

Artemis Global Income I Inc

November 2021
Investment Research



Overview

To achieve a rising income combined with capital growth whilst providing a yield greater than the MSCI AC World Index. The manager looks to achieve around 5% growth in the dividend per annum and outperform the benchmark on a total return basis, over the long term.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●		●	

Square Mile Expected Outcome

We believe dividend growth of 5% per annum, as well as outperformance of the MSCI AC World index on a total return basis, over rolling five year periods, is a reasonable expectation.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global Equity Income
Launch Date: 19/07/2010	Fund Size (as at 10 Nov 2021): £1300.4m
Yield: 2.39%	Distribution Pay Date: Feb 01, Aug 01 (Final)
Fund Manager: Jacob de Tusch-Lec, James Davidson	Ongoing Charge Figure: 0.87%
	Transaction Cost ex Ante: 0.83%



Fund Opinion

This is an all cap fund that aims to blend successful stock picking with an understanding of the macro picture. Although the emphasis of the strategy is on uncovering attractive companies, the manager believes that not taking a top-down view can result in important global trends (and subsequent opportunities) being missed, and so could expose the portfolio to unintended risks.

Furthermore, the strategy does not exclusively rely upon the typical higher yielding mega-cap names to meet the income objective; rather, the manager seeks a greater allocation to large and mid cap stocks. To provide a balance the manager populates the portfolio with a variety of yield plays that includes a core of reliable quality names and an outer layer of companies with cyclical characteristics and more risky special situations.

In our opinion, this strategy differentiates itself versus many of its peers both by steering away from the more traditional income stalwarts. In addition, it is unlikely to hold significant direct UK exposure as historically it has tended to be held in conjunction with the group's UK equity income strategy. The manager ultimately looks to provide a blend of companies with different characteristics whose fortunes do not rise and fall together, as may be the case with a portfolio made up of purely high yielding blue-chip names. Mr de Tusch-Lec clearly has a strong understanding and passion for this strategy and he also benefits from working closely with a range of experienced and successful regional teams at Artemis. We believe this fund offers good diversification benefits and it has been designed to complement more traditional income strategies.

Fund Description

The company ethos at Artemis is one that affords the underlying fund managers and investment teams the freedom to pursue their individual investment styles.

This fund has been managed by Jacob de Tusch-Lec since its launch in July 2010. He previously worked as a portfolio manager at Copenhagen-based BankInvest and then in the global equity macro research department of Merrill Lynch, as vice president of pan-European equity strategy. After joining Artemis in 2005 he ran the Artemis Capital fund from 2006 to 2010 before the launch of this strategy. He is supported by James Davidson, who joined in December 2018 having run global equity income portfolios at JP Morgan.

When seeking suitable investment candidates, the manager essentially looks for companies that are financially sound, attractively valued and offering a yield premium. Given the size of the universe, at around 8,000 companies, he initially employs a number of quantitative screens to reduce this to a more manageable amount. These screens use a range of metrics such as liquidity, free cash flow, dividend potential, balance sheet risk and return on equity to highlight potential ideas. However, before any investment is made a company's fundamentals are rigorously examined with the team reviewing, for example, the sustainability of cashflows and the capabilities of management.

The macro overlay broadly operates at the regional and industry levels. At the regional level the manager focuses on identifying discrepancies between what the economic indicators are implying and what investors are factoring in. At the industry level the manager broadly looks at three types of company; quality (defensive and reliable but can be expensive), value (high dividends with low growth prospects) and cyclical (volatile and dependent on the economic cycle). Effectively the overlay helps to guide the manager into which companies offer the best returns available within the context of the economic backdrop.

The portfolio tends to be well diversified with investment spread across between 60 and 100 holdings. A 15% maximum deviation from the MSCI AC World benchmark is permitted at the industry level and up to a 20% deviation at the regional level. In practice, the manager prefers to take larger active weights at the regional rather than the industry level. Importantly, for UK investors, the fund will rarely have any more than 10% allocated to the UK, with companies held tending to be more internationally orientated, i.e. foreign businesses that are listed in the UK and therefore have limited reliance on the UK economy to generate their profits. As such this strategy should have minimal overlap at the stock level with many UK equity income strategies.

