Preparation*

The consolidated financial statements are presented in United States Dollars and are rounded to the nearest United States Dollar. They are prepared on a fair value basis for derivative financial instruments and financial assets and financial liabilities at fair value through profit or loss. Other financial assets and liabilities are stated at amortised cost or redemption amount (redeemable shares). These accounting policies have been consistently applied by the Company.

The Company is organised and operated as one segment (both in terms of business and geography). Consequently, no segmental reporting is provided in the consolidated financial statements.

#### *(c) Interpretations to existing standards that are not yet effective or early adopted by the Company*

The following interpretations are mandatory for the Company's accounting periods beginning on or after 1 January 2009

- IFRS 8, Operating Segments (effective 1 January 2009)
- Amendment to IAS 32 and IAS 1 - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all the other instruments have identical features.

#### *(d) Basis of consolidation*

The consolidated financial statements include the results of the Company (Dollar Class, Sterling Class and Euro Class) and the Master Fund. Monetary assets and liabilities of the Euro and Sterling Classes are translated at the year end United States Dollar exchange rate. Transactions during the year including sales and purchases of securities, income and expenses are translated at average annual United States Dollar exchange rates. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(e) Use of estimates*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believe that the estimates utilised in preparing its consolidated financial statements are reasonable and prudent. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *(f) Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the reporting currency at the closing exchange rate ruling at the consolidated balance sheet date.

Exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the reporting currency at the exchange rates ruling on the dates that the values were determined. Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in net gains/(losses) on financial assets and liabilities at fair value through profit or loss. All other exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the consolidated income statement. Non-monetary assets and liabilities that are stated at amortised cost are translated at the exchange rate ruling at the date of the transaction. Gains or losses arising from forward foreign exchange contracts which hedge the non-United States Dollar value of a specific share class are allocated directly to the relevant share class.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(g) Financial instruments*

##### *(i) Classification*

The Company designates its investments into the financial assets at fair value through profit or loss category.

The category of financial assets and liabilities at fair value through profit or loss comprises financial instruments held-for-trading and financial instruments designated at fair value through profit or loss upon initial recognition.

Financial instruments held-for-trading include investments in equity instruments, warrants, forward foreign exchange contracts, contracts for differences and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value) are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held-for-trading.

Financial assets that are classified as loans and receivables include balances due from brokers, interest receivable and dividends receivable.

Financial liabilities that are not at fair value through profit or loss include balances due to brokers, accounts payable and financial liabilities arising on redeemable shares.

The Company does not use the category of financial instruments designated at fair value through profit or loss upon initial recognition to classify any financial assets or financial liabilities.

##### *(ii) Recognition*

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(g) Financial instruments (continued)*

##### *(iii) Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all financial instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated income statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest method. Financial liabilities arising from the redeemable shares issued by the Company are carried at the redemption amount representing the investors' right to a residual interest in the Company's assets.

##### *(iv) Fair value measurement principles*

The fair value of financial instruments is based on their quoted market prices at the consolidated balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

This policy differs from the valuation policy as set out in the offering documentation of the Company, which states that investments in securities are stated at market value based on the last traded price on each valuation day. The difference at 31 December 2008 between the reported net asset value of the Company as calculated in accordance with the Offering Documents and the net asset value of the Company as calculated in accordance with IFRS is outlined in note 11.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(g) Financial instruments (continued)*

##### *(iv) Fair value measurement principles (continued)*

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the consolidated balance sheet date applicable to an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the consolidated balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price / earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

As at 31 December 2008 and 31 December 2007, there were no equity instruments held for which a quoted price was not available.

##### *(v) Derecognition*

A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished or when the obligation specified in the contract is discharged, cancelled or expired.

Assets held-for-trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the first-in first-out method to determine the gain or loss on derecognition.

The Company's obligation for securities sold short is considered closed and the related liability is derecognised when it delivers or replaces the security borrowed under the original transaction. At the time the transaction is closed, the Company realises a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security.

##### *(vi) Specific instruments*

###### *Cash and cash equivalents*

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

###### *Securities sold short*

Securities sold short are those positions where the Company has sold a security that it does not own in anticipation of a decline in the market value of the security and are classified as financial liabilities at fair value through profit or loss. To enter a short sale, the Company may need to borrow the security for delivery to the buyer. On each day the short sale transaction is open, the liability to replace the borrowed security is marked to market and an unrealised gain or loss is recorded in the consolidated income statement. While the transaction is open, the Company will also incur an expense for any dividends or interest which must be paid to the lender of the securities.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

*(g) Financial instruments (continued)*

*(vi) Specific instruments (continued)*

#### *Contracts for differences*

Contracts for differences (“CFDs”) represent the contractual exchange of the performance of equities based on a notional amount invested in such equity baskets. Open CFDs are carried at the net amount due to/from the counterparty under the terms of the agreement, including unrealised gains and losses from changes in fair value of the notional equities, and are recorded as derivative assets/liabilities at fair value through profit or loss on the consolidated balance sheet. Realised and unrealized gains and losses are recognised in the consolidated income statement.

