



# Artemis Strategic Bond Fund

## Class I quarterly distribution units, GBP

MARKETING MATERIAL

**86.20p**  
price at 30 Jun 2020

**0.570%**  
ongoing charge

July 2020 (data as of 30 June 2020)

## OBJECTIVE AND INVESTMENT POLICY

<b>Objective</b>	To provide a combination of income and capital growth over a five year period.	
<b>Investment policy</b>	<b>What the fund invests in</b>	<ul style="list-style-type: none"> <li>80% to 100% in bonds (of any credit quality).</li> <li>Up to 20% in cash and near cash, other transferable securities, other funds (up to 10%) managed by Artemis and third party funds, money market instruments, company shares, and derivatives.</li> </ul>
	<b>Use of derivatives</b>	The fund may use derivatives for efficient portfolio management purposes to: <ul style="list-style-type: none"> <li>reduce risk</li> <li>manage the fund efficiently.</li> </ul>
	<b>Where the fund invests</b>	<ul style="list-style-type: none"> <li>Globally</li> </ul>
	<b>Industries the fund invests in</b>	<ul style="list-style-type: none"> <li>Any</li> </ul>
	<b>Other limitations specific to this fund</b>	<ul style="list-style-type: none"> <li>At least 80% of the fund will be invested in assets denominated in sterling or will be hedged back to sterling.</li> </ul>
<b>Investment strategy</b>	<ul style="list-style-type: none"> <li>The fund is actively managed.</li> <li>Bond returns are principally driven in four ways:               <ul style="list-style-type: none"> <li>Investing globally in government bonds, Investment Grade and High Yield bonds</li> <li>Adjusting the portfolio duration</li> <li>Allocation between different credit ratings and different economic sectors</li> <li>Security selection including different levels of seniority</li> </ul> </li> <li>When investing in corporate bonds, the manager seeks to invest in profitable and resilient companies with a robust business model offering an attractive risk-reward profile.</li> </ul>	
<b>Benchmarks</b>	<ul style="list-style-type: none"> <li>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 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.</li> </ul>	

## INVESTMENT COMMENTARY

### A warning about risk

The Artemis Strategic Bond Fund invests in a range of different bonds issued by governments and companies. By shifting between different types of bonds as the economic cycle turns and as market conditions change, we aim to preserve capital in difficult times – and to profit when conditions improve. Yet while this is our aim – and although bonds do tend to be less volatile than shares – investors should be aware that bond funds can also suffer losses.

Prices of even the safest forms of bonds (generally accounted to be those issued by governments of the world's largest, financially sound economies) can and will fluctuate. Changes in inflation or interest rates, for example, can cause government bond prices to fall quite sharply.

### Government bonds

There were extraordinary unemployment numbers reported in the US. An unemployment rate of 20% had been predicted, but it turned out to be 13.3% – a very welcome sign. This is an indicator that the economy, though severely affected, may not be as badly hit by the pandemic as some extreme forecasts suggest. However, this did not undermine government bonds, which stayed broadly unchanged for the month, supported by buying by central banks.

### Investment-grade bonds

Investment-grade bonds are the highest quality bonds issued by companies, as determined by credit ratings agencies. Record issuance continues, but this hasn't stopped the market continuing to perform well. Bank bonds, in particular, have fared exceptionally well, outperforming government bonds markedly.

### High-yield bonds

High-yield bonds are more speculative corporate bonds, with a credit rating below investment-grade. High-yield bonds had mixed performance amid some high-profile defaults. Europe outperformed the US. Companies seen as unaffected by the pandemic are performing well. Sharply rising oil prices have helped some of the bonds issued in the energy sector.

### Fund moves

It was a very busy month for activity, mostly tidying up the portfolio, as we sold many of the new issues bought in previous months and consolidated a lot of positions. For instance, we sold Schneider Electric, which has no coupon, and added to Reckitt Benckiser with a better – but still paltry – coupon of 1.75%.

**Outlook** – The debate rages about whether the coronavirus pandemic will result in inflation or deflation. On the one hand, social distancing costs money, but on the other, unemployment is high which will weigh on wages. Our concerns are that falling capacity, vast quantitative easing and extra government expenditure will mean more money chasing fewer goods. Add in the de-globalisation trends and you will have a more inflationary world.

In the short term, the central banks' programmes of buying up assets will support bond markets. But that will not last forever. The investment-grade market will remain well supported. It is acting as a huge financial buffer for many of the larger better-rated companies who are easily accessing cash from this market. We expect this trend to continue although at the end of the month some signs of indigestion were beginning to show. Defaults among high-yield companies will continue apace. In the UK, Intu, who own the Metrocentre and other shopping centres, defaulted due to having too much debt. Many other companies are thriving despite the economic woes: as ever, choosing the right bonds in this market is key.

