



Artemis High Income Fund

Class I quarterly distribution units, GBP

MARKETING MATERIAL

73.67p
price at 31 May 2020

0.715%
ongoing charge

June 2020 (data as of 31 May 2020)

OBJECTIVE AND INVESTMENT POLICY

Objective	To provide a combination of a high level of income and capital growth, before fees, over a rolling five year period. The manager defines a high level of income as equal to, or in excess of, the average yield of the funds in the fund's Investment Association sector, the Strategic Bond sector.		
Investment policy	What the fund invests in	<ul style="list-style-type: none">• 80% to 100% in bonds (of any credit quality).• Up to 20% in company shares.• The fund may also invest in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, and derivatives.	
	Use of derivatives	The fund may use derivatives for efficient portfolio management purposes to: <ul style="list-style-type: none">• reduce risk• manage the fund efficiently.	
	Where the fund invests	<ul style="list-style-type: none">• Globally	
	Industries the fund invests in	<ul style="list-style-type: none">• Any	
	Other limitations specific to this fund	<ul style="list-style-type: none">• At least 80% of the fund will be invested in assets denominated in sterling, or will be hedged back to sterling.	
Investment strategy	<ul style="list-style-type: none">• The fund is actively managed.• The manager seeks investments that offer the best value free-cashflow available, as cashflow evidenced by an above-average yield on bonds or shares.• On occasion, investments are made on the basis of future dividend growth.• The manager focuses on the ability of a bond issuer to pay the interest on a bond and to repay a bond at its expiry, and the valuation attached to a bond as a result.		
Benchmarks	<ul style="list-style-type: none">• IA £ Strategic Bond NR A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'target benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.		

INVESTMENT COMMENTARY

Review of the market

The last month has given us further insight into the true extent of the largest economic fallout since the great depression. For example, the decline in UK economic growth in the first quarter is reported to be -2%. And that does not capture the period in lockdown in the second quarter. Estimates for the second quarter point to a collapse in the economy of as much as 25%. In China, whose lockdown has ended, manufacturing has rebounded solidly but consumption is showing a more gradual uptick. This is a sign of things to come in western economies, where nervousness around job losses abounds.

Markets have continued to rally, however, with shares and corporate bonds performing well despite the dire economic backdrop. Why is this? There are three main reasons: enormous support from central banks, governments' fiscal spending and the loosening of lockdowns in some countries. These three influences are helping markets remain calm against a backdrop of economic gloom. Oil was the best performing asset over the month, rallying some 88%, although still down 43% year to date. Corporate bond markets had a strong month, in particular US high-yield, thanks to its large weighting in oil-related issuers. European high yield was up marginally, with a wide disparity between the best and the worst performers as defaults started to materialise.

Performance this month

The fund rose 2.8% as equities and high-yield bonds continued to rally. In bonds, the top performers were oil-related companies.

In equities, our strongest performers were generally more economically sensitive companies. Rio Tinto rallied sharply as the iron ore price broke through \$100/ton on the back of a recovery in Chinese steel demand and fears that the Covid-19 outbreak in Brazil would limit supply from its competitor Vale. Elsewhere, Adecco recovered some lost ground on improving economic sentiment aided by the company's decision to maintain its dividend. In the UK, it was a similar story with more economically sensitive names such as 3i and St James's Place responding well to some encouraging trading updates.

Fund moves

We have continued to add to bonds that show defensive qualities or are able to navigate the backdrop successfully. We added to Miller Homes, a regional housebuilder whose starter homes are still in demand and are now able to resume building. We bought Paprec, a French waste and recycling company, which was initially impacted by lockdown but has the balance sheet and the recovery in demand to be able to service its debt. We also took a new position in Refresco, a drinks manufacturer whose orange juice is in high demand.

We added to 3i on the back of a positive update. Going the other way was our small holding in Royal Dutch Shell where the decision to cut the dividend (the annual or semi-annual payments through which companies share their cash profits with their shareholders) by two thirds was more than we anticipated. We took the final dividend and as the shares tracked the oil price higher towards the end of the month we switched into Total where near-term production growth is better and the dividend yield is now materially higher.