Risk Summary

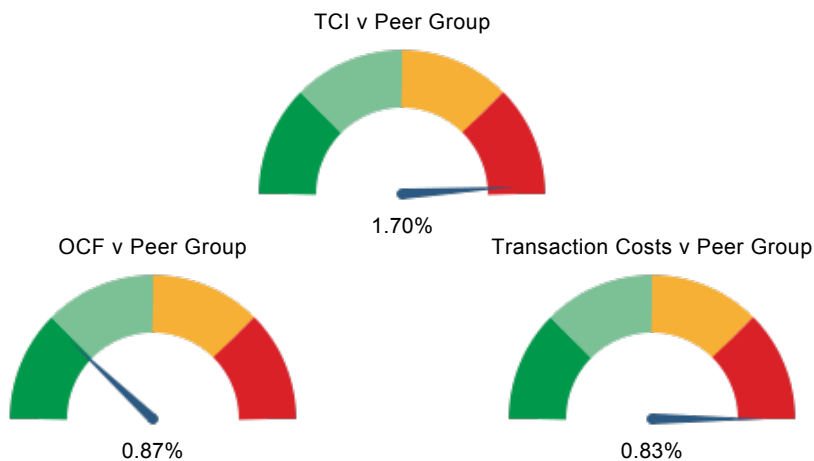
This fund invests in global equities and as such the main risk is that these, as higher risk assets, can be volatile investments. It is therefore also exposed to currency fluctuations, which can move sharply.

The fund has the ability to perform well across different market environments but its return profile can be less predictable, for good or for ill, compared to more traditional global income strategies. The manager does take large positions at a regional level that can result in the portfolio looking very different to its underlying benchmark. It is also important to note that the portfolio can be exposed to a range of cyclical companies and riskier investment opportunities, which may result in increased volatility.

Furthermore, the fund's strong focus on dividend producing companies can mean that the portfolio is absent from certain areas included in its benchmark, which may result in shorter term performance differentiation. Investors should note, the level of distributions is dependent upon market conditions and can fluctuate. We believe that for such a fund, any investment should be held over the long term.

Value for Money

The fund's ongoing charge figure (OCF) is relatively low when compared to other active global equity income funds. Though, its transaction costs (a further expense not represented in the OCF) are significantly higher than average. We believe the elevated cost is largely due to fund outflows in recent times. Unfortunately, this results in a higher total cost of investment (TCI) when compared to many other peers. In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. Artemis absorb the costs associated with its research.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	7.94%
Annualised Volatility	18.28%
Max Drawdown	-28.65%
Max Gain	16.92%
Max Loss	-27.85%
Sharpe Ratio	0.37
Sortino Ratio	0.32

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

116.1 pence

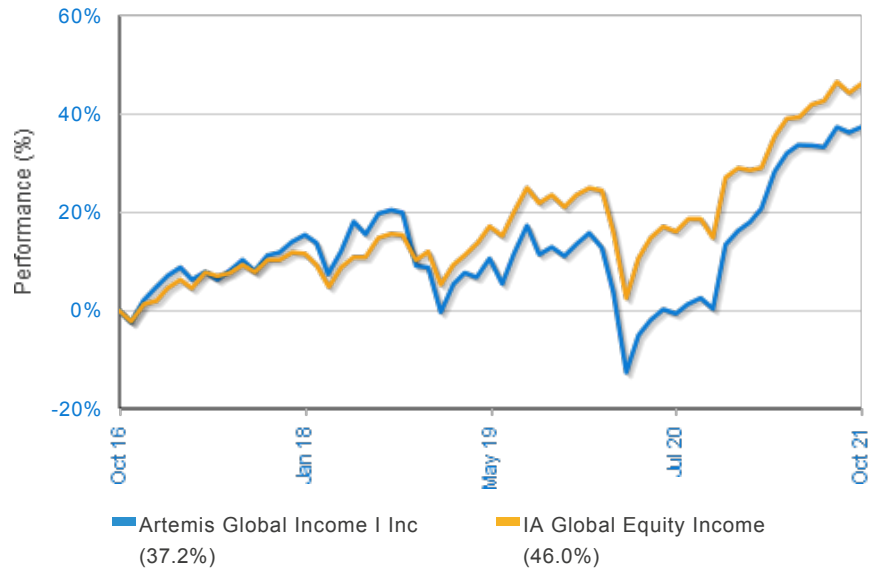
Benchmark

MSCI AC World

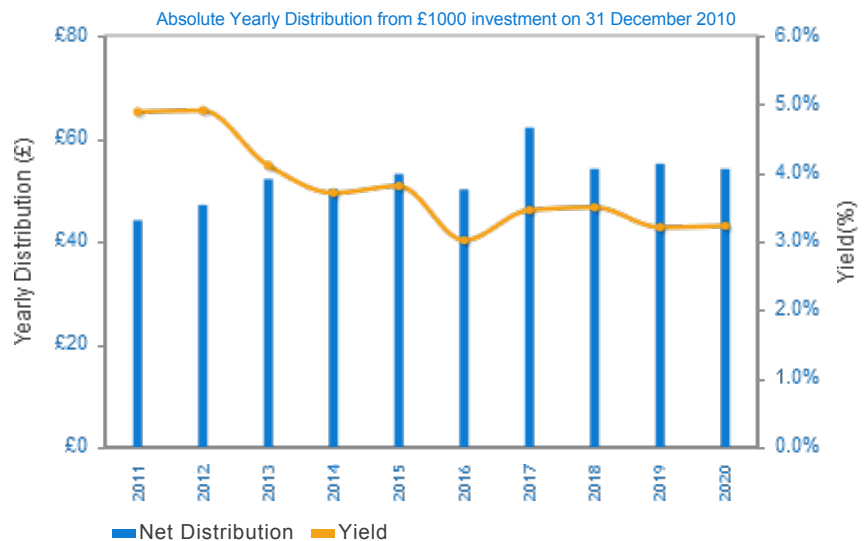
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	32.8	21.6	1
12-24m	-9.2	-3.9	4
24-36m	-5.8	7.0	4
36-48m	11.0	7.0	1
48-60m	15.1	12.3	1

