Artemis Monthly Distribution

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is run by thoughtful managers, who have experience in running income-focused mandates.
- The managers understand the importance of an integrated approach to the overall portfolio. The underlying exposures of the bond and equity portions are managed in a holistic way.
- This mixed asset portfolio is constructed prudently, with the aim of securing a steady income drawn from diverse sources (security type, sector, company type).

Key characteristics and expected outcome

- Attractive income generation, which is in keeping with the prevailing environment, is the priority for this mixed asset fund. The managers also seek to limit volatility through careful diversification.
- Importantly, the managers are dedicated to delivering an attractive 'natural' rate of income – there is no attempt to over-reach for yield or to manufacture income using derivatives.
- The managers are open-minded investors and are pro-active in adjusting the fund's asset allocation between equities and bonds as the markets and their views change. The bond portion can feature meaningful allocations to higher yielding and hybrid bonds, which incorporate greater credit risk.
- We regard this as a well-conceived fund for investors seeking an income-orientated approach within a cautiously managed, mixed asset vehicle.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

An SRRI score of 4 is in keeping with a mixed asset fund of this type and similar to peer group funds. We highlight its broad composition at the bond and equity level, which potentially exposes the fund to additional risks, but equally, offers greater diversification. Dividend distributions may be impacted by currency fluctuations. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	21 May 2012
Manager(s) Since:	David Ennett (Oct 22) Jack Holmes (Oct 22) Jacob de Tusch-Lec (May 12) James Davidson (Sep 21)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	60% iBoxx GBP NonGilts/40% MSCI AC World
IA Sector:	Mixed Investment 20%-60% Shares

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A mixed asset fund of bonds (around 50%) and global equities (around 50%) that aims to generate an attractive income, which is paid monthly. In seeking to achieve the objective, the managers think carefully about the balance between capital growth and security of income. Within its sector, the fund features in our 'Bond Biased, Primarily Global Bonds and Global Equities' category.

Investment Team

The fund is co-managed by David Ennett, Jack Holmes, Jacob de Tusch-Lec and James Davidson. They work collaboratively on the overall shape of the bond and equity components, ensuring that the combined underlying risks are understood and controlled. Messrs Ennett and Holmes are responsible for the fixed income component. They joined Artemis in 2019 from Kames Capital, where Mr Holmes co-managed a range of high yield bond funds and Mr Ennett was Head of High Yield. Messrs de Tusch-Lec and Davidson are responsible for the global equity portion. They co-manage the firm's global income strategies. Mr de Tusch-Lec also has responsibility for the fund's overall asset allocation, with input from the team.

Investment Philosophy

The managers seek to provide an attractive dividend, distributed monthly, from a diversified portfolio of global bonds and equities. While income generation is their priority, they also aspire to limit capital volatility as far as possible, through thoughtful portfolio construction and the diversification of securities from across the capital structure. In seeking to achieve these outcomes, a cautious mindset prevails when constructing the fund.

Investment Process

The investment process seeks to foster an environment that allows the managers to work in tandem with regard to the desired profile and characteristics of the overall portfolio. They consider the entire capital structure, understanding that sometimes it is better to take risk in bonds rather than equities, or vice versa. They seek to ensure that the two sides of the portfolio complement each other and that risks are not exaggerated as a result of common exposures.

The bond component, typically a 50% allocation, is an actively managed portfolio of global bonds, with a bias to corporate bonds and high yield. The approach relies upon bottom-up security analysis, rather than macro-economic forecasting, which they regard as an unreliable source of return generation. Instead, they seek to identify mispriced risks and opportunities at the individual security level.

The equity component, typically a 50% allocation, is focused upon large-cap companies from around the world with robust financial metrics, compelling valuations and the ability to offer a yield premium above the market average. The process combines bottom-up analysis with top-down work, recognising the importance of understanding economic and market cycles.

Portfolio Construction and Risk Controls

The fund is diversified, with 150-200 holdings, with a view to spreading risk. Within the bond component, they have the flexibility to invest across all geographies, sectors and credit rating categories, although they avoid emerging markets because of the risk associated with weaker political and legal regimes. The equity component may incorporate emerging market companies but with high thresholds for inclusion. Overseas currency exposures within the bond portion are hedged back to sterling, but the overseas equity exposures are not currency hedged. Derivatives are not used for the purpose of boosting the fund's income stream.

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