#### *Forward foreign exchange contracts*

Forward foreign exchange contracts involve an obligation to purchase or sell a specific currency at a future date; at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward foreign exchange contract of the same size and maturity could be undertaken at the valuation date. Unrealised gains and losses on open forward foreign exchange contracts are calculated as the difference between the contract rate and this forward price.

Realised and unrealised gains and losses are recognised in the consolidated income statement. Realised gains or losses include net gains or losses on contracts which have settled or for which offsetting contracts have been entered into.

As part of the Company’s investment strategy, the Company enters into certain forward foreign exchange contracts, all of which are classified as financial assets or liabilities at fair value through profit or loss. The Company uses forward foreign exchange contracts to hedge subscriptions received in Euro and Sterling against deviations in the foreign currency exchange rate. Subscriptions into the Euro and Sterling share classes, once received, are converted to United States Dollars and this amount (including foreign exchange gains or losses and trading profits or losses attributable to the class) is hedged one month forward, consistently on a monthly basis. Whilst all classes of shares participate in the same net asset pool, any gains or losses attributable to hedging of Euro and Sterling share classes are borne solely by those classes.

*(h) Interest income and expense*

Interest income and expenses are recognised in the consolidated income statement under the effective interest rate method under IFRS.

*(i) Dividend income and expense*

Dividend income and expense relating to exchange-traded equity investments is recognised in the consolidated income statement on the ex-dividend date.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(i) Dividend income and expense (continued)*

In some cases, the Company may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Company recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

#### *(j) Expenses*

All expenses are recognised in the consolidated income statement on an accruals basis.

#### *(k) Foreign exchange gains and losses*

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss line item 'Net foreign exchange gains/(losses)' are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

#### *(l) Redeemable shares*

All redeemable shares issued by the Company provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Company's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

#### *(m) Net asset value per share*

The net asset value per share for each class disclosed on the face of the consolidated balance sheet is calculated by dividing the net assets by the number of redeemable shares outstanding at year end. The Founder shares are non-redeemable and do not have a residual interest in the net assets of the Company and therefore do not affect the calculation of the Company's net asset value per share.

#### *(n) Equalisation*

The Company uses the industry practice of equalisation by applying an equalisation factor to shares subscribed for during the course of the fiscal year, thereby adjusting the amount paid for the purchase of the shares. This ensures that performance fees are charged only to those shares which have appreciated in value since acquisition, that all shareholders have the same amount per share at risk and that all shares in a share class have the same net asset value.

### **Deficit Subscriptions**

Where an investor subscribes for Shares in a Class at a time when the net asset value per Share of that Class is less than the high water mark for the class then an adjustment is required to reduce inequalities that may otherwise result to the respective subscriber or to the Investment Manager.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **2. Significant accounting policies** *(continued)*

#### *(n) Equalisation (continued)*

The high water mark is the greater of:

- (i) the highest net asset value per Share of a Class on the last day of any Performance Period; and
- (ii) the initial issue price of \$100 for the Dollar Class Shares, £100 for the Sterling Class Shares or €100 for the Euro Class Shares;

in each case adjusted to take into account any distributions made.

Where Shares are subscribed at a time when the net asset value per Share is less than the high water mark for that Class, such shareholders will, in effect, be required to pay an equivalent Performance Allocation with respect to any subsequent appreciation in the net asset value per Share of those Shares until the high water mark has been reached. This will be achieved by the Company having the power to redeem at par such number of that shareholder's Shares as have an aggregate net asset value equivalent to the Performance Allocation at the end of each Performance Period. An amount equal to the aggregate net asset value of the Shares so redeemed will be re-allocated promptly thereafter to the Investment Manager as a Performance Allocation. The Company will retain and will not be required to pay to the shareholder the aggregate par value of the redeemed Shares. After the high water mark has been achieved, the Performance Allocation will be calculated and levied in the same manner as for all other Shares. No Performance Allocation will be accrued within the Class for existing shareholders until the high water mark for that Class has been recovered.

#### **Premium Subscriptions**

Where Shares ("Premium Shares") are subscribed at a time when the net asset value per Share is greater than the high water mark for that Class (a "Premium Subscription"), the prospective investor is required to pay an additional sum equal to the accrual then in place per Share in respect of the Performance Allocation (an "Equalisation Credit"). The Equalisation Credit is designed to ensure that all shareholders of a Class have the same amount of capital at risk per Share.

The Equalisation Credit will be at risk in the Company and will therefore appreciate or depreciate based on the performance of the Company subsequent to the subscription. In the event of a decline in the net asset value per Share, the Equalisation Credit due to the shareholder will reduce in line with the Performance Allocation accrual for other Shares namely by an amount equal to 20 per cent of the amount of the loss on a per Share basis until the Equalisation Credit is exhausted. Subsequent appreciation in the value of the Premium Shares will result in a recapture of any Equalisation Credit lost due to such reductions, but only to the extent of the previously lost Equalisation Credit up to the amount paid at subscription.

At the end of the Performance Period, an amount equal to the lower of either the Equalisation Credit paid at the time of the Premium Subscription (less any Equalisation Credit previously applied) or 20 per cent. of the excess of the asset value per Premium Share over the high water mark is applied in the subscription for additional Shares for the shareholder. If the shareholder redeems Premium Shares before the last day in any Performance Period, the shareholder will receive additional redemption proceeds equal to any Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Premium Shares being redeemed and the denominator of which is the number of Premium Shares owned by the shareholder immediately prior to the redemption.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### 3. Taxation

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes until 2026. Accordingly, no provision for income taxes is included in these consolidated financial statements.

