

Artemis UK Special Situations Fund



Derek Stuart
Fund manager, since launch



Andy Gray
Fund manager, since January 2014

Class I distribution units, GBP

September 2019
Data as of 31 August 2019

The fund's aims

The fund aims to provide long-term capital growth by exploiting special situations. The fund invests principally in UK equities and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK.

Fund update

Given all the political noise during August, it was a welcome distraction to hear from so many of our companies – and to hear that they are still functioning. These businesses are, as much as possible, continuing to prepare for the unknown effects of Brexit and trade wars.

The fund's internationally exposed companies are benefiting from the pound's renewed weakness. BBA Aviation, British American Tobacco, GlaxoSmithKline, IWG, Prudential, SDL, Spirent – even Balfour Beatty – are gaining from sterling's decline.

Shared-office group IWG's move towards a franchise model continues. August's announcement of a 'strategic partnership' deal in Taiwan came from the same mould as its recent deal in Japan.

Spirent continues to benefit from the ramping

up of investment in 5G telecoms infrastructure. It feels that we are still only at the start of this process.

Prudential confirmed that it is making progress towards demerging its UK business and also reported continued strong growth in Asia. The shares have been weak in recent weeks. We believe this partly reflects the moves lower in bond yields, the sell-off in the equity market and the political situation in Hong Kong. While we have little visibility on the outcome of any of these factors, we believe in the long-term demand story for Prudential's products in China and across Asia more widely.

August also brought results from Capita and Rank. Reflecting the market's low expectations ahead of its results, Capita's shares bounced nicely on the day of their publication. Sadly, they subsequently relinquished most of those

gains as sterling weakened. Standing back from the results a little, we can see tangible signs of stabilisation in the business.

Rank is also at the point where it must begin to deliver on its goals. So far so good, the new team is starting to improve returns through its cost-cutting programme. Now it will seek to enhance revenues. Rank's results were much stronger in the second half of its financial year than in the first. Like Capita, the shares trade on a double-digit free-cashflow yield.

Our holdings are tending to deliver on their goals and to meet our expectations. Yet we are mindful of the dark clouds that are accumulating on the economic horizon. The challenges are not just domestic – there are threats to global growth too. We are sure these will present frustrations as well as great opportunities over the final third of the year.



Third party endorsements are not a recommendation to buy. For information, visit artemisfunds.com/endorsements.

Composition

Top ten holdings

Tesco	4.9%
BP	4.7%
Prudential	4.5%
GSK	4.4%
Capita	3.6%
Britvic	3.6%
Royal Dutch Shell	3.5%
Melrose Industries	3.2%
Balfour Beatty	3.1%
Spectris	3.0%

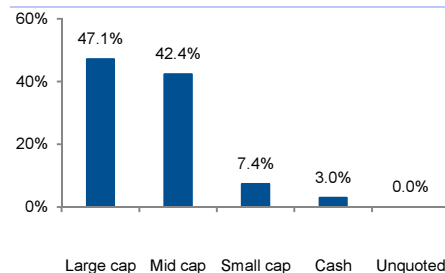
Source: Artemis as at 31 August 2019.

Market sector split

Industrials	35.0%
Consumer Services	15.6%
Financials	14.0%
Consumer Goods	9.5%
Oil & Gas	8.3%
Technology	8.2%
Healthcare	4.4%
Telecommunications	1.9%
Basic Materials	0.2%

Source: Artemis as at 31 August 2019. Please note that figures may not add up to 100% due to rounding and the cash holding.

Asset allocation



Source: Artemis as at 31 August 2019. Please note figures may not add up to 100% due to rounding.

Performance

Cumulative performance

	Since launch	5 years	3 years	1 year	6 months
Artemis UK Special Situations Fund	507.6%	12.2%	1.5%	-8.5%	1.3%
FTSE All-Share TR	146.5%	31.2%	20.2%	0.4%	4.3%
IA UK All Companies NR	155.3%	30.0%	17.7%	-3.1%	4.0%

'Since launch' data from 9 March 2000 to 1 July 2013 reflects class R accumulation units, and from 1 July 2013 to 31 August 2019 reflects class I distribution units, mid to mid in sterling. All figures show total returns with dividends reinvested. From 4 February 2019, this fund changed from a dual-priced to single-priced basis; historic performance is unaffected. Benchmarks shown are for comparison: further information can be found in the fund's Key Investor Information Document. This class may be in a currency or have charges or a hedging approach different from those in the IA sector benchmark.

Discrete performance to year end

	2018	2017	2016	2015	2014
12 months to 31 December	-14.3%	6.7%	8.1%	6.0%	0.1%

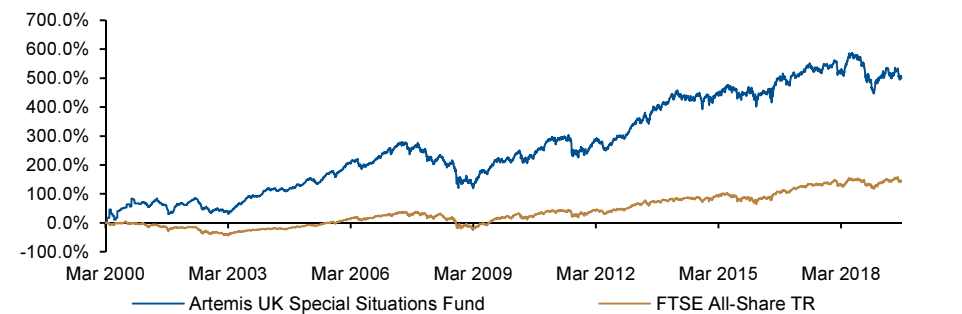
Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in sterling. All figures show total returns with dividends reinvested.

Discrete performance to quarter end

	2019	2018	2017	2016	2015
12 months to 30 June	-8.7%	7.8%	16.1%	-3.5%	6.3%

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.

Percentage growth



Data from 9 March 2000 to 1 July 2013 reflects class R accumulation units, and from 1 July 2013 to 31 August 2019 reflects class I distribution units, mid to mid in sterling. All figures show total returns with dividends reinvested. From 4 February 2019, this fund changed from a dual-priced to single-priced basis; historic performance is unaffected.

Key facts

Fund type	Unit trust
Focus	Capital growth
Asset class	Equity
Regional focus	United Kingdom
IA sector	IA UK All Companies NR
SEDOL	BB36JR1
ISIN	GB00BB36JR17
Type	Distribution
Class currency	GBP
Distribution date	28 February
Valuation point (UK business days)	12:00
Year end	31 December
Fund launch date	9 March 2000
Class launch date	1 July 2013
Class launch price	462.5p
SRRI	5
Fund size (mid basis)	£571.1m

Source: Artemis as at 31 August 2019.

Prices and yield

Mid price	522.67p
Historic yield	3.03%

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	0.860%

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.

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

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 may invest in the shares of small and medium-sized companies. Shares in smaller companies carry more risk than larger, more established companies because they are often more volatile and, under some circumstances, harder to sell. In addition, information for reliably determining the value of smaller companies – and the risks that owning them entails – can be harder to come by.

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