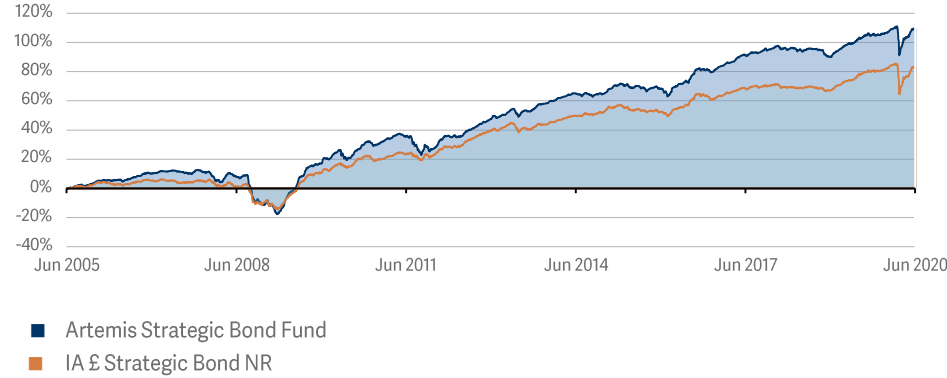
# PERFORMANCE

Past performance is not a guide to the future

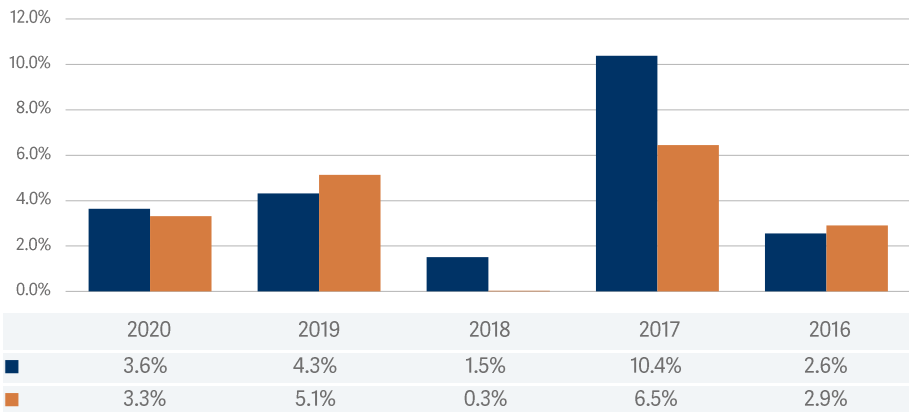
## CUMULATIVE PERFORMANCE

	Since launch	5 yrs	3 yrs	1 yr	6 mo	3 mo	1 mo
Artemis Strategic Bond Fund	109.5%	24.3%	9.8%	3.7%	1.5%	6.8%	1.1%
IA £ Strategic Bond NR	83.1%	19.4%	9.0%	3.3%	0.6%	7.8%	1.5%

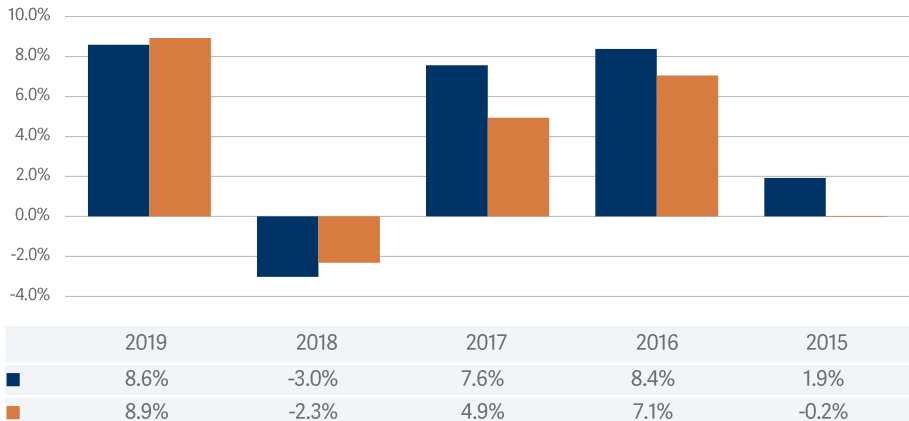
## PERCENTAGE GROWTH



## 12 MONTHS TO 30 JUNE



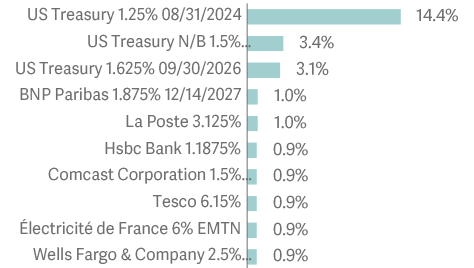
## 12 MONTHS TO 31 DECEMBER



Source: Lipper Limited from 30 June 2005 to 30 June 2020. Data prior to 1 April 2014 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.