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes.

### 4. Gains and losses from financial assets and liabilities at fair value through profit or loss

	<i>2008</i>	<i>2007</i>
	<i>US\$</i>	<i>US\$</i>
<b>Held-for-trading</b>		
Equity investments and warrants	(59,927,256)	12,928,715
Derivative financial instruments	(26,683,729)	(1,380,423)
	<hr/>	<hr/>
<b>Net (losses)/gains from financial assets and liabilities at fair value through profit or loss</b>	<b>(86,610,985)</b>	<b>11,548,292</b>

### 5. Share capital

The authorised share capital of the Company is US\$50,100 comprising 50 million redeemable participating preference shares (“redeemable shares”) of US\$0.001 par value each, which can be issued and classified as Dollar, Sterling or Euro share classes, and 100 Founder shares of US\$1.00 each. The Company has the power to issue and redeem its Shares at a price based on net asset value. Fractional Shares may be issued up to four decimal places. The Directors may in their absolute discretion refuse to issue any Shares to any subscriber.

The Company does not have any externally imposed capital requirements.

*31 December 2008*

<i>Issued and fully paid-up</i>	<i>Shares at beginning of year</i>	<i>Shares issued</i>	<i>Shares redeemed</i>	<i>Shares at end of year</i>
<i>Share class</i>				
Euro Class	27,284	53,370	(26,670)	53,984
Sterling Class	254,752	427,648	(65,194)	617,206
Dollar Class	278,535	389,597	(279,075)	389,057

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 5. Share capital (continued)

31 December 2007

<i>Issued and fully paid-up</i>	<i>Shares at beginning of year</i>	<i>Shares issued</i>	<i>Shares redeemed</i>	<i>Shares at end of year</i>
<i>Share class</i>				
Euro Class	20,138	7,146	-	27,284
Sterling Class	13,182	241,647	(77)	254,752
Dollar Class	201,000	77,535	-	278,535

The rights attaching to the redeemable and Founder shares are as follows:

Redeemable shares may be redeemed on the last business day of each month or such other date or dates as the board of directors shall from time to time determine (the "Valuation Day").

The shareholder must request such redemption at least 10 days prior to the last business day of each month or such other day as the directors may determine. Redeemable shares carry the right to receive notice of, attend and vote at any general meeting of the Company. The holders are entitled to receive all dividends declared and paid by the Company. Upon winding up, the holders are entitled to a return of capital based on the net asset value per share of the Company.

Founder shares carry no right to receive notice of, attend or vote at any general meeting of the Company, when there are redeemable shares in issue. The holders are not entitled to receive any dividends declared and paid by the Company. Upon winding up, the holders are entitled to a return of capital equal of the nominal amount paid. The General Partner owns the 100 Founder shares issued.

### 6. Financial assets and liabilities at fair value through profit or loss

	<i>2008</i> <i>US\$</i>	<i>2007</i> <i>US\$</i>
<b>Held-for-trading</b>		
Equity investments	132,844,565	137,193,241
Warrants	-	1,854,720
Derivative financial instruments	<u>3,986,687</u>	<u>844,923</u>
<b>Total financial assets at fair value through profit or loss</b>	<b><u>136,831,252</u></b>	<b><u>139,892,884</u></b>

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 6. Financial assets and liabilities at fair value through profit or loss (continued)

	<i>2008</i>	<i>2007</i>
	<i>US\$</i>	<i>US\$</i>
<b>Held-for-trading</b>		
Securities sold short	(139,220,612)	(135,990,870)
Derivative financial instruments	<u>(4,300,677)</u>	<u>(952,299)</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<b><u>(143,521,289)</u></b>	<b><u>(136,943,169)</u></b>

### 7. Cash and cash equivalents

	<i>2008</i>	<i>2007</i>
	<i>US\$</i>	<i>US\$</i>
Current deposits with banks	<u>234,950</u>	<u>10,661,253</u>
	<b><u>234,950</u></b>	<b><u>10,661,253</u></b>

### 8. Balances due from/to brokers

	<i>2008</i>	<i>2007</i>
	<i>US\$</i>	<i>US\$</i>
<b>Balances due from brokers</b>		
Margin accounts	104,702,865	91,367,239
Sales awaiting settlement	<u>5,662,465</u>	<u>220,534</u>
	<b><u>110,365,330</u></b>	<b><u>91,587,773</u></b>
<b>Balances due to brokers</b>		
Purchases awaiting settlement	<u>5,309,743</u>	<u>722,807</u>
	<b><u>5,309,743</u></b>	<b><u>722,807</u></b>

Margin accounts represent cash deposits with brokers and cash transferred as collateral against securities sold short and forward foreign exchange contracts.

In accordance with the Company's policy of trade date accounting for sale and purchase transactions, sales/purchases awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **9. Financial instruments and associated risks**

The Company's investing activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed to are market risk, credit risk and liquidity risk. Market risk includes other price risk, currency risk and interest rate risk.

