

SHINING A LIGHT ON THE..... Artemis Corporate Bond Fund

AT A GLANCE

Investment Objective

The fund seeks to generate a return that exceeds the Markit iBoxx £ Collateralized & Corporates Index, after fees, over rolling three-year periods, through a combination of income and capital growth. The fund invests at least 80% in investment grade corporate bonds; at least 80% of the fund will be denominated in or hedged back to sterling.

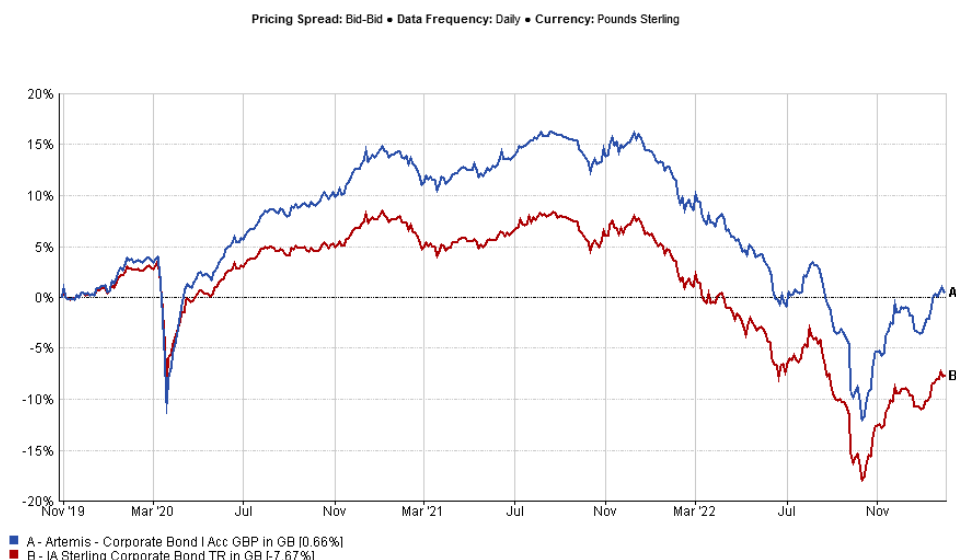
Inception Date	30 th October 2019
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000142P6

Management

Manager Name	Start Date
Stephen Snowden	30 th October 2019
Grace Le	31 st March 2020

FUND PERFORMANCE

Performance from 30th October 2019 – 31st January 2023



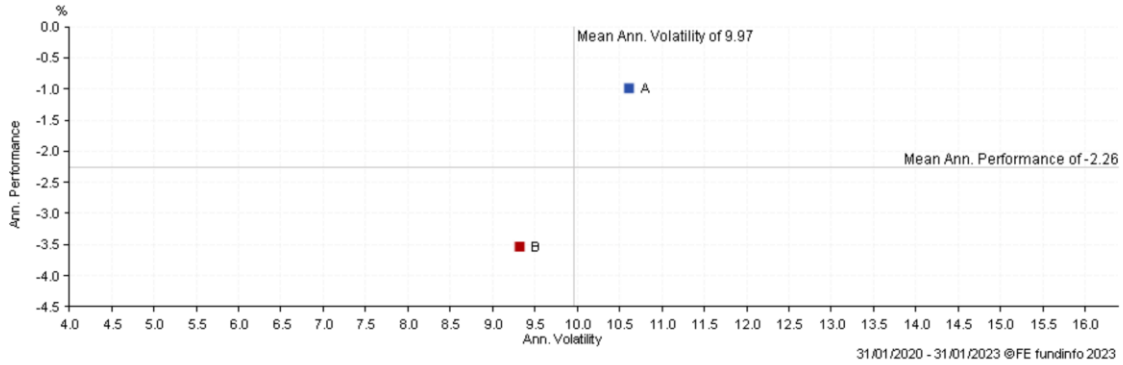
Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment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