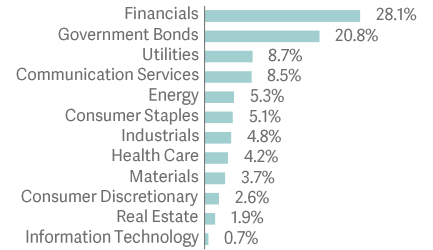
# COMPOSITION

## TOP 10 HOLDINGS



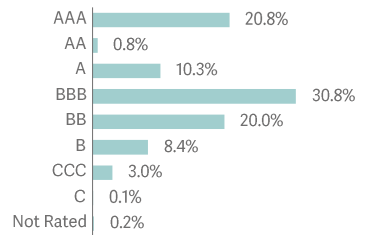
Source: Artemis as at 30 June 2020.

## MARKET SECTOR SPLIT



Source: Artemis as at 30 June 2020. Figures may not add up to 100% due to rounding and cash holdings.

## BOND RATING ALLOCATION



Source: Artemis as at 30 June 2020. Figures may not add up to 100% due to rounding and cash holdings.

## RISK CONSIDERATIONS

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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](http://www.artemisfunds.com) or [www.fundinfo.com](http://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.
Special situations risk	The fund invests in companies that are in recovery, need re-financing or are suffering from lack of market attention (special situations). These companies are subject to higher-than-average risk of capital loss.
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.

## OTHER INFORMATION

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*The fund is an authorised unit trust scheme. For further information, visit [www.artemisfunds.com/unittrusts](http://www.artemisfunds.com/unittrusts).*

*Visit [www.artemisfunds.com/glossary](http://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](http://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.*

*Issued by Artemis Fund Managers Ltd which is authorised and regulated by the Financial Conduct Authority.*

# FUND DATA

## INVESTMENT TEAM



**James Foster**  
Fund manager,  
since launch



**Alex Ralph**  
Fund manager,  
since launch

## KEY FACTS

Fund type	Unit trust
Asset class	Bond
Focus	Income
Regional focus	Global
SEDOL	BJT0KT2
ISIN	GB00BJT0KT28
Fund launch date	30 June 2005
Class launch date	1 April 2014
Class launch price	84.07p
Class currency	GBP
Valuation point (UK business days)	12:00
Year end	31 March
Distribution date	30 Apr, 31 Jul, 31 Oct, 31 Jan
Fund size	£1,702.4m

Source: Artemis as at 30 June 2020.

## PRICE AND YIELD

Price	86.20p
Distribution yield	2.58%

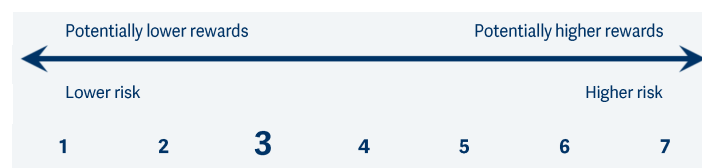
Source: Artemis as at 30 June 2020. The distribution yield is an estimate of the income that may be expected to be received over the forthcoming year as a percentage of the fund's price. Investors may be subject to tax on their distributions.

## CHARGES

Initial charge	0%
Ongoing charge	0.570%

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 30 June 2020. Morningstar category™: Global Flexible Bond - GBP Hedged. For more information visit [artemisfunds.com/endorsements](http://artemisfunds.com/endorsements). Third party endorsements are not a recommendation to buy.

## DISTRIBUTION HISTORY

Record date	Ex-dividend date	Payment date	Distribution
30 Jun 2020	01 Jul 2020	31 Jul 2020	0.5424p
31 Mar 2020	01 Apr 2020	30 Apr 2020	0.5680p
31 Dec 2019	02 Jan 2020	31 Jan 2020	0.5125p
30 Sep 2019	01 Oct 2019	31 Oct 2019	0.6155p
30 Jun 2019	01 Jul 2019	31 Jul 2019	0.6835p
29 Mar 2019	01 Apr 2019	30 Apr 2019	0.6930p
31 Dec 2018	01 Jan 2019	31 Jan 2019	0.8188p
31 Dec 2018	02 Jan 2019	31 Jan 2019	0.8188p
28 Sep 2018	01 Oct 2018	31 Oct 2018	0.8411p
29 Jun 2018	02 Jul 2018	31 Jul 2018	0.8781p

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