The Company maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy.

Asset allocation is determined by the Company's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Investment Manager.

The nature and extent of the financial instruments outstanding at the consolidated balance sheet date and the risk management policies employed by the Company are discussed below.

#### **A. Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will make a financial instrument less valuable or more onerous. All investment portfolio financial instruments are measured at fair value, and all changes in market conditions directly affect net investment income.

The Company's market risk is managed on a daily basis by the Investment Manager within a rigorous risk management framework through diversification of the investment portfolio across countries and industries. The Company invests in global equities, contracts for differences and forward foreign exchange contracts. The Company aims to take advantage of both rising and falling share prices by applying a diversified range of quantitative strategies engineered to identify both undervalued and overvalued equities.

By constructing a portfolio which consists of long positions in equities which are calculated to be undervalued and short positions in equities which are estimated to be overvalued, the Company seeks to generate absolute returns for investors. The Company seeks to generate additional returns and limit downside volatility by the use of timing and hedging techniques. The Company's overall market positions are also reviewed on a quarterly basis by the Board of Directors.

Details of the Company's investment portfolio at the consolidated balance sheet date are disclosed in the consolidated schedule of investments. Details of the nature and terms of derivative financial instruments outstanding at the consolidated balance sheet date are set out in note 9(D).

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### 9. Financial instruments and associated risks (continued)

#### Other price risk

Other price risk is the risk that the fair values of equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

In accordance with the Company's policies and procedures in place, the Investment Manager monitors the Company's overall other price risk on a daily basis, and the Board of Directors reviews it on a quarterly basis. There were no changes in the equity price risk management policies and procedures from the prior year ended 31 December 2007.

The Company's financial instruments principally comprise equity investments. At 31 December 2008 the Company had a net (short)/long equity exposure of (6.51%) (2007: 3.07%). A 5% increase in value would have the effect of (decreasing)/increasing net assets by US\$(318,802) (2007: US\$152,855). A 5% decrease would have an equal but opposite effect.

#### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than the United States Dollar. The Company has entered into a number of forward foreign exchange contracts for hedging purposes in an attempt to reduce the effects of foreign currency fluctuations associated with the foreign currency share classes. The gains/(losses) on forward foreign exchange contracts related to the hedging of foreign currency share classes are only applicable to the net asset value calculation of the relevant classes.

In accordance with the Company's policies and procedures in place, the Investment Manager monitors the Company's overall currency risk on a daily basis, and the Board of Directors reviews it on a quarterly basis. There were no changes in the currency risk management policies and procedures from the prior year ended 31 December 2007.

The Company's total net exposure to fluctuations in foreign currency exchange rates at the consolidated balance sheet date was as follows:

	<b>Monetary net assets/ (liabilities)</b>	<b>Forward foreign exchange contracts</b>	<b>Net exposure</b>
<i>All amounts stated in US\$</i>			
<b>31 December 2008</b>			
Australian Dollar	1,033,092	-	1,033,092
Brazil Real	852,742	-	852,742
British Pound	13,415,262	67,711,610	81,126,872
Canadian Dollar	2,274,916	-	2,274,916
Czech Koruna	(634,051)	-	(634,051)
Danish Krone	3,082,054	-	3,082,054
Euro	6,507,315	5,441,609	11,948,924
Hong Kong Dollar	(550,837)	-	(550,837)

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### Currency risk (continued)

	Monetary net assets/ (liabilities)	Forward foreign exchange contracts	Net exposure
<i>All amounts stated in US\$</i>			
<b>31 December 2008 (continued)</b>			
Hungarian Forint	(487,217)	-	(487,217)
Indonesian Rupiah	646,713	-	646,713
Israel New Shekel	(2,258,027)	-	(2,258,027)
Japanese Yen	(2,009,063)	-	(2,009,063)
Mexican Peso	(1,906,660)	-	(1,906,660)
New Turkish Lira	(976,102)	-	(976,102)
Norwegian Krone	(1,543,461)	-	(1,543,461)
Philippine Peso	224	-	224
Polish Zloty	(152,939)	-	(152,939)
Singapore Dollar	(1,257,010)	-	(1,257,010)
South African Rand	226,923	-	226,923
Swiss Franc	2,817,313	-	2,817,313
Swedish Krona	(3,749,916)	-	(3,749,916)
Turkish Lira	(976,102)	-	(976,102)
<b>31 December 2007</b>			
Australian Dollar	533,231	-	533,231
Brazil Real	1,897,976	-	1,897,976
British Pound	4,607,435	65,847,220	70,454,655
Canadian Dollar	(1,427,216)	-	(1,427,216)
Czech Koruna	100,045	-	100,045
Danish Krone	2,568,096	-	2,568,096
Euro	15,868,963	3,939,300	19,808,263
Hong Kong Dollar	(10,362,841)	-	(10,362,841)
Hungarian Forint	(489,240)	-	(489,240)
Israel New Shekel	(15,074)	-	(15,074)
Japanese Yen	2,797,177	-	2,797,177
Mexican Peso	24,971	-	24,971
New Turkish Lira	106,860	-	106,860
Norwegian Krone	647,640	-	647,640
Philippine Peso	968,190	-	968,190
Singapore Dollar	2,147	-	2,147
South African Rand	235,790	-	235,790
Swiss Franc	203,860	-	203,860
Swedish Krona	(6,721,920)	-	(6,721,920)
Thai Baht	1,730,533	-	1,730,533

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### Currency risk (continued)

At 31 December 2008, had the United States Dollar weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable shares and the change in net assets attributable to holders of redeemable shares per the consolidated income statement would have increased or decreased by the amounts shown in the next table. The analysis is performed on the same basis for 2007.

