

Artemis US Select I Acc GBP

February 2024



Source: Square Mile and Refinitiv, Data as at: 31st December 2023.

Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of US equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Square Mile's Expected Outcome

We believe outperformance of the S&P 500 index by 1% per annum over rolling five year periods is a reasonable expectation.

Square Mile's Opinion

This fund encompasses the best ideas of the Artemis US equity team within a product that is run using sensible guidelines. Investing across the market capitalisation spectrum, it has been purposefully designed not expose its investors to any overt style tilts, nor take on excessive levels of risk.

Its manager, Mr Weldon, has a strong pedigree of running US equity mandates and follows an identical investment process to that used through the bulk of his career. This process combines detailed company analysis with an appreciation of the wider economic environment. Indeed, Mr Weldon delivered a highly credible set of returns managing a very similar mandate from November 2001 to the end of 2013 at (Columbia) Threadneedle Investments. We believe the team's diverse skill set and fairly flat structure complements the overall investment approach. We acknowledge that compared to a number of its competitors, the team is by no means large, but in this case we think its size is advantageous as it leads to swift decision making.

Overall, we have confidence that Mr Weldon has the ability and supporting resources in place to provide investors with an attractive return profile over the long term, and to meet the fund's expected outcome. Although the fund is managed with a consideration for its benchmark, the US equity market can be prone to short term moves in sentiment, and the fund's return profile may substantially differ, particularly over shorter periods.

Fund Manager's Formal Objective

To grow capital over a five year period.

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: S&P 500
Asset Class: Equity	IA Sector: IA North America
Yield: 0.15%	Fund size: £1,387 M
Fund Manager: Cormac Weldon	Distribution Pay Date: April
Fund Price: 3.7 Pounds	Dividend Frequency: Annual
Currency of Share Class: GBP	Share Class Launch Date: 19/09/2014

Source: Square Mile and Refinitiv, Data as at: 31st December 2023

Asset Manager Overview

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 strategy is managed by team head, Cormac Weldon, who has lengthy experience running US equity mandates; most notably during his 16 year tenure at Threadneedle Investments (now Columbia Threadneedle Investments). Mr Weldon joined Artemis in May 2014 and is supported by co-manager, Chris Kent. Over recent years, Mr Weldon has built up the team to c.10 members. In addition to this fund, he is the lead manager on the US Smaller Companies fund.

The team members operate under the philosophy that investors can be slow to price in the implications of change and that by using a style-agnostic approach they can outperform the market regardless of underlying conditions. The investment process is tried and tested and is, in fact, identical to the approach that was employed at Threadneedle. The team conducts a significant amount of macro economic analysis in order to understand the cyclical and secular trends as well as the broader outlook for the US economy. This attempts to identify emerging themes for parts of the market that are set to benefit from economic developments as well as those that might experience difficulty.

In addition to their macro research, potential stock ideas can originate from a variety of sources including (but not limited to) broker research and company meetings. Once a promising stock has been identified, analysis is carried out in order to develop an investment thesis. The analysts evaluate companies from a number of perspectives such as their business models, financial health, management team and, ultimately, valuations. A company's prospects are considered over a number of years but valuation forecasting is confined to just one year - the period in which the team believes that forecasts can be made with a reasonable level of accuracy. The underlying belief is that all issues impacting a firm can, and should, be distilled into numbers and these are used to evaluate downside risk versus upside potential. Essentially, the investment process seeks companies that have an upside/downside ratio of at least 2:1, i.e., for every unit of downside risk, a stock should have at least twice the upside potential. The analysts model the impact that expected scenarios might have on the share price and develop a range of outcomes.

This fund represents the team's best ideas taken from across the market capitalisation range. The final portfolio is typically invested across 40-60 companies with some consideration for the fund's S&P 500 benchmark index. For example, stock positions are kept within 5% of their respective index weight whilst sector deviations remain within 10%.

ESG Integration

Asset Manager ESG Integration

As a UK based investment group, Artemis manage circa £25 billion of assets, offering investors a range of funds across various asset classes, namely, equity, fixed income, multi asset and absolute return. The firm has been a signatory to the UN Principles for Responsible Investment (PRI) since April 2015 and at its last review it had an overall assessment score of 3 out of 5 for Investment & Stewardship Policy. The firm is a signatory to the UK Stewardship Code and had participated in a range of industry initiatives, such as Climate Action 100+ and IIGCC and is a signatory to the Net Zero Asset Managers Initiative in 2021.

Since our last review, we believe the group has improved its ESG resourcing with the view to implementing strategic improvements. CIO Paras Anand joined the firm in March 2022 having held a range of different roles in the industry. He leads the group's strategy on Sustainability and seeks to ensure that the firm's approach is clear and well defined across the board. Whilst each investment team have their own individual approach to investing in their asset class, how these teams consider ESG factors, integrate these within their processes, and report on them, must be well articulated and followed through. As a result, the group has developed a set of criteria for its funds to meet so that it can ensure the different investment teams' approach to ESG is well defined. It has assigned four categories for the different strategies (Impact investing, Sustainable investing, ESG integration and Negative screening). The Artemis Investment Committee oversees the group's investment activities and Stewardship role and the firm has a Stewardship team headed by Inez Oliver and Antonia Stirling. This team support the various investment teams by providing for instance analysis and insights on ESG and stewardship, monitoring and escalating engagement issues with companies that the portfolios are invested in.

