

Artemis Strategic Bond Fund

Class I quarterly distribution units, GBP



James Foster
Fund manager, since launch



Alex Ralph
Fund manager, since launch

February 2020
Data as of 31 January 2020

The fund's aims

The fund seeks to achieve a combination of income and capital growth by investing predominantly in fixed income markets.

Fund update

Returns over the month benefited as two of our bonds were redeemed early. Premium Credit, a small finance company, had paid us a steady 7% coupon (annual interest rate) since we bought its bonds at issue. In January, it paid a small premium to buy those bonds back ahead of schedule. Meanwhile, Nama, a body created in 2009 to bail out Ireland's banks following the financial crisis, also redeemed early. Its bonds were the fund's only unquoted holding and have shown a handsome profit since we bought them. Early redemptions such as these are helpful to returns in the short term, but they come at a price: they will tend to reduce the fund's distribution payments as older, higher coupon bonds disappear over time.

Amid fears over the outbreak of coronavirus in China, January saw investors sheltering in gold and other 'safe haven' assets. So it was a very good month for government bonds. High-yield

bonds (debt that ratings agencies consider to fall short of 'investment grade' status) are more speculative and their returns are often more aligned to the health of the wider economy. These performed less well in January. This part of the market made a great start to the year – but it fizzled out rather dramatically after the news on coronavirus hit the headlines. Falling oil prices meant the energy sector was the weakest part of this market.

In activity, we bought a number of the new bonds being issued by banks at the beginning of the month. We reduced our holding in Intercontinental Hotels and sold Oriflame (retail) given both companies' exposure to China.

Looking ahead, government-bond markets are likely to move in step with the news on the virus for now: bad news about the virus is good news for government bonds. Longer term, our belief

continues to be that government bonds are expensive, especially with so many governments spending money on bribing their electorates. The US is taking its debt to worrying levels. If inflation is the result, then prices of longer-dated bonds could start to come under pressure. As a result, we are avoiding them.

Meanwhile, the proportion of companies that are failing to meet their debt repayments or restructuring their debts – the 'default rate' – is slowly creeping higher. That seems set to continue. So while we have approximately 30% invested in high-yield bonds, we are very selective. We are also favouring higher-quality bank bonds.



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

Composition

Top ten holdings

UK TSY 0.75% 07/2023	8.6%
US Treasury 1.25% 08/31/2024	8.3%
US Treasury N/B 1.5% 11/30/2024	5.7%
US Treasury 1.75% 07/31/2024	5.3%
Us Treasury 2.375% 05/15/2029	4.7%
UK TSY 0.5% 2022	3.4%
US Treasury 1.625% 09/30/2026	2.6%
Électricité de France 6% EMTN	1.0%
Hsbc Bank 1.1875%	0.9%
Heathrow Finance 3.875% 2027	0.8%

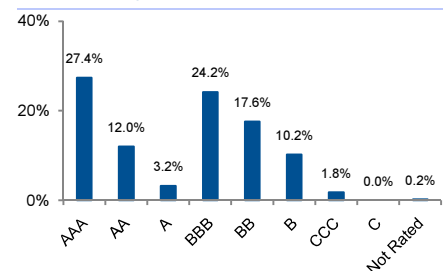
Source: Artemis as at 31 January 2020.

Market sector split

Government Bonds	39.4%
Financials	25.1%
Utilities	8.3%
Communication Services	5.8%
Consumer Discretionary	4.3%
Energy	3.8%
Industrials	3.1%
Health Care	2.1%
Consumer Staples	1.7%
Materials	1.5%
Real Estate	1.3%
Information Technology	0.3%

Source: Artemis as at 31 January 2020. Please note that figures may not add up to 100% due to rounding and the cash holding.

Bond rating allocation



Source: Artemis as at 31 January 2020. Please note that figures may not add up to 100% due to rounding and the cash holding.

Performance

Cumulative performance

	Since launch	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	109.1%	24.5%	13.7%	8.1%	2.7%
IA £ Strategic Bond NR	84.5%	18.3%	12.9%	8.7%	3.1%

'Since launch' data from 30 June 2005 to 1 April 2014 reflects class R quarterly distribution units, and from 1 April 2014 to 31 January 2020 reflects class I quarterly distribution units, mid to mid in sterling. All figures show total returns with interest reinvested. From 4 February 2019, this fund changed from a dual-priced to single-priced basis; historic performance is unaffected. Benchmark shown is 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

	2019	2018	2017	2016	2015
12 months to 31 December	8.6%	-3.0%	7.6%	8.4%	1.9%

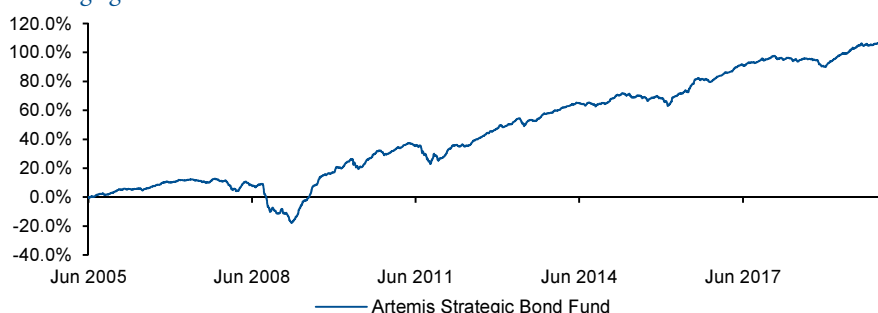
Please remember that past performance is not a guide to the future. Source: Lipper Limited, mid to mid in sterling. All figures show total returns with interest reinvested.

Discrete performance to quarter end

	2019	2018	2017	2016	2015
12 months to 31 December	8.6%	-3.0%	7.6%	8.4%	1.9%

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 interest reinvested.

Percentage growth



Data from 30 June 2005 to 1 April 2014 reflects class R quarterly accumulation units, and from 1 April 2014 to 31 January 2020 reflects class I quarterly distribution units, mid to mid in sterling. All figures show total returns with interest 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	Income
Asset class	Bond
Regional focus	Global
IA sector	IA £ Strategic Bond NR
SEDOL	BJT0KT2
ISIN	GB00BJT0KT28
Type	Distribution
Class currency	GBP
Distribution date	30 Apr, 31 Jul, 31 Oct, 31 Jan
Valuation point (UK business days)	12:00
Year end	31 March
Fund launch date	30 June 2005
Class launch date	1 April 2014
Class launch price	84.07p
SRRRI	3
Fund size (mid basis)	£1,746.0m

Source: Artemis as at 31 January 2020.

Prices and yield

Mid price	86.64p
Distribution yield	2.55%

The distribution yield is an estimate of the income that you might expect to receive from your investment over the forthcoming year as a percentage of the fund's mid-market price. It does not include any preliminary charge. Investors may be subject to tax on any distributions they receive.

Charges

Initial charge	0%
Ongoing charge	0.570%

The ongoing charge includes the annual management charge of 0.5% 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 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 invest in fixed-interest securities. These are issued by governments, companies and other

entities and pay a fixed level of income or interest.

These payments (including repayment of capital) are subject to credit risks. Meanwhile, the market value of these assets will be particularly influenced by movements in interest rates and by changes in interest-rate expectations.

The fund may invest in higher yielding bonds, which may increase the risk to your 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 your investment.

The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

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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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