<i>Sensitivity Analysis</i>	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
Australian Dollar	51,655	26,662
Brazil Real	42,637	94,899
British Pound	4,056,344	3,522,733
Canadian Dollar	113,746	(71,361)
Czech Koruna	(31,703)	5,002
Danish Krone	154,103	128,405
Euro	597,446	990,413
Hong Kong Dollar	(27,542)	(518,142)
Hungarian Forint	(24,361)	(24,462)
Indonesian Rupiah	32,336	-
Israel New Shekel	(112,901)	(754)
Japanese Yen	(100,453)	139,859
Mexican Peso	(95,333)	1,249
New Turkish Lira	(48,805)	5,343
Norwegian Krone	(77,173)	32,382
Philippine Peso	11	48,410
Polish Zloty	(7,647)	-
Singapore Dollar	(62,851)	107
South African Rand	11,346	11,790
Swiss Franc	140,866	10,193
Swedish Krona	(187,496)	(336,096)
Thai Baht	-	86,527
Turkish Lira	(48,805)	-
<b>Total</b>	<b>4,375,420</b>	<b>4,153,159</b>

A 5% strengthening of the United States Dollar against the above currencies would have resulted in an equal but opposite effect on the financial statements on the basis that all other variables remain constant.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **9. Financial instruments and associated risks (continued)**

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's financial assets and liabilities are non-interest-bearing. The Company's interest-bearing financial assets being balances due from brokers and cash and cash equivalents that mature or reprice in the short-term (i.e. no longer than one month). As a result, the Company is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

As described above, the Company has limited exposure to interest rate risk and has not presented a table of exposure to interest rates or an interest rate sensitivity analysis.

#### **B. Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

Credit risk associated with investing activities is managed by the Investment Manager as part of the overall investment process. The Company's credit risk concentration is spread between listed equity securities and derivative financial instruments as presented on the consolidated balance sheet. At 31 December 2008, all financial instruments were listed financial instruments with the exception of warrants, forward currency contracts and contracts for differences.

Substantially all of the cash held by the Company is held by Goldman Sachs, UBS AG and HSBC with credit ratings of AA-, A+ and AA (2007: AA-, AA and AA) respectively. Bankruptcy or insolvency of Goldman Sachs, UBS AG or HSBC may cause the Company's rights with respect to the cash held by Goldman Sachs, UBS AG or HSBC to be delayed or limited. Cash not held as collateral may be held in a segregated client money account not forming part of the assets of Goldman Sachs, UBS AG or HSBC.

All financial instruments are cleared through and held in custody by Goldman Sachs International and/or UBS AG (the "Prime Brokers"). The Company is subject to credit risk to the extent that these institutions may be unable to fulfil their obligations either to return the Company's securities or repay amounts owed. Management does not anticipate any losses as a result of this concentration.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Company deals with counterparties of good credit standing.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **9. Financial instruments and associated risks** *(continued)*

#### **B. Credit risk** *(continued)*

##### *Investment Restrictions*

Investment of the Company's assets and those of the Master Fund is subject to certain restrictions determined from time to time by the Directors. In order to minimise investment risk through the diversification of assets, the Directors have adopted the following initial restrictions, providing that the Company and the Master Fund will in aggregate:

(a) not invest more than 20 per cent of the net assets of the Master Fund in the securities of any one issuer (including the issuer's subsidiaries or affiliates) or be so exposed to the creditworthiness or solvency of any one counterparty (including that counterparty's subsidiary or affiliates);

(b) not take legal or management control of the issuer or any of its underlying investments; and

(c) only invest the Master Fund assets on, or subject to the rules of, an exchange recognised by the Irish Stock Exchange or with counterparties which have (or whose parent company has) a minimum credit rating of "A" for long term debt from the credit rating agency of Moody's or a minimum of "P-2" or "A-1" from Standard & Poor's for short term debt from these agencies and then subject to a limit of 10 per cent of the Master Fund's net assets with any one such counterparty (other than the Prime Broker). This restriction does not apply to transactions effected with any counterparty which advanced full and appropriate collateral to the Company or the Master Fund in respect of such transactions.

Restriction (a) above does not apply to investments in securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD member state or by any supra national authority of which one or more EU or OECD member states are members, and any other state approved for these purposes by the Irish Stock Exchange. Whilst the Shares are listed on the Irish Stock Exchange, restrictions (a), (b), and (c) above may not be relaxed.

In accordance with the Company's policies and procedures in place, the Investment Manager monitors the Company's overall credit risk on a daily basis as part of the overall investment process and reports to the Board of Directors on a quarterly basis. This is consistent with the procedures from the prior year ended 31 December 2007.