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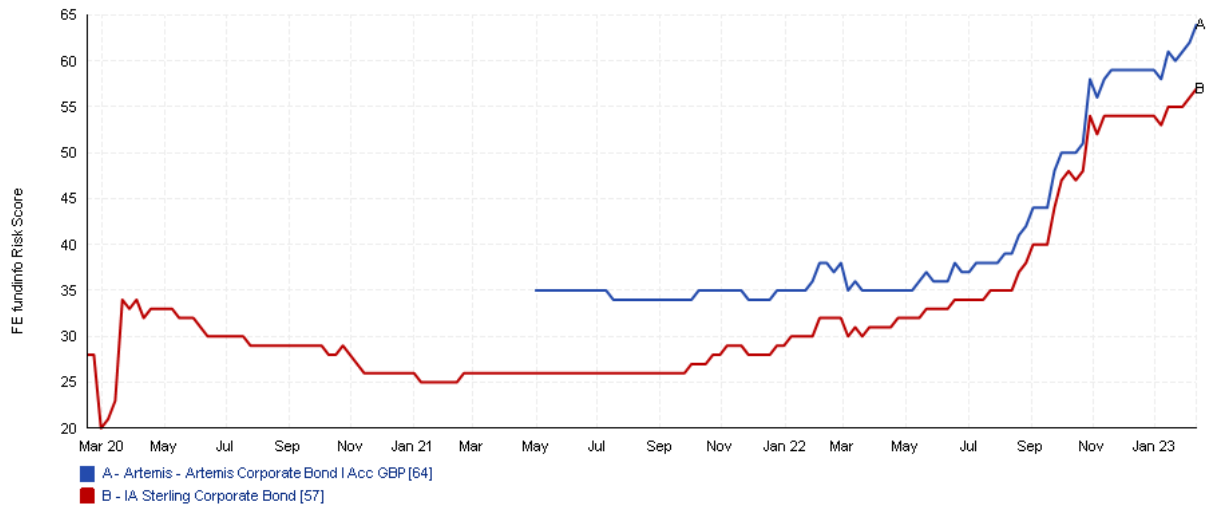
Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
3.37	1.13	-22.85	11.22	-13.30	71	84	1.76