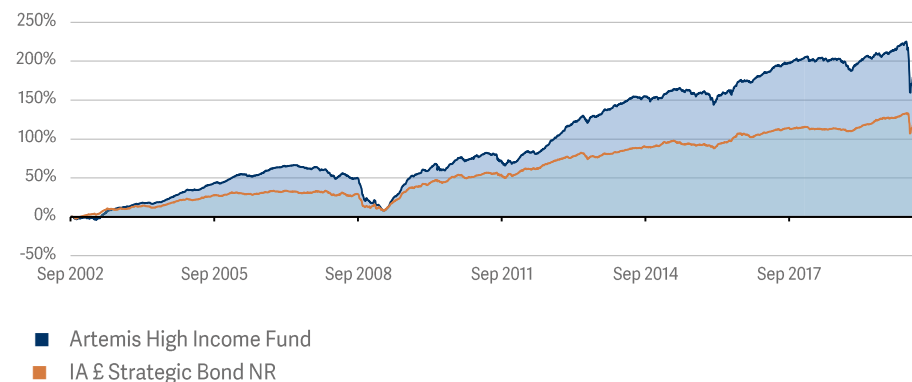
PERFORMANCE

Past performance is not a guide to the future

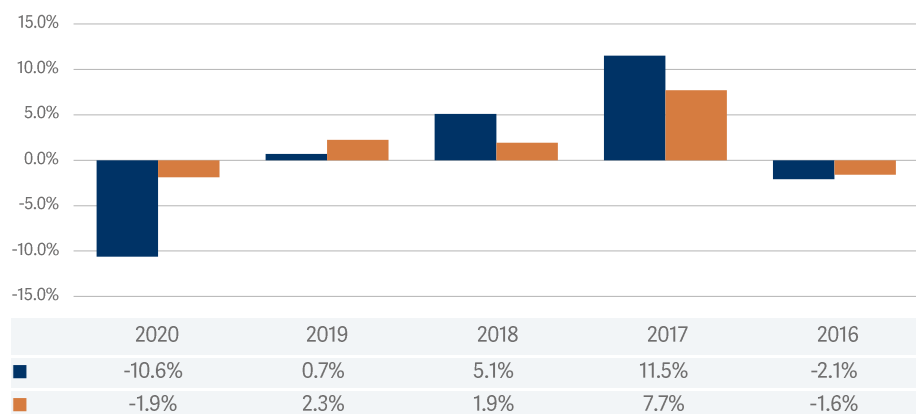
CUMULATIVE PERFORMANCE

	Since acquired	5 yrs	3 yrs	1 yr	6 mo	3 mo	1 mo
Artemis High Income	195.0%	11.0%	0.3%	-2.8%	-6.7%	-6.3%	2.8%
IA £ Strategic Bond NR	126.8%	15.7%	7.0%	3.2%	-0.5%	-2.1%	2.1%
Position in sector	4/17	53/63	68/71	76/81	80/82	76/82	15/82
Quartile	1	4	4	4	4	4	1

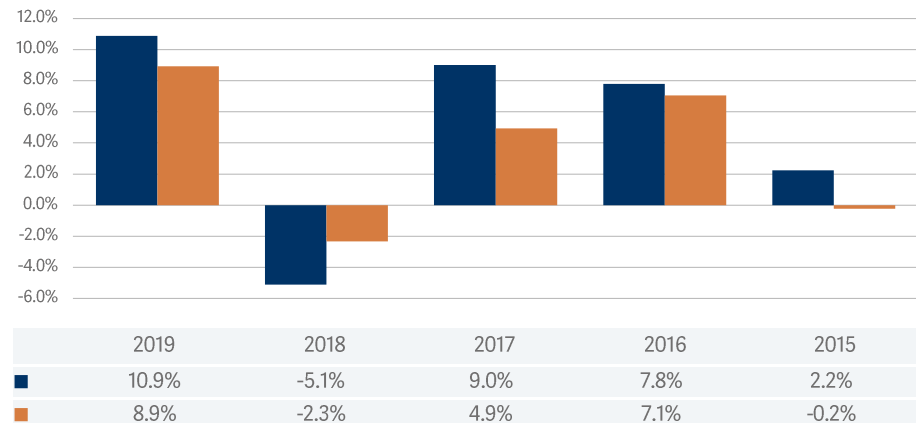
PERCENTAGE GROWTH



12 MONTHS TO 31 MARCH



12 MONTHS TO 31 DECEMBER



Source: Lipper Limited from 9 September 2002 to 31 May 2020. Data prior to 7 March 2008 reflects class R quarterly distribution GBP. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the IA sector benchmark.

COMPOSITION

TOP 10 HOLDINGS

US Treasury 3.125% 11/2028	4.5%
US Treasury 2.625% 02/15/2029	3.0%
RBS Capital Trust	1.6%
Demeter 5.75% 08/2050	1.5%
América Móvil 6.375% 2073	1.3%
Orange S.A	1.3%
Société Générale	1.3%
National Grid 5.625%	1.3%
Credit Suisse Group 2024 6.25%	1.3%
Pension Insurance 7.375%	1.3%

Source: Artemis as at 31 May 2020.

MARKET SECTOR SPLIT

Financials	41.1%
Telecommunications	13.5%
Government Bonds	7.5%
Consumer Services	7.5%
Industrials	6.7%
Utilities	6.5%
Consumer Goods	5.7%
Oil & Gas	5.2%
Healthcare	3.7%
Basic Materials	2.0%
Technology	0.6%

Source: Artemis as at 31 May 2020. Figures may not add up to 100% due to rounding and cash holdings.

