

# Artemis US Absolute Return Fund



William Warren  
Fund manager, since  
launch

Class I accumulation shares, GBP hedged

**September 2019**  
Data as of 31 August 2019

## The fund's aims

The fund aims to achieve a positive return over the longer term, notwithstanding changing market conditions, investing principally in the shares of companies listed, quoted or traded in the United States of America.

## Fund update

Trade tensions and fears of recession continued to weigh on the US market in August. A number of economic indicators came in weaker than expected and, in the bond market, the yield curve inverted (traditionally viewed as a harbinger of recession). Mixed messages from the US administration contributed to the increase in volatility.

Against that unpromising backdrop, US companies actually reported second-quarter earnings that beat expectations – aggregate earnings for the S&P 500 grew 1% over the quarter. We aren't getting carried away, however: we don't anticipate a quick resolution to the US/China trade war and expect this to continue to weigh on markets and corporate spending. The fund made a solid return over the month. Given the falling market, returns from the short book were particularly strong.

On the long side, some of our more defensive holdings supported performance. Government contractor Booz Allen Hamilton performed well following a solid set of quarterly numbers. Crown Castle (mobile phone towers) also did well as investors appreciated its clear visibility on revenues due to its long-term contracts and its attractive dividend.

Animal healthcare stock Zoetis made a useful contribution to performance after reporting another solid set of quarterly numbers and raising its guidance on future profits. It continues to deliver better growth in sales than its peers. It does this through strong growth in core products but also by innovation and new products. Other contributors included Boeing, which performed better on the month. Home retailer Lowe's, meanwhile, delivered a good set of results and demonstrated that its turnaround story is making progress.

The more volatile environment and negative news helped many of our short positions. Two of them – a longstanding position in an industrial company and one in a smaller software company whose revenues missed expectations – featured among the month's top contributors.

Feeling that the current positioning of the portfolio is well suited to the current environment, we have not changed its shape. We doubt there will be any swift resolution of Trump's trade wars. And although a recession doesn't appear to be imminent, economic indicators are weakening. A cautious stance seems warranted: the fund's net exposure remains low at around 5%.



Third party endorsements are not a recommendation to buy. For information, visit [artemisfunds.com/endorsements](https://www.artemisfunds.com/endorsements).

## Composition

### Top 10 long holdings

|                     |      |
|---------------------|------|
| Microsoft           | 1.6% |
| Booz Allen Hamilton | 1.5% |
| Zoetis Inc          | 1.5% |
| Comcast A           | 1.5% |
| Boeing              | 1.5% |
| Franco-Nevada Corp  | 1.2% |
| Visa                | 1.1% |
| Crown Castle Intl   | 1.1% |
| Berkshire Hathaway  | 1.0% |
| Anthem              | 1.0% |

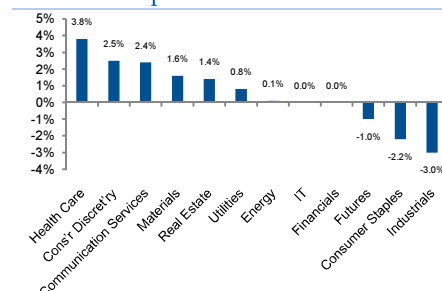
Source: Artemis as at 31 August 2019.

### Top 10 shorts by sector

|                        |       |
|------------------------|-------|
| Financials             | -1.2% |
| Consumer Staples       | -1.1% |
| Futures                | -1.0% |
| Information Technology | -1.0% |
| Industrials            | -0.8% |
| Information Technology | -0.8% |
| Communication Services | -0.6% |
| Information Technology | -0.6% |
| Industrials            | -0.6% |
| Financials             | -0.6% |

Source: Artemis as at 31 August 2019.

### Net sector exposure



Source: Artemis as at 31 August 2019.

### Fund exposure

|                 | Long  | Short  | Net   | Gross |
|-----------------|-------|--------|-------|-------|
| Large > \$20 bn | 27.1% | -16.8% | 10.3% | 43.8% |
| Mid             | 10.9% | -12.4% | -1.5% | 23.3% |
| Small < \$2 bn  | 0.3%  | -2.9%  | -2.5% | 3.2%  |
| Total           | 38.3% | -32.1% | 6.2%  | 70.4% |

Source: Artemis as at 31 August 2019.

# Performance

## Cumulative performance

|                                 | Since launch | 3 years | 1 year | 6 months | 3 months |
|---------------------------------|--------------|---------|--------|----------|----------|
| Artemis US Absolute Return Fund | 16.9%        | 8.9%    | 2.8%   | 2.3%     | 1.6%     |
| LIBOR GBP 3 Month               | 2.8%         | 1.7%    | 0.9%   | 0.4%     | 0.2%     |

'Since launch' data from 27 October 2014. Source: Lipper Limited, mid to mid in sterling to 31 August 2019. Benchmark shown is a target that the fund aims to outperform: further information can be found in the fund's Key Investor Information Document.