The amount of credit exposure is represented by the carrying amounts of the assets on the consolidated balance sheet.

#### **C. Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and commitments. The Company's constitution provides for the monthly creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### C. Liquidity risk (continued)

The Company's financial instruments may include investments in derivative contracts traded over-the-counter, which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to its fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's listed securities are considered to be readily realisable as they are all listed on major global stock exchanges. The Company's redemption policy only allows for redemptions on the first business day of each month based on the valuation of the immediately preceding business day and shareholders must provide 10 business days notice. The Company's investment portfolio is leveraged and needs to maintain liquidity sufficient to sustain significant losses without having to liquidate the portfolio to meet the demands from counterparties for additional collateral and to satisfy shareholder redemption requests.

In accordance with the Company's policies and procedures in place, the Investment Manager monitors the Company's overall liquidity risk on a daily basis as part of the overall investment process and reports to the Board of Directors on a quarterly basis. This is consistent with the procedures from the prior year ended 31 December 2007.

The following table shows the contractual, undiscounted cash flows of the Company's financial liabilities.

<b>31 December 2008</b>	<i>Less than 1 month US\$</i>	<i>1 to 3 months US\$</i>	<i>3 months to 1 year US\$</i>	<i>No stated maturity US\$</i>
<i>Financial liabilities including derivatives settled net</i>				
Balances due to brokers	(5,309,743)	-	-	-
Securities sold short	(139,220,612)	-	-	-
Derivative financial instruments (CFDs)	-	-	-	(259,449)
Performance fees	(93,202)	-	-	-
Management fees	-	(410,218)	-	-
Administration fees	(27,619)	-	-	-
Audit fees payable	-	(40,595)	-	-
Dividends payable	(163,325)	(15,042)	-	-
Accrued expenses and payables	-	(21,917)	-	-
Net assets attributable to holders of redeemable shares	(98,022,984)	-	-	-
<i>Derivative financial assets and liabilities settled gross</i>				
Outflows	(160,234,155)	(72,806,592)	-	-
Inflows	156,798,465	73,153,219	-	-
<b>Total</b>	<b>(246,273,175)</b>	<b>(141,145)</b>	<b>-</b>	<b>(259,449)</b>

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### C. Liquidity risk (continued)

<b>31 December 2007</b>	<i>Less than 1 month US\$</i>	<i>1 to 3 months US\$</i>	<i>3 months to 1 year US\$</i>	<i>No stated maturity US\$</i>
<i>Financial liabilities including derivatives settled net</i>				
Balances due to brokers	(722,807)	-	-	-
Securities sold short	(135,990,870)	-	-	-
Derivative financial instruments (CFDs)	-	-	-	(168,517)
Performance fees	(2,437,724)	-	-	-
Equalisation credit	-	-	(2,014,855)	-
Management fees	-	(382,257)	-	-
Administration fees	(35,937)	-	-	-
Accrued expenses and payables	-	(159,339)	-	-
Net assets attributable to holders of redeemable shares	(99,537,593)	-	-	-
<i>Derivative financial assets and liabilities settled gross</i>				
Outflows	(70,570,302)	-	-	-
Inflows	69,786,520	-	-	-
<b>Total</b>	<u>(239,508,713)</u>	<u>(541,596)</u>	<u>(2,014,855)</u>	<u>(168,517)</u>

The gross nominal inflow/outflows of derivative financial liabilities settled gross are the contractual, undiscounted cash flows on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement. Derivatives settled gross include forward foreign exchange contracts.

#### D. Specific instruments

##### (i) Equity Instruments sold short and associated securities borrowing

When the Company sells securities which it does not possess it has to cover this short position by acquiring the securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

##### (ii) Derivatives

The Company's holdings in derivatives translated into United States Dollar were as specified in the following tables.

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### D. Specific instruments (continued)

##### (ii) Derivatives (continued)

Forward foreign exchange contracts

#### 31 December 2008

Type of contract	Expiration		Bought Amount		Sold Amount		Fair value assets US\$	Fair value liabilities US\$
Forwards	2 January 2009	EUR	4,100,000	US\$	5,278,340	449,975	-	
Forwards	2 January 2009	US\$	5,807,650	EUR	4,100,000	79,335	-	
Forwards	2 January 2009	GBP	50,000,000	US\$	76,365,000	-	(3,502,500)	
Forwards	2 January 2009	US\$	72,400,000	GBP	50,000,000	-	(462,500)	
Forwards	2 February 2009	GBP	46,500,000	US\$	67,288,755	422,855	-	
Forwards	2 February 2009	EUR	3,900,000	US\$	5,517,837	-	(76,228)	
							<b>952,165</b>	<b>(4,041,228)</b>

#### 31 December 2007

Type of contract	Expiration		Bought Amount		Sold Amount		Fair value assets US\$	Fair value liabilities US\$
Forwards	2 January 2008	EUR	2,700,000	US\$	3,983,648	-	(42,070)	
Forwards	2 January 2008	GBP	33,200,000	US\$	66,530,144	-	(741,712)	
							-	<b>(783,782)</b>

Forward foreign exchange contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward foreign exchange contracts are individually traded over-the-counter contracts.

