Artemis Strategic Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by an experienced team of managers with different areas of expertise and focus. This helps in the identification of investment opportunities across a broad spectrum of the fixed income investment universe.
- The managers' economic analysis is thoughtful, and we like the degree to which they seek to understand a range of potential outcomes and address them in the portfolio.
- While the fund has a flexible approach, the managers exhibit pragmatism in implementing strategies that are deemed most appropriate for the prevailing market conditions. This approach reinforces their aim of delivering attractive returns in a risk-aware fashion.

Key characteristics and expected outcome

- Despite its unconstrained mandate, the desire is to offer a fund that is diversified in nature. The managers are thoughtful about overall risk exposures, aiming to navigate difficult market environments and achieve a good risk-adjusted total return over time.
- They begin with the premise that, through time, they can add value through active asset allocation, aiming to identify favourable risk-adjusted opportunities from across the fixed income spectrum. They employ a long-term strategic and thematic approach but will also seek short-term opportunities to take advantage of market moves.
- The managers are open-minded investors and are pro-active in adjusting exposures as markets and their views change, implementing decisions quickly and being able to use derivatives to do so.
- Given this risk-conscious approach, investors should not expect the fund to experience extremities in the risk/return outcome when compared to some other dynamic funds within the sector.
- We see this as a good option for investors who are seeking a flexibly managed and diversified fixed income fund, where all aspects of the fixed income opportunity set are considered.

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%.

Investors should be aware of the management change in November 2023, whereas the SRRI score is calculated using five-year data. The fund's volatility is broadly in keeping with that of its peers group funds, which speaks to its diversified nature and the managers' risk awareness. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	30 June 2005
Manager(s) Since:	David Ennett (Nov 23) Grace Le (Nov 23) Liam O'Donnell (Nov 23)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	IA £ Strategic Bond
IA Sector:	£ Strategic Bond

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 flexibly managed, diversified fixed income fund. The managers aim to deliver attractive risk-adjusted returns by combining a long-term strategic and thematic approach with tactical positioning. Within its sector, the fund features in our 'Dynamic' category.

Investment Team

The fund is managed by David Ennett, Grace Le and Liam O'Donnell. They work collaboratively on the overall shape of the fund, ensuring that the different underlying risks are understood and controlled. Mr Ennett focuses on high yield, Ms Le manages investment grade portion and Mr O'Donnell leads the team's strategy on macro and rates. Mr Ennett and Ms Le joined Artemis in 2019 from Aegon Asset Management (formerly Kames Capital), where they managed a range of fixed income funds. Mr O'Donnell joined the firm in November 2023, having previously worked at abrdn. They are members of Artemis' Fixed Income team, headed by Stephen Snowden.

Investment Philosophy

The managers believe that, over the longer term, they can deliver attractive, risk-adjusted returns compared to individual fixed income asset classes using a flexible investment approach. The fund's global, unconstrained mandate facilitates this flexible approach, enabling them to implement their macro-economic and strategic bond preferences, whilst also being alive to short-term tactical opportunities.

Investment Process

The managers seek to include a wide range of inputs into a diversified portfolio. Thus, the team looks to add value through both macro-economic analysis and credit analysis, taking asset allocation, interest rate, sector and issuer risks. The starting point for the process is an assessment of the macro-economic environment and its implications for the various fixed income asset classes. They aim to understand market consensus, and what's priced into markets in terms of the economic outlook. An appreciation of market technicals is also an important facet of their work. This research influences the fund's duration, yield curve and asset allocation (including country preferences), with the managers meeting weekly to discuss and review the strategy's overall positioning in relation to their collective assessment of the fixed income environment.

The selection of individual bonds for the portfolio is undertaken by the managers, who are experts in their respective segments of the fixed income market. This selection process incorporates industry research, company balance sheet and cashflow analysis and the sharing of information with the broader Artemis fund management team. The managers favour companies with resilient business models that support sustainable cash flow generation, enabling them to meet cash flow commitments comfortably. For those companies identified as having the highest upside, the managers consider the specific bond within the issuer structure that allows for the most attractive risk/return opportunity.

Portfolio Construction and Risk Controls

The allocation between the different fixed income asset classes is driven by market opportunities and by their levels of conviction across those markets. Indeed, the managers aim to construct a fund which is sufficiently diversified and to avoid unintended industry and/or name concentration. Typically, the fund holds between 75 and 175 issues and currency exposures are usually hedged back to sterling. Aggregate portfolio duration can lie anywhere in the range of 0 to 10 years, though in practice it has ranged between 3 and 8 years. Portfolio risk assessments are undertaken by Artemis' independent risk team and Artemis' Management Committee.

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