

**SHINING A LIGHT ON THE.....
Artemis UK Special Situations Fund**

AT A GLANCE

Investment Objective
The objective of the Fund is to grow capital over a five year period. The Fund invests 80%-100% in company shares and up to 20% in in bonds, cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.

Inception Date	9 th March 2000
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04E9A

Management	
Manager Name	Start Date
Derek Stuart	9 th March 2000
Andy Gray	1 st January 2014

FUND PERFORMANCE

Performance from 1st January 2015 to 31st January 2021:

	2015	2016	2017	2018	2019	2020	2021
Artemis UK Special Situations Fund	5.42%	7.45%	5.86%	-14.97%	27.07%	-0.72%	-2.49%
FTSE All Share	0.98%	16.75%	13.10%	-9.47%	19.17%	-9.82%	-0.81%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Artemis UK Special Situations Fund	-0.25%	5.65%	24.43%	572.89%
FTSE All Share	-7.55%	-1.60%	31.47%	140.49%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
9.27	128.74	116.31	116.31	52.78	1.36	3.63	Mid/Blend

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Volatility Measurements	
3-Yr Std Dev (volatility)	23.46%
3-Yr Mean Return (average)	1.85%

Investment Style Details	
Giant	11.39%
Large	25.28%
Medium	33.55%
Small	19.95%
Micro	1.23%

Top 5 Holdings – 43 Equity Holdings		
3i	-	4.35%
BP PLC	Energy	3.99%
AstraZeneca PLC	Healthcare	3.89%
Tesco PLC	Consumer Defensive	3.61%
Barclays	Financial Services	3.54%

Top 5 Sectors	
Industrials	26.45%
Financial Services	18.22%
Consumer Defensive	17.59%
Consumer Cyclical	16.23%
Technology	7.17%

UPDATE....

This update covered both the UK Select Fund (managed by Ed) and the UK Special Situations Fund which is managed by Derek Stuart. There is some crossover between the strategies; the Special Situations Fund focuses primarily on self-help and management change stories, whereas the UK Select Fund looks to provide alpha (growth above the benchmark) across all market cycles and can also use shorting strategies of up to 10%.

Derek has run the UK Special Situations strategy since launch. Like the UK Select Fund this fund leans more towards value, although it has a bit more a blended approach. This means that it is slightly less volatile than the UK Select Fund and is about 30% more volatile than the index. Investors are rewarded but not at the same level as the UK Select Fund.

In terms of fund manager reputation, this is mixed according to Trustnet, with 50% out performance over all markets with no clear distinction between rising and falling markets. This might reflect the style of investing which has been out of favour. Looking at the performance since launch, the fund has significantly outperformed.

The UK is very much unloved as an asset class and therefore a manager can argue the case for their fund, but ultimately investors need to believe in the opportunities in the UK market. Both Ed and Derek are extremely positive, seeing the vaccine programme as a clear exit strategy from lockdown for both the UK and the global economy. The UK is particularly well placed and likely to be one of the first economies to come out of this. The portfolios are positioned towards the consumer recovery to reflect this.

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Brexit has also been a drag but combined with the good news on the vaccine, now is a great time to be looking at the UK again. Although the strategy is blended with a bias to value, they are investing in growing companies which are likely to take market share, especially as the UK emerges out of lockdown.

There are many positives; in the UK 70% of GDP is driven by the UK consumer. The UK consumer has not been able to spend and therefore there is pent demand and they expect this to come through. UK equities remain cheap compared to the rest of the world and largely ignored by overseas investors. Coming into 2021, they are seeing a slight shift in sentiment and increased M&A activity.

In terms of risk, one of the biggest risks is the call for another Scottish Independence referendum. There is a great deal of support for this and it is likely that after all the legal arguments a vote could be called in 2 or 3 years. If Labour take ground on the SNP, then this may slow this down. If a vote does happen then there will be stocks that will not want to hold.

Across both funds some examples of themes and holdings include:

Accelerated structural change – IG Group, BT, 888 Casino, Flutter, Computacenter, Oxford Instruments

Reduced capacity:

- Retail – 3i, Associated British Food, Watches of Switzerland, WH Smith
- Airlines – Jet2, Ryanair
- Hospitality – Johnson Service Group Plc, Wetherspoon

Benefiting from fiscal policy – Balfour Beatty, Grafton Group, Persimmon, Hill and Smith Holdings, Ashtead, Anglo American

In summary, the two managers are positive for the UK. They believe interest rates will remain low for some time and although there will be pockets of inflation there will not be a significant rise. Where parts of the global market are frothy especially around tech the UK market still offers great value.

Although the funds have a value tilt, they are great companies that they are investing in and likely to benefit not only from the government support but also the success of the UK vaccine programme. In terms of the fund, Derek has managed the fund since launch and although performance is mixed, this may reflect more the style than the manager. If Derek is correct and the tide is turning for the UK, then this could be a fund for investors to consider. It does appear to offer slightly less volatility than the UK Select Fund, although the performance is slightly lower. All of this would need to be considered by potential investors.

The source of information in this note has been provided by Artemis and is correct as at February 2021. 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. We would also recommend that you receive advice before following up on any decision.