RISK / VOLITILITY

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



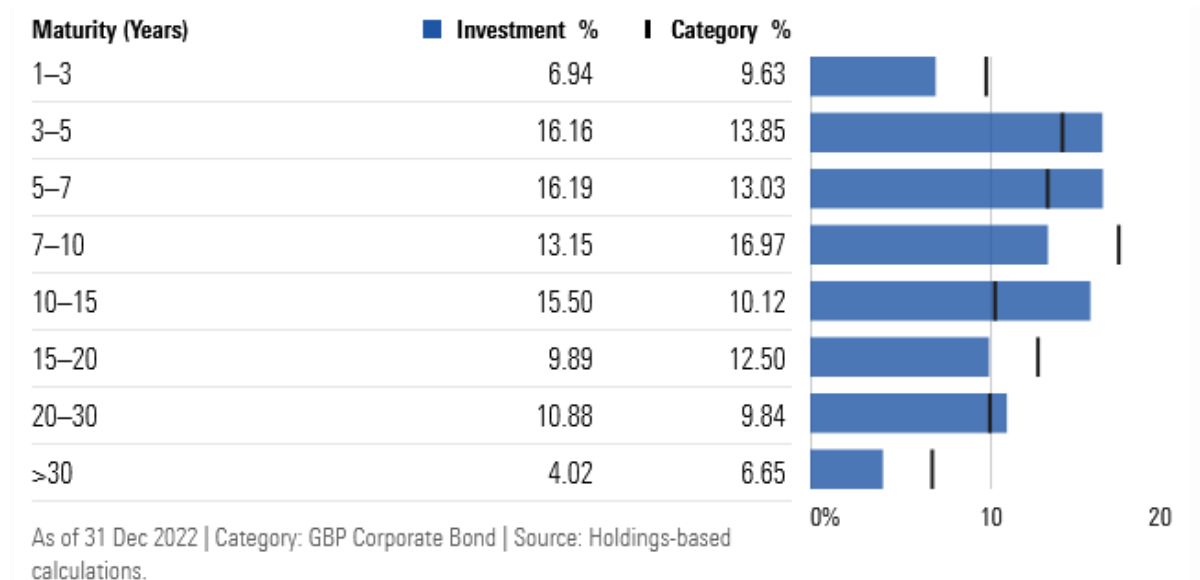
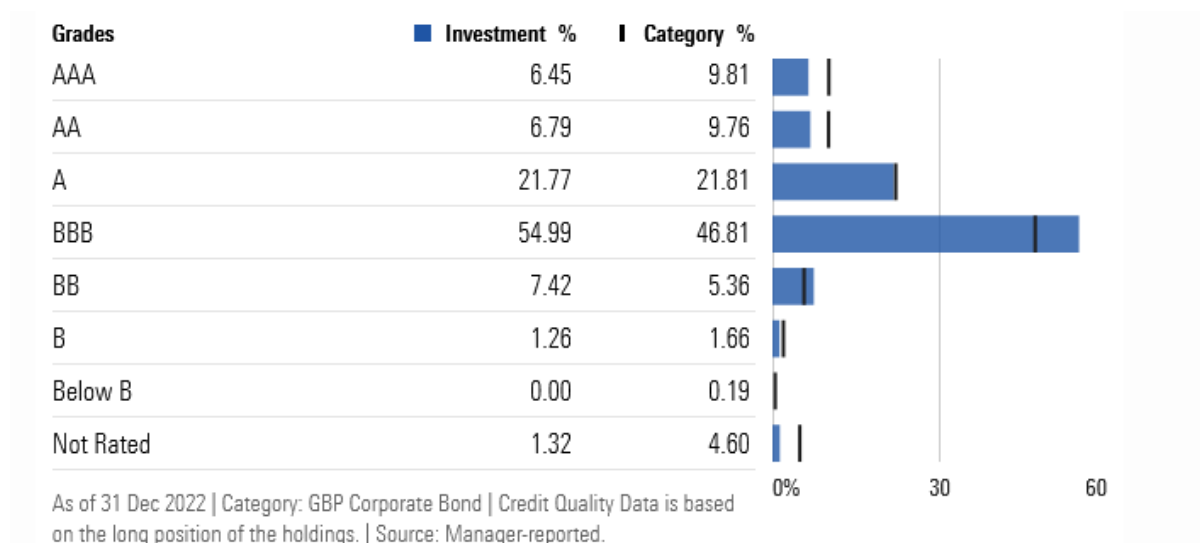
Key	Name	Annualised Performance	Annualised Volatility
■ A	Artemis - Corporate Bond I Acc GBP in GB	-0.99	10.61
■ B	IA Sterling Corporate Bond TR in GB	-3.53	9.32



14/02/2020 - 10/02/2023 Powered by data from FE fundinfo

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CREDIT QUALITY / MATURITY SCHEDULE



Top 5 Holdings – 139 bond holdings, 7 other holdings

SP Manweb PLC 4.875%	-	1.49%
Electricity North West Ltd. 8.875%	-	1.39%
AT&T Inc 2.9%	-	1.37%
Nestle Holdings, Inc. 2.5%	-	1.28%
Burberry Group PLC 1.125%	-	1.28%

Fixed Income

Effective Maturity	9.06
Effective Duration	6.27
Yield	3.10

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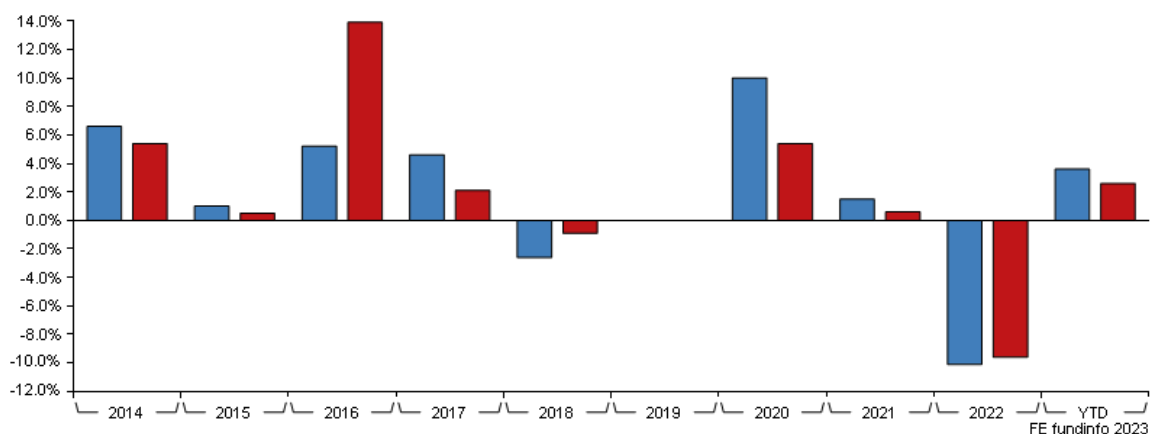
Fund Benchmark	Markit iBoxx GBP Collateralized&Corp TR
Fund size (Mil)	GBP 1175.50
Ongoing Charge (share class I)	0.37%

