

SHINING A LIGHT ON..... ARTEMIS MONTHLY DISTRIBUTION FUND

At a glance

In the dim distant past managed funds enabled investors to select a fund which invested globally across equities and bonds. The concept of these has shifted as the performance tended to be mediocre and investors wanted to choose different managers to invest across different sectors, regions and asset classes.

When I met with the managers of the fund I was surprised to find this was a managed fund. I think what I liked about the fund was that it was launched three years ago and little was done at the time to promote the fund. The managers have been gradually building their reputation and delivering solid numbers (although past performance is no guide to the future).

Ultimately as the managers said this fund is about delivering a good yield (income) in a market starved of yield. Their target is 4% a year, currently they are paying 4.1%.

This update is more of an update on the fund and future updates should focus on positioning.

Who are the team behind the fund?

The fund is managed by two experienced managers; James Foster manages the successful Artemis Strategic Bond Fund and Jacob de Tusch-Lec the Artemis Global Income Fund. Both are highly rated fund managers, and the fund looks to blend their skills to deliver both income and growth for investors.

Fund highlights?

The fund is aimed at investors looking for regular income. It does this by accessing income across bonds and equities using the best ideas from the Artemis Strategic Bond Fund and Artemis Global Income Fund. The mix of the fund is typically 60% bonds and 40% equity.

As they explained the main aim is deliver sensible yield without taking too much risk. So typically the best ideas which appear in the fund are those that carry lower risk.

One area of income is REITS and they explained that even with this care needs to be taken to ensure they are not taking on companies with too much debt which could suffer in a downturn. But debt is not the only factor macro factors play a part and therefore REITS in core Europe and Singapore offer, in their view, better returns and lower risks than those in the US which reflects the balance between risk and reward.

We talked about risk and they are aware of liquidity issues in the bond market and therefore favour bonds with short terms as these are less volatile and have a known end date. In their view those with longer terms carry more volatility and risk. Clearly volatility is an issue and the managers were keen to highlight how they have kept this low since the fund was launched.

Turning to the make-up of the fund currently it is holding 44% in equities, 15% in investment grade bonds and 38% in non-investment grade. The types of equity holdings include Bezeq, Arvida Group, TLG Immobilien, CTT Correios de Portugal and Rai Way. Bond holdings include Virgin Money, Barclays,

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Thomas Cook, Kelda Group and Voyage Care. The number of holdings is high which reflects the desire to keep risk under control – the current number of equities is 75 and bonds 93.

In conclusion this is a defensive fund with the primary aim of delivering a sustainable long term income. We know there are challenges in the bond market but we don't know how this might impact future performance of the fund. Clearly the fund draws on the experience of two managers who have excellent track records in the funds they manage. This fund is likely to appeal to those investors seeking income from a globally diversified portfolio.

Fund performance

Performance since launch (21 May 2012) to 31 August 2015

	2012	2013	2014	2015*
Artemis Monthly Distribution Fund	12.66%	18.26%	9.57%	4.84%
iShares MSCI World Dist	9.01%	21.87%	10.53%	-2.53%

*1 January to 31 August 2015

1 year, 3 years and since launch performance:

	1 Year	3 Years	Since launch
Artemis Monthly Distribution Fund	5.95%	44.48%	53.05%
iShares MSCI World Dist	2.50%	33.45%	43.13%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

The source of information in this note has been provided by Artemis and is correct as at September 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.