Capital Growth

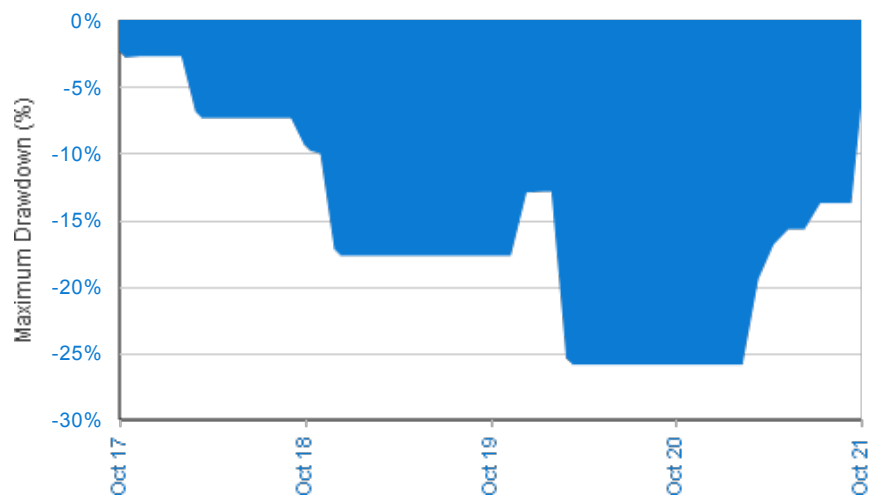


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
EXXON MOBIL CORP	5.2
ZEGONA COMMUNICATIONS PLC	3.4
PFIZER INC	3.0
DEUTSCHE POST AG	3.0
SIMON PROPERTY GROUP INC	2.8
FERGUSON PLC	2.7
MARSH & MCLENNAN COS INC	2.7
AP MOLLER-MAERSK A/S	2.5
MOLSON COORS BEVERAGE CO	2.3
GLENCORE PLC	2.3

Sector Breakdown

(Data as at 30 Sep 2021)



Financials (12%)
Materials (12%)
Energy (7%)
Real Estate (7%)
Capital Goods (7%)
Banks (6%)
Insurance (6%)
Food, Beverages and Tobacco (6%)
Transport (5%)
Other (32.8%)

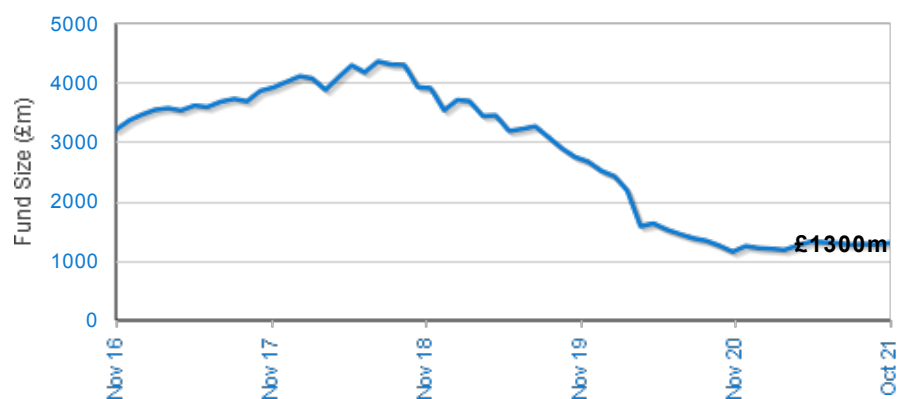
Geographic Breakdown

(Data as at 30 Sep 2021)



USA (53%)
UK (12%)
Germany (7%)
Netherlands (5%)
Russia (3%)
Israel (3%)
France (3%)
Italy (3%)
Denmark (2%)
Other (9.4%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk		●	
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets. The fund may have some exposure to emerging markets though the exposure is unlikely to be large.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities. The fund is permitted to use derivatives though historically these have not been regularly employed by the manager.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 94.00

SRRI: 6

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