Overall, we believe the steps Artemis are undertaking and the changes it has made thus far are sensible and will result in a more widely integrated ESG process across the firm.

Fund ESG Integration

At the firm level, Artemis is a signatory to the United Nations supported Principles for Responsible Investment (UN PRI). Generally, broad environmental, social and governance considerations (ESG) are starting to be considered by the fund's manager and his supporting team. Although the fund does not have any formal ESG hurdles or restrictions to its investable universe, the team has historically focused on company governance. This includes assessing the experience, creditability and quality of a company's management team before investing in a stock.

Risk Summary

The fund invests in US equities, which is a highly efficient stock market and one that can be prone to short and sometimes sharp shifts in investor sentiment. The fund will also be exposed to currency movements between the US dollar and sterling. Although the fund operates within sensible parameters at the sector level, the manager's stock selection can result in fund returns significantly deviating from the index. We believe that for such a strategy any investment should be considered over the longer term.

Additional Information

Annualised Return:	8.36%
Annualised Volatility:	14.91%
Max Drawdown:	-19.17%
Max Gain:	11.40%
Max Loss:	-11.98%
Sharpe Ratio:	0.53
Sortino Ratio:	0.53

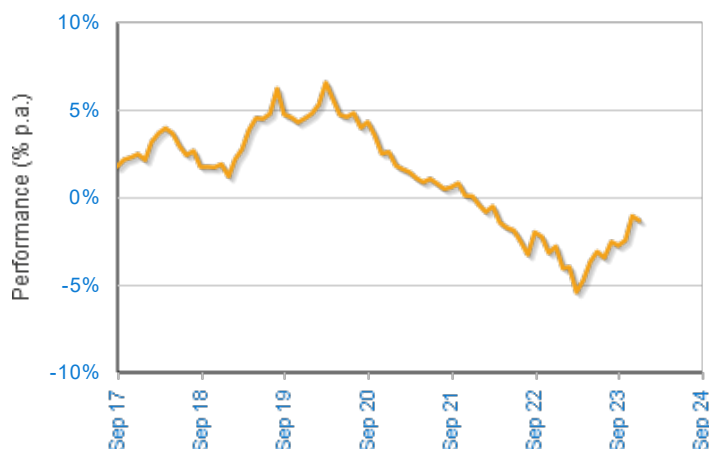
(3 years data to last month end unless otherwise stated)

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			

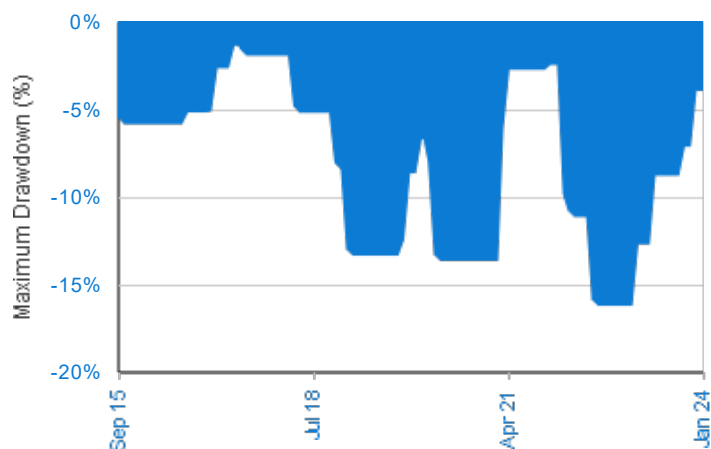
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 31st January 2024.
Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 13th February 2024

Calendar Year Performance To Quarter End

Period	Fund (%)	Sector (%)
2023	21.8	17.6
2022	-14.9	-10.5
2021	22.7	26.1
2020	15.2	16.4
2019	29.1	24.4

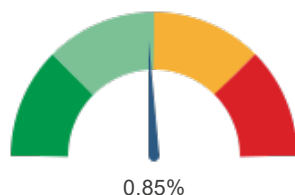
Source: Square Mile and Refinitiv, Data as at: 14th February 2024

Value for Money

The fund's ongoing charge figure (OCF) is in line with the active North American equity peer group average. Though, its transaction costs (an expense not included in the OCF) are significantly higher than average. The manager's approach, which combines a significant amount of macroeconomic research with in-depth company analysis, can lead to higher levels of trading activity and subsequent transaction costs. Whilst this has resulted in a higher than average total cost of investment (TCI), we believe such fees are worth paying for, as the fund has the right ingredients to outperform such an efficient market, in our opinion.

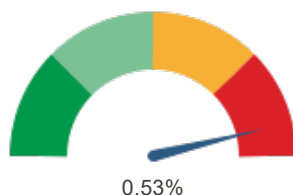
Furthermore, in line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. Artemis absorb the costs associated with its research.

OCF v Peer Group



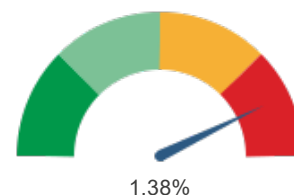
0.85%

Transaction Costs v Peer Group



0.53%

TCI v Peer Group



1.38%

Source: Square Mile and Refinitiv, Data as at: 31st December 2023.

Rating Changes

Rating Changes over last 12 months	Time & Date rating changed
A	09:01 / 13/03/2023

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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