Forward foreign exchange contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical in a forward trading account. As a result, a relatively small price movement in an underlying of a forward foreign exchange contract may result in substantial losses to the Company. Forward foreign exchange contracts are generally traded over-the-counter and therefore are subject to greater liquidity risk.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### 9. Financial instruments and associated risks *(continued)*

#### D. Specific instruments *(continued)*

##### (ii) Derivatives *(continued)*

Notional amounts are the underlying reference amounts to stock exchange indices, equities and foreign currencies upon which the fair value of the forward foreign exchange contracts traded by the Company are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Company's forward foreign exchange contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

##### *Contracts for differences*

Contracts for differences ("CFDs") result in exposure to market risk based on changes in market prices relative to contracted amounts of reference securities. Market risks arise due to possible movement in securities values underlying these instruments. In addition, a high degree of leverage may be typical. As a result, a relatively small price movement in a contract may result in substantial losses to the Company.

At 31 December 2008 the fair values of the contracts entered into by the Company were as follows:

<b>Underlying</b>	<b>Holding long/(short)</b>	<b>Notional cost US\$</b>	<b>Fair value assets US\$</b>	<b>Fair value (liabilities) US\$</b>
Daewoo Engineering & Construction Co Ltd	(79,000)	(1,157,013)	601,573	-
KCC Corp	(7,200)	(3,224,246)	1,585,293	-
Nanya Technology Corp	(675,000)	(275,130)	150,736	-
RichTek Technology Corp	(5,000)	(45,652)	25,668	-
Samsung Securities Co Ltd	(6,800)	(429,959)	96,150	-
Telecom Egypt	160,000	388,448	83,411	-
United Microelectronics	(2,011,805)	(947,761)	491,691	-
Ceske Energeticke Zavody	27,200	1,370,496	-	(259,449)
			<b>3,034,522</b>	<b>(259,449)</b>

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 9. Financial instruments and associated risks (continued)

#### D. Specific instruments (continued)

##### (ii) Derivatives (continued)

##### Contracts for differences (continued)

At 31 December 2007 the fair values of the contracts entered into by the Company were as follows:

Underlying	Holding long/(short)	Notional cost US\$	Fair value assets US\$	Fair value (liabilities) US\$
Asustek Computer Inc	265,000	793,392	2,556	-
Chi Mei Optoelectronics Corp	600,000	821,040	20,826	-
CJ Corp	(11,000)	(1,027,336)	64,431	-
Hyundai Heavy Industries	2,000	672,333	273,585	-
Kookmin Bank	(14,100)	(1,076,836)	36,968	-
LG Electronics Inc	9,000	823,593	138,354	-
Nanya Technology Corp	(455,000)	(257,712)	942	-
RichTek Technology Corp	(45,000)	(442,931)	36,337	-
Taiwan Mobile Co Ltd	695,000	902,597	29,697	-
Zentiva	(14,000)	(987,874)	241,227	-
AU Optronics Corp	437,000	887,722	-	(31,997)
Compal Electronics Inc	800,000	988,720	-	(112,936)
Motech Industries Inc	(36,000)	(317,768)	-	(12,502)
Taiwan Semiconductor Manufacturing Co Ltd	(473,000)	(893,261)	-	(11,082)
			<b>844,923</b>	<b>(168,517)</b>

#### Fair value information

For certain of the Company's financial statements including cash and cash equivalents, balances due to/from brokers, dividends receivable and other assets and accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

For the majority of the Company's financial instruments, quoted market prices are readily available. However, certain financial instruments, including certain over the counter derivatives, are fair valued using valuation techniques which include reference to the current fair values of instruments that are substantially the same or related (subject to appropriate adjustments).

Fair Value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, etc.)

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **9. Financial instruments and associated risks** *(continued)*

*Fair value information (continued)*

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 2(d) of the significant accounting policies section.

At December 2008, the carrying amounts of equity investments and equity investment sold short were determined directly, in full or in part, by reference to published price quotations.

At December 2008, the carrying amounts of derivative financial assets and derivative financial liabilities were determined directly, in full or in part, by reference to published price quotations.

The primary input in determining the fair value of CFDs is the fair value of the underlying equity. The primary input in determining the fair value of the forward foreign exchange contract is the forward exchange rate.

### **10. Fees and expenses**

The Company appointed Artemis Investment Management Limited, an investment management company incorporated in the United Kingdom, to implement the investment strategy as specified in the prospectus. Goldman Sachs International and UBS AG have been appointed as Prime Brokers 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 2008 was US\$2,321,376 (2007: US\$822,733). Included in liabilities at 31 December 2008 are investment management fees payable of US\$410,218 (2007: US\$382,257).

*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 use of a high water mark, as described in note 2(m), ensures that investors are not subject to a performance fee until any previous losses are recovered. The performance fee is accrued and taken into account in the calculation of the net asset value per Share of the applicable share class on each Valuation Day. In the event that a shareholder redeems Shares, prior to the end of a Performance Period, an amount equal to any accrued but unallocated performance fee in respect of such Shares are deducted from the redemption proceeds and such accrued performance fee is re-allocated to the Investment Manager promptly thereafter. The performance fee in respect of each Performance Period is calculated by reference to the net asset value before the deduction of any accrued performance fee.