Bull points (pros)	Bear points (cons)
<ul style="list-style-type: none"> • Attractive yields • Re-pricing in 2022 means bonds are now fairly valued • Ability to trade across US, Euro and UK currency to get the best opportunities • Well recognised investment team • Active management to exploit inefficiencies in the market to obtain the best returns 	<ul style="list-style-type: none"> • Focus on one part of the market and therefore as an investor would need to be active in case these parts of the market become unattractive

UPDATE....

The Fund Manager, Stephen Snowden, is a well-respected fund manager. Previously he was at Kames and came across to Artemis with his team.

Discrete calendar year performance : Stephen Snowden



Discrete performance

	0-12m	12-24m	24-36m	36-48m	48-60m	60-72m	72-84m	84-96m	96-108m	108-120m
Stephen Snowden	-5.9	-0.1	7.9	-	-2.5	4.4	5.0	-1.0	7.5	3.3
Peer Group Composite	-5.8	-0.6	3.5	-	0.7	0.9	11.5	-0.3	7.5	-0.5
Over / Under	-0.1	0.5	4.4	-	-3.2	3.5	-6.5	-0.7	0.0	3.8

Performance vs peer group composite: Stephen Snowden

How a manager matches up against their peers gives you some idea of how talented they are. Very few managers perform equally well in rising and falling markets, so knowing which type of market a manager is capable of performing well within is also important.



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The differences between AEGON and Artemis are clearly the fixed income resources of a much larger organisation. However, the team argue that a smaller team and strategy means that they can move quicker to respond to opportunities as they arise. There will come a point when they will need to cap the size of the fund, but they are some way from this figure.

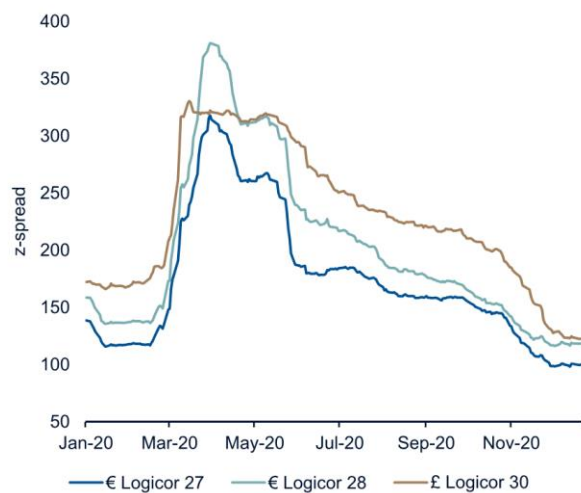
Fixed income can be a tricky market to navigate and many investors may prefer a strategic bond fund. This is a strategy whereby the manager makes the decision as to where the investments are held. It can be argued that this offers greater flexibility, especially responding to interest rate movements and recessionary concerns. Artemis do offer a Strategic Bond Fund. This strategy purely focuses on Corporate Bonds. The fund manager aims to deliver outperformance across asset allocation, stock selection, rating selection, sector rotation, yield curve positioning and duration management.

An example of the active nature is shown in the trading and holding of Logicor, where the team switched between euro and sterling bonds to exploit inefficiencies within the market to maximise the potential returns.