## Discrete performance to year end

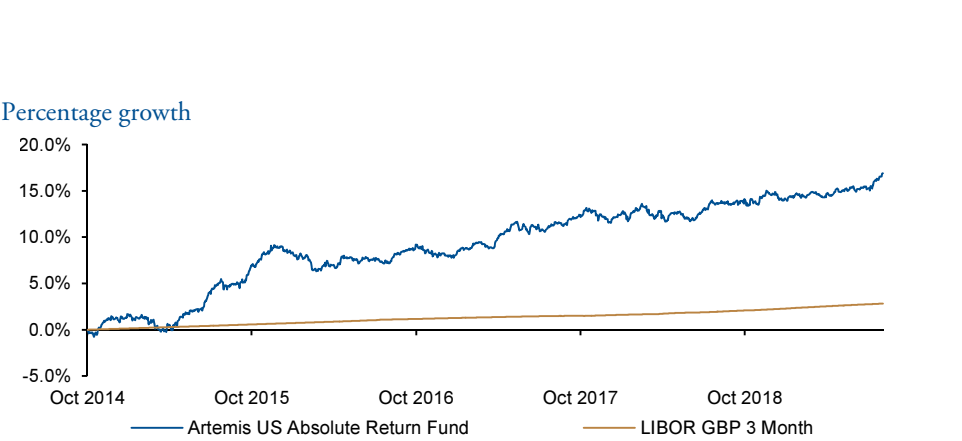
|                          | 2018 | 2017 | 2016  | 2015 | 2014 |
|--------------------------|------|------|-------|------|------|
| 12 months to 31 December | 2.7% | 3.4% | -0.9% | 7.7% | n/a  |

Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in sterling. All figures show total returns with dividends reinvested. As the fund was launched on 27 October 2014, complete five year performance data is not yet available. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the share class.

## Discrete performance to quarter end

|                      | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------|------|------|------|------|------|
| 12 months to 30 June | 2.9% | 1.0% | 2.7% | 5.8% | n/a  |

Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in sterling. All figures show total returns with dividends reinvested. As the fund was launched on 27 October 2014, complete five year performance data is not yet available. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the share class.



Data from 27 October 2014. Source: Lipper Limited, mid to mid in sterling to 31 August 2019. All figures show total returns with dividends reinvested.

## Key facts

|                                    |                 |
|------------------------------------|-----------------|
| Fund type                          | OEIC            |
| Focus                              | Capital growth  |
| Asset class                        | Absolute return |
| Regional focus                     | USA             |
| SEDOL                              | BMMV5N2         |
| ISIN                               | GB00BMMV5N27    |
| Type                               | Accumulation    |
| Class currency                     | GBP             |
| Accumulation date                  | 30 April        |
| Valuation point (UK business days) | 12:00           |
| Year end                           | 28 February     |
| Fund launch date                   | 27 October 2014 |
| Class launch date                  | 27 October 2014 |
| Class launch price                 | 100p            |
| SRRI                               | 3               |
| Fund size (mid basis)              | £502.8m         |

Source: Artemis as at 31 August 2019.

## Prices and yield

|                |         |
|----------------|---------|
| Mid price      | 116.88p |
| Historic yield | 0.25%   |

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

## Charges

|                 |        |
|-----------------|--------|
| Initial charge  | 0%     |
| Ongoing charge  | 0.870% |
| Performance fee | 20%    |

The ongoing charge includes the annual management charge of 0.75% and is shown as at the date of the Key Investor Information Document (KIID). A performance fee is charged as 20% of any outperformance of the share class against the greater of the LIBOR 3 month index or zero. A full explanation of the fund's charges can be found in the KIID.

## Risks and important information

To ensure you understand whether this fund is suitable for you, please read the Key Investor Information Document and Costs and Charges Information document, which are available, along with the fund's Prospectus, from [artemisfunds.com](http://artemisfunds.com)

There is no guarantee that the fund will achieve a positive return over the longer term or any other time period and investors' capital is at risk. A net long position may mean the fund experiences a loss if equity markets fall; conversely, a net short position may result in a loss even if markets rise.

The value of any investment, and any income from it, can rise and fall with movements in stockmarkets, currencies and interest rates. These can move irrationally and can be affected unpredictably by diverse factors, including political and economic events. This could mean that you won't get back the amount you originally invested.

The fund's past performance should not be considered a guide to future returns.

The fund will use derivatives (financial instruments whose value is linked to the expected price movements of an underlying asset) for investment purposes, including taking long and short positions, and may use borrowing from time to time. It may also invest in derivatives to protect the value of the fund, reduce costs and/or generate additional income. Investing in derivatives also carries risks, however. In the case of a 'short' position, for example, where the

fund aims to profit from falling prices, if the price of the underlying asset rises in value, the fund will lose money. The fund may hold large cash deposits with the aim of protecting the value of the fund. This can mean that, when markets are rising, the return on your investment will be less than if it were fully invested in other types of asset.

The costs and benefits of currency hedging transactions will apply to hedged shares.

Artemis Fund Managers Limited is entitled to a performance fee calculated as 20% of any outperformance of the share class against the greater of the LIBOR 3 month index (in the relevant currency) or zero. The performance fee is accrued daily but only charged at the end of the fund's financial year if conditions are met. Any underperformance will be carried forward into the next financial year and must be recovered before any performance fee can be paid. Third parties (including FTSE and Morningstar) whose data may be included in this document do not accept any liability for errors or omissions. For information, visit [artemisfunds.com/third-party-data](http://artemisfunds.com/third-party-data).

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