# Artemis Global Hedge Fund Limited

## Notes

*Forming part of the consolidated financial statements (continued)*

### **10. Fees and expenses (continued)**

#### *Performance fee (continued)*

The Investment Management Agreement provides that the Investment Manager will be paid the performance fee within 14 days after the end of each fiscal year. The performance fee for 2008 was US\$93,202 (2007: US\$2,421,253). Included in liabilities at 31 December 2008 are performance fees payable of US\$93,202 (2007: US\$2,437,724).

#### *Prime brokerage and custodial fees*

The Prime Brokers receives Prime Broker fees, which are based upon a combination of transaction charges, interest costs and borrowing fees at normal commercial rates. The Prime Brokerage and Custodial Fees for the year were US\$2,613,830 (2007: US\$170,566).

On 23 October 2008, the directors appointed UBS AG (“UBS”) as an additional prime broker to the Company. The Prime Broker agreement allows for such fees as may be agreed from time to time at normal commercial rates.

The allocation of assets between Goldman Sachs and UBS will be determined by the nature and type of transaction. During the year no fees were paid to UBS and no fees were included in liabilities at 31 December 2008.

#### *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.

From 1 November 2007, the Administrator’s fee is calculated on a sliding scale basis commencing at 0.15 per cent per annum of the Master Fund’s net asset value on the first €100 million, reducing to 0.12 per cent for the next €150 million, reducing to 0.10 per cent for the next €250 million and further reducing to 0.08 per cent for assets over €500 million. The fee is subject to a minimum monthly fee of €5,000. The Administrator shall be reimbursed all properly incurred and reasonable out-of-pocket expenses. In addition, the Administrator is entitled to a further €6,500 for providing corporate secretarial services and to a minimum fee of €2,500 for the preparation of each set of consolidated interim and annual financial statements.

The Administration fee for the year was US\$227,101 (2007: US\$79,158). Included in liabilities at 31 December 2008 are administration fees payable of US\$27,619 (2007: US\$35,937).

#### *Shareholdings of related parties*

Parties related to the Investment Manager held no redeemable shares at 31 December 2008 and 2007.

#### *Directors’ fees*

The Company will pay each Director an annual fee of US\$10,000. None of the Directors have, nor have had, an interest in any of Company’s share classes.

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 11. Reconciliation of net asset value

For financial reporting purposes and in accordance with IFRS, the net asset value per share as at 31 December 2008 has been restated for the purpose of these consolidated financial statements, for the following reasons:

- In accordance with International Accounting Standards (IAS 38) organisational expenses must be fully expensed in the statement of operations in the period in which they are incurred. However, the reported net asset value reflects these organisational expenses being amortised on a straight-line basis over five years, as stated in the prospectus.
- As IFRS requires financial instruments at fair value through profit or loss to be valued at the bid or offer price, the net asset value reported in these financial statements differs to the published net asset value calculated in accordance with the offering documentation.

The 31 December 2008 net asset value reported in these consolidated financial statements differs to the net asset value calculated for share dealing purposes. The difference is as follows

	<i>AGHFL Euro Class</i> €	<i>AGHFL Sterling Class</i> £	<i>AGHFL USD Class</i> US\$	<i>AGHFL Master</i> US\$	<i>Consolidated Total 2008</i> US\$
Net asset value for share dealing purposes at 31 December 2008	3,801,585	45,358,459	28,615,136	101,975,154	98,792,889
Adjustment for:					
Organisational expenses	(2,867)	(33,811)	(21,724)	(75,000)	(75,000)
Last traded prices to bid/ask prices	(26,563)	(313,271)	(201,277)	(694,905)	(694,905)
Currency retranslation adjustment	(25,110)	(821,524)	-	-	-
Net asset value per the consolidated financial statements at 31 December 2008	<u>3,747,045</u>	<u>44,189,853</u>	<u>28,392,135</u>	<u>101,205,249</u>	<u>98,022,984</u>

# Artemis Global Hedge Fund Limited

## Notes

Forming part of the consolidated financial statements (continued)

### 11. Reconciliation of net asset value (continued)

The 31 December 2007 net asset value reported in these consolidated financial statements differs to the net asset value calculated for share dealing purposes. The difference is as follows:

	<i>AGHFL</i> <i>Euro Class</i> €	<i>AGHFL</i> <i>Sterling Class</i> £	<i>AGHFL</i> <i>USD Class</i> US\$	<i>AGHFL</i> <i>Master</i> US\$	<i>Consolidated</i> <i>Total 2007</i> US\$
Net asset value for share dealing purposes at 31 December 2007	3,237,393	31,112,983	33,683,839	105,336,852	100,115,130
Adjustment for: Organisations expenses	(3,382)	(32,791)	(35,028)	(105,000)	(105,000)
Last traded prices to bid/ask prices	(15,222)	(147,574)	(157,638)	(472,537)	(472,537)
Net asset value per the consolidated financial statements at 31 December 2007	<u>3,218,789</u>	<u>30,932,618</u>	<u>33,491,173</u>	<u>104,759,315</u>	<u>99,537,593</u>

### 12. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Directors on 17 June 2009.



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