Logicor: £ - € bonds



	€	£	RV trade
19 February – 8 April	-16.9%	-10.4%	-10.4%
8 April – 15 June	13.0%	5.3%	13.0%
15 June – 31 December	10.5%	16.3%	16.3%
	3.7%	9.7%	17.6%



The active nature, they believe, can only be achieved through a concentrated number of holdings. They have around 140 holdings and this is at the lower end for similar funds. The majority seem to have holdings above 200 and a larger proportion over 400. The lower number of holdings enables them to use that active management to exploit weaknesses within the market.

2022 was a tough year for bonds. Bonds should protect investors in times of market dislocation but in 2022 there was no haven. It was the worst ever year for corporate bonds. Putting it into perspective, in 2008 the index was down around -9%, in 2022 it was around -19%. The US corporate bond index goes back to 1979 and this was down -17%.

The strategy was launched in 2019 and they have had to navigate COVID and then 2022, and this has really tested their strategy to the limit. Clearly they didn't want a negative year but they haven't been able to find opportunities, and coming into 2023 they believe the worst is over. The market as it stands is offering attractive yields, especially vs the UK equity dividend yield. The yield has come down slightly but effectively, if the yield on the fund goes to around 5%, and they achieve growth of 2%, that is a return at 7% at relatively low risk especially compared to bonds. Of course, nothing is guaranteed.

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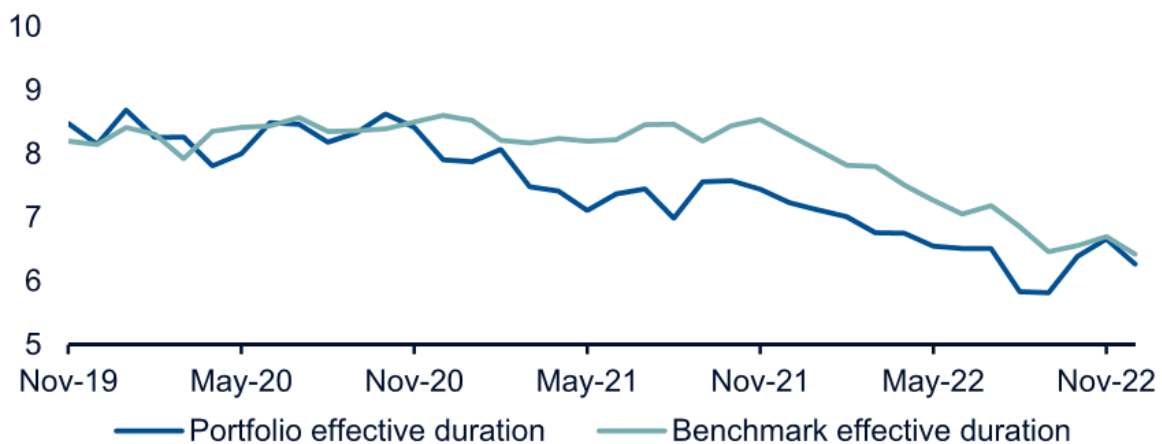


Much of the risk last year with interest rates and inflation has passed and although they are not forecasters, they can see inflation turning a corner and interest rates slowing.

If inflation comes down to say 3 or 4% and the yield and growth is around 7%, then this could be seen as a low risk means of delivering returns over inflation. They see this as a sweet spot and a great opportunity over the next five years.

They will move the duration as the chart shows.

Duration



Duration is an indication of the potential movement in prices up or down when interest rates move. It can be complicated but the lower the duration the potential for lower risk in terms of uncertainty. This is a strategy that is unlikely to go to zero duration and so that is a risk factor, but if we consider the interest rates are close to a peak and more than likely to come down, then we may have less concerns over duration.

Turning to the strategy itself, the plus point is the smaller and nimbler nature of the strategy and the ability to exploit market inefficiencies. With all of these types of strategies an investor is choosing where they think the best opportunities are within the bond market. For those who are less confident then this might not be a strategy for them, and in fact a strategic bond option might be better.

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In summary, this has a relatively short track record but has had to navigate a difficult period. Clearly the ability to move between currencies has helped them to get the most out of the returns. The manager has a good reputation, however it is important to stress that any investor who selects this is choosing a specific part of the market and therefore would need to be more active to ensure they are in the right place at the right time.

The source of information in this note has been provided by Artemis and is correct as of February 2023. 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.