BOND RATING ALLOCATION

AAA	7.5%
A	1.4%
BBB	26.7%
BB	29.6%
B	15.7%
CCC	6.8%
CC	0.1%
C	0.1%
Not Rated	0.3%

Source: Artemis as at 31 May 2020. Figures may not add up to 100% due to rounding and the equity and cash holdings.

ASSET ALLOCATION BY ASSET CLASS

Non-Investment Grade	52.6%
Investment Grade	28.1%
Equity	10.9%
Government Bond	7.5%
Cash	3.5%
Pref/Conv	0.8%

Source: Artemis as at 31 May 2020. Figures may not add up to 100% due to rounding.

RISK CONSIDERATIONS

To ensure you understand whether this fund is suitable for you, please read the Key Investor Information which is available, along with the fund's Prospectus, from www.artemisfunds.com or www.fundinfo.com.

The fund is exposed to the following risks:

Market volatility risk	The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
Currency risk	The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
Income risk	Although the fund aims to pay a regular income, the payment of income and its level is not guaranteed.
Credit risk	Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
Higher-yielding bonds risk	The fund may invest in higher-yielding bonds, which may increase the risk to capital. Investing in these types of assets (which are also known as sub-investment grade bonds) can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.
Charges from capital risk	Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expense of capital, which may constrain or erode capital growth.

OTHER INFORMATION

To ensure you understand whether this fund is suitable for you, please read the Key Investor Information which is available, along with the fund's Prospectus from www.artemisfunds.com or www.fundinfo.com.

The fund is an authorised unit trust scheme. For further information, visit www.artemisfunds.com/unittrusts.

Visit www.artemisfunds.com/glossary for an explanation of investment terms.

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 www.artemisfunds.com/third-party-data.


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Any forward-looking statements are based on Artemis' current expectations and projections and are subject to change without notice.


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FUND DATA

INVESTMENT TEAM



Alex Ralph
Fund manager,
since March 2014



Chris Ellis
Analyst

KEY FACTS

Fund type	Unit trust
Asset class	Bond
Focus	Income
Regional focus	Global
SEDOL	B2PLJN7
ISIN	GB00B2PLJN71
Fund launch date	26 May 1995
Artemis became manager	9 September 2002
Class launch date	7 March 2008
Class launch price	78.94p
Class currency	GBP
Valuation point (UK business days)	12:00
Year end	7 August
Distribution date	7 Apr, 7 Jul, 7 Oct, 7 Jan
Fund size	£1,016.8m

Source: Artemis as at 31 May 2020.

PRICE AND YIELDS

Price	73.67p
Distribution yield	4.91%
Underlying yield	4.29%

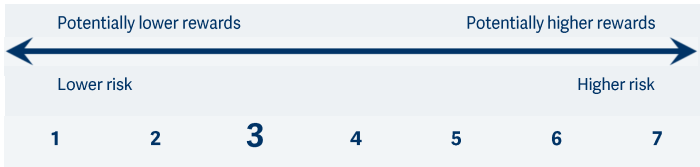
Source: Artemis as at 31 May 2020. The distribution yield is an estimate of the income that may be expected to be received over the forthcoming year as a percentage of the fund's price. Investors may be subject to tax on their distributions. The underlying yield is calculated in the same way as the distribution yield but is net of charges and therefore lower than the distribution yield.

CHARGES

Initial charge	0%
Ongoing charge	0.715%

The ongoing charge covers the annual operating expenses of running the fund and is shown as at the date of the Key Investor Information Document, where further information about the fund's charges can be found.

RISK AND REWARD PROFILE



The fund is in the category shown due to historic volatility (how much and how quickly the value of shares in the fund may have risen and fallen in the past due to movements in markets, currencies and interest rates). It may not be a reliable indication of the future risk profile of the fund.

RATINGS AND AWARDS

Morningstar Silver

Source: Morningstar, as at 31 May 2020. Morningstar category™: GBP Moderately Cautious Allocation. For more information visit [artemisfunds.com/endorsements](https://www.artemisfunds.com/endorsements). Third party endorsements are not a recommendation to buy.

DISTRIBUTION HISTORY

Record date	Ex-dividend date	Payment date	Distribution
07 May 2020	08 May 2020	07 Jul 2020	0.9344p
07 Feb 2020	08 Feb 2020	07 Apr 2020	0.9102p
07 Nov 2019	08 Nov 2019	07 Jan 2020	0.9074p
07 Aug 2019	08 Aug 2019	07 Oct 2019	1.2145p
07 May 2019	08 May 2019	05 Jul 2019	1.1440p
07 Feb 2019	08 Feb 2019	05 Apr 2019	1.0478p
07 Nov 2018	08 Nov 2018	07 Jan 2019	1.0794p
07 Aug 2018	08 Aug 2018	05 Oct 2018	1.2663p
04 May 2018	08 May 2018	06 Jul 2018	1.3622p
07 Feb 2018	08 Feb 2018	06 Apr 2018	1.0465p

Source: Artemis. Distribution is per unit/share. For accumulation classes, distributions are reinvested and reflected in the price. Maximum last 10 distributions shown.

