Artemis Pan-European Absolute Return Fund



Paul Casson
Fund manager, since launch

Class I accumulation shares, EUR 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 Europe, including the UK.

Fund update

August was a volatile month on stock exchanges across Europe. In euro terms, markets ended the month 1.4% lower. The big news was sterling's rally against the euro from the middle of the month as the market attempted to evaluate Prime Minister Johnson's approach to Brexit.

For its part, a sharp sell-off in Borr Drilling meant the fund ended the month lower. As crude prices fell, oil companies had a mixed month. While some of our long positions (such as Tullow) gained, the drilling segment of the market came under pressure as investors worried about the hoped-for upturn in the capex cycle – and the leverage – in these companies. Sentiment towards this part of the market is terrible. Even results showing new contract wins for Borr did little to help. On an entirely plausible scenario, its shares now trade on a multiple of just 3x 2020 cashflows. So we are holding on.

More positively, our short book made a useful contribution: 13 of the fund's top 20 winners in August were short positions. Some of the companies in question suffered from profits warnings; others fell as the outlook deteriorated. In the long book, our positions in the communications sector did best, particularly Mediaset España and ITV.

In July, approximately $12 trillion of government debt worldwide had a negative yield. That number has now shot higher – to $17 trillion. A growing number of investors appear willing to lose money to hold 'safe' assets. It is puzzling to wonder what these investors are so scared of. While we have had many recessions in the market's history, none have required investors to pay governments for the privilege of lending to them. So it can't be that. Equally, we have had messy political situations in the past – so it can't be that either. Similarly, trade wars have come and gone without yields turning negative.

Instead, it simply seems to be a matter of central bankers being so deeply committed to quantitative easing that they are doubling-down on that strategy despite there being so little evidence of its success. Will investors follow their lead and suspend belief while paying ever-higher multiples for growth stocks? Or will the stalling of earnings growth eventually provoke a more circumspect approach to valuation? Our views – and our portfolio – tend towards the latter…

Composition

Top 10 long holdings

Sanofi	4.5%
Danone	4.3%
Vodafone Group	4.1%
ITV	4.0%
Mediaset España Comunicación	3.8%
Imperial Brands	3.8%
Deutsche Telekom	3.6%
Amundi	3.4%
Cembra Money Bank	3.1%
Marine Harvest	3.1%

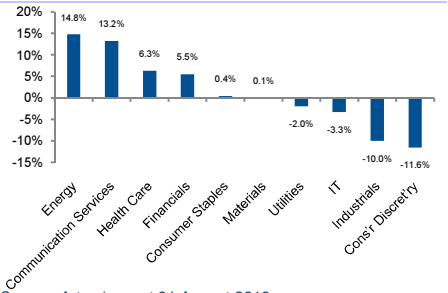
Source: Artemis as at 31 August 2019.

Top 10 shorts by sector

Information Technology	-3.2%
Consumer Staples	-2.7%
Health Care	-2.6%
Financials	-2.5%
Information Technology	-2.5%
Materials	-2.5%
Consumer Staples	-2.5%
Consumer Discretionary	-2.4%
Financials	-2.4%
Communication Services	-2.4%

Source: Artemis as at 31 August 2019.

Net sector exposure



Source: Artemis as at 31 August 2019.

Fund exposure

	Long	*Short*	*Net*	*Gross*
Large > £3.5 billion	59.6%	-62.0%	-2.4%	121.5%
Mid	21.4%	-5.0%	16.4%	26.3%
Small < £500 million	1.9%	-2.4%	-0.5%	4.3%
Total	82.9%	-69.3%	13.5%	152.2%

Source: Artemis as at 31 August 2019.

Performance

Cumulative performance

	Since launch	3 years	1 year	6 months	3 months
Artemis Pan-European Absolute Return Fund	7.0%	-4.9%	-10.9%	-6.2%	-1.6%
LIBOR EUR 3 month	-1.0%	-1.0%	-0.3%	-0.1%	-0.1%

'Since launch' data from 27 October 2014. Source: Lipper Limited, mid to mid in euros to 31 August 2019. All figures show total returns with dividends reinvested. 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	-9.9%	4.2%	4.2%	13.1%	n/a

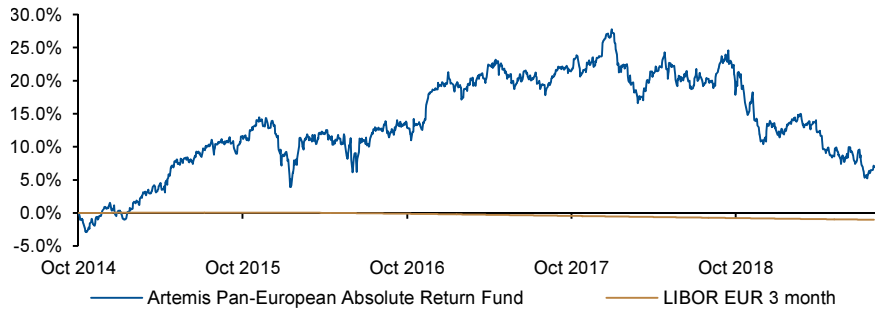
Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in euros. All figures show total returns with dividends reinvested. As the share class was launched on 27 October 2014, complete five year performance data is not yet available. Returns may vary as 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	-10.0%	0.3%	10.7%	0.6%	n/a

Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in euros. All figures show total returns with dividends reinvested. As the share class 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.

Percentage growth



Data from 27 October 2014. Source: Lipper Limited, mid to mid in euros 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	Europe
SEDOL	BMMV4H9
ISIN	GB00BMMV4H91
Type	Accumulation
Class currency	EUR
Accumulation date	30 April
Valuation point (UK business days)	12:00
Year end	28 February
Fund launch date	14 July 2014
Class launch date	27 October 2014
Class launch price	100c
SRRI	4
Fund size (mid basis)	€29.6m

Source: Artemis as at 31 August 2019.

Prices and yield

Mid price	106.95c
Historic yield	0.34%

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	0.900%
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), where a full explanation of the fund's charges can be found. 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

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- in France from CACEIS Bank France SA, 1-3 Place Valhubert, 75013 Paris.
- in Germany from Zeidler Legal Services, Bettinastrasse 48, 60325 Frankfurt am Main.
- in Ireland from Bridge Consulting Limited, 33 Sir Rogerson's Quay, Dublin 2.
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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.

The fund will use derivatives to meet its investment objective, to protect the value of the fund, to reduce costs and with the aim of profiting from falling prices.

The fund may hold large cash deposits.

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

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