

## SHINING A LIGHT ON THE..... Artemis Strategic Bond Fund

### AT A GLANCE

Investment Objective
The fund seeks to provide a combination of income and capital growth over a five-year period. The Fund invests 80%-100% in bonds (of any credit quality) and up to 20% in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third-party funds, money market instruments, company shares, and derivatives.

<b>Inception Date</b>	30 <sup>th</sup> June 2005
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000003U7A">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000003U7A</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Juan Valenzuela	

### FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2016 to 30<sup>th</sup> September 2021:

	2016	2017	2018	2019	2020	2021
<b>Artemis Strategic Bond Fund</b>	8.76%	7.21%	-3.53%	8.05%	5.33%	0.74%
<b>IA £ Strategic Bond</b>	7.67%	5.40%	-2.48%	9.23%	6.08%	1.06%

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

	1 year	3 years	5 years	Since launch
<b>Artemis Strategic Bond Fund</b>	3.30%	11.49%	19.11%	139.46%
<b>IA £ Strategic Bond</b>	4.94%	15.58%	19.40%	102.06%

*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	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Credit Quality
4.13	92.67	63.40	63.89	0.99	0.66	Medium/Low

Volatility Measurements	
3-Yr Std Dev (volatility)	5.11%
3-Yr Mean Return (average)	3.69%

Credit Quality	
AAA	-
AA	-
A	-
BBB	-
BB	-
B	-
Below B	-
Not Rated	-

Top 5 Holdings – 164 bond holdings, 28 other holdings		
United States Treasury Notes 1.25%	-	8.24%
United States Treasury Notes 1.62%	-	4.17%
BNP Paribas 1.88%	-	0.97%
La Poste 3.12%	-	0.92%
Electricite de France SA 6%	-	0.89%

Fixed Income	
Effective Maturity	18.85
Effective Duration	4.81

**UPDATE....**

This is a brief update. The strategy was set up by James Foster and Alex Ralph in 2005. Stephen Snowden joined Artemis in 2018 with his team from Kames. Artemis ran two fixed income teams until September 2021 when James Foster retired from Artemis and Alex Ralph left the business. Stephen Snowden has taken over as Head of Fixed Income for Artemis.

The team do not have a specific skill set in strategic bonds but have worked on them in the past, and they do have a skill set across the core building blocks of investment grade, high yield and government bonds. They have a team of six and are currently adding Rebecca Young from Janus Henderson as co-manager with Juan Valenzuela.

As they are inheriting the portfolio we will expect to see an evolution of the portfolio. They are happy with the asset allocation but there will be changes, as investors would expect, when a new manager comes on board. They will maintain a preference for high yield relative to investment grade, and one of the key changes will be to reduce the carbon footprint of the portfolio. They have already sold down the oil bonds and they are selling other bonds, but they cannot provide details until this has completed.

The fund can hold equities but they do not see this as a skill that they have and therefore do not see that this will be something they would use.

They plan to be more active in their approach to the strategy and this means investing across the building blocks. The historic ranges give an idea of where they will invest. They do not expect high yield to be above 60% of the portfolio, and Government Bonds are likely to increase in flexibility up to 60%.

Currently the fund is around 40.69% in Investment Grade, 45.5% in Government Bonds and 45.5% in High Yield. There will likely be more crossover in names between the other strategies they hold. The main message is that they are looking to deliver a consistent framework across the investment universe they operate in.

In summary, it feels that running two fixed income teams was not working at Artemis and the two teams were not collaborating. There was very little overlap in holdings, and it also appears inconsistency between styles. The leaving members hold a lot of respect within the investment industry but so does Stephen and his team. We can only guess the reasons for the changes. As this is a new route for the team, even with experience, we would not necessarily look to invest whilst changes are happening. They may be seasoned investors, but this is something new and we would need to see how the strategy changes and how this translates into performance. Time will tell whether this change is right for Artemis.

The team are Edinburgh based but the new hire will be based in London. They do not see this as a problem as the pandemic has taught them that location is not a limitation, and Artemis have a track record of running teams in different locations.

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