

## SHINING A LIGHT ON..... ARTEMIS EUROPEAN OPPORTUNITIES FUND

### At a glance

As Europe starts to climb the upward curve out of recession and into recovery naturally strong performance comes through and this attracts investors. There are many European funds to select from and choosing the right fund can be tricky. Many funds have similar holdings and for those focusing on the pure large cap space there is likely to be some crossover with global funds.

Launched in 2011 the Artemis European Opportunities Fund is certainly one for consideration. The main features of the fund are – it is a multi-cap fund but currently with a focus on the mid to large cap space. It has maximum holdings of 60 (currently there are 51) and it is based on a proven process going back to 2001. The performance since launch has been strong (although future performance is not guaranteed) and the fund size remains relatively small.

In this update with the co-manager, Mark Page, we discuss Europe, the process and what makes his fund different.

### Who are the team behind the fund?

The fund is co-managed by Mark Page and Laurent Millet. Mark started his career at Schroders and left in 2001 when he joined LV= Asset Management. Whilst working there he was head of European equities and it was the process he developed at LV= that he brought across to Artemis. Based on trustnet data he has outperformed his peer group 75% of the time, which shows a strong track record with falling markets showing the strongest track record.

Laurent worked for a number of leading institutions in Europe as an analyst and strategist before joining Mark at LV= Asset Management in 2007. He came across with Mark to Artemis to set up this fund.

### Fund highlights?

We started by looking at Europe and considering the opportunities and risks.

Mark explained that fundamentally he is an out and an out stock picker. Therefore although he is aware of what is happening around Europe (QE, Greece etc), good companies should continue to deliver strong returns whatever is happening around them.

To expand further Mark explained that it is not Europe that is the worry for many of the companies he invests in but the global market. Europe is very export focused and the Asian and US markets are important trading partners. Clearly if the likes of China have a wobble that they can have an impact. This means that there has to be tactical plays, so for example he doesn't hold autos because he fears that they would be impacted by a slowdown in China. This has already started to play out with Ford and VW cutting prices in China.

So although Mark focuses on the companies he is looking for companies which are not sensitive to global macro issues, like autos (unless of course they are really cheap!)

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We discussed whether Europe was cheap, and what the prospects for growth were. Mark explained that compared to long term history Europe is not cheap but it is cheap compared to the US. He explained that Earnings Per Share growth is much better in Europe vs the US driven by the impact of the weaker Euro and lower oil prices.

Of course no discussion can be undertaken without discussing Greece. His view is that the market doesn't expect a great deal of contagion if Greece drops out. It is not the same as it was, and he also explained that it is not a given that they will. He also explained that attitudes are changing; for example the Spanish anti austerity party is distancing itself from Greece, and this is a reflection that the Spanish economy is turning a corner.

One final discussion around Europe was on hedging the currency. The weaker currency makes hedging the currency a better option in the short term, and the stronger returns have come via this route. However, he did explain that if someone is holding the fund for say 10 years plus then it is likely that there will not be much difference between the two share classes and therefore it is more of a short term tactical play (which may or may not have played).

When looking at how they invest the methodology is fairly simple. They want to pay the right price for the company but they also want to be able to see consistent earnings growth because it is this that will drive the share price. The managers also have a strict discipline on the number of holdings. This is set at 60, Mark explained this keeps them focused. Every holding is there because it deserves to be there and not just to keep the numbers up. It also means if they like a company then it might have to replace another so there has to be a good reason to add and remove.

The process is not so regimented that they have to have 60 stocks, the fund is currently sat at 51. The point being that Mark thinks 60 is the optimum number but he won't pick sixty stocks if there are not 60 good stocks out there at the right price.

Mark also explained the importance of dividends driving returns, he explained this is not an income fund but quality companies will pay dividends and this helps drive returns. When we talked about companies he explained that he is not ashamed to hold the likes of Novartis and Roche as he believes these are good companies and worthy of inclusion. He is not holding them because they are in the index but because they can drive growth over the long term.

Just touching on some of the holdings / sectors. Industrial goods and services is the largest sector at 21% and includes the likes of aMaDEUS, TOMRA, DKSH and Adecco. Healthcare is at 18%, Technology at 9%, Personal and Household Goods at 8% and Banks at 8%. The balance is spread across a mixture of sectors. Banks include DNB, UBI Banca and BNP PARIBAS.

Geographically the fund is weighted towards Switzerland (25.7%), France (21.6%) and Germany (14.8%).

Finally Mark explained that his management style is about keeping volatility low without compromising on returns. To date he has been able to achieve this. His view is that you don't need to take undue risk to drive returns and if he can sleep easy at night and deliver returns then that has to be the primary aim for him. For some this may be considered dull but Mark would argue not as his numbers show.

In summary although the global macro picture is important the fund is fundamentally about the companies that Mark and Laurent select. They are searching out companies that are not expensive and can drive growth (and share price) over the long term. It has showed lower volatility compared to

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other European funds but not compromised returns. There is a strict discipline on the number of holdings but they don't have to hold this number if there are not the companies out there. Certainly the style of management, the team and performance would all be factors potential investors should consider as a plus for this fund and it is worth considering alongside other European Funds as an option to invest in Europe.

One additional factor to consider is whether to hedge or not and this is likely to be a short term tactical play.

## Fund performance

Performance since launch is shown below.

	2011*	2012	2013	2014	2015**
<b>Artemis European Opportunities I Fund</b>	-5.96%	24.40%	27.13%	0.85%	11.55%
<b>iShares MSCI Europe ex-UK</b>	-9.55%	14.00%	21.74%	-2.02%	9.94%

\*Since launch 28 October 2011

\*\*To 30 April 2015

	1 Year	3 Years	Since Launch
<b>Artemis European Opportunities I Fund</b>	10.80%	62.94%	67.31%
<b>iShares MSCI Europe ex-UK</b>	4.45%	44.73%	35.21%

*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.*

## Conclusion

A well-managed fund with a process going back to 2001. By the standards of other funds it remains relatively small which gives it the flexibility to invest freely where the manager wants to go. It may seem a fairly dull fund but fundamentally the manager is not looking to take big risks and although he has reduced volatility compared to others in the sector this hasn't come at the expense of performance. It is therefore a fund for consideration against others within the sector.

*The source of information in this note has been provided by Artemis and is correct as at May 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.*