

SHINING A LIGHT ON..... ARTEMIS GLOBAL EQUITY INCOME FUND

Update....

The Artemis Global Equity Income Fund is managed by the well-respected Jacob de Tusch-Lec. It was launched in July 2010 and now carries a five-year track record. For those looking at global funds this is one to add to the mix to consider.

The take away highlights are:

1. It holds between 80 and 100 stocks, which for some may seem high with no more than 5% in a single stock
2. It holds no more than 15% in one industry
3. It has a very active share positioning at just over 90%; those managers with a high active share positioning have the greater ability to outperform the index
4. It doesn't specifically target a dividend yield but focuses on those companies which have the scope to return cash to shareholders
5. Currently the highest weighting is to Europe circa 37%, US circa 34% and Asia circa 14%

The holdings are split into three buckets – growth (more cyclical exposure), core (bond proxy type stocks) and special situations (risk bucket). Last year the core bucket contributed 15% to the performance, growth 2% and risk was down 9%. Since launch the core has been the highest contributor, then risk and finally growth.

Jacob explained that growth stocks have outperformed value recently but their remains significant opportunities in value stocks. It's just the environment is not there yet. He added that January compounded this and this hasn't happened since 2008 and 2011. At any point there could be a snap back so it is something to watch.

Where the fund made money was in Europe stocks like Aena (Spanish Airport), DFDS (Danish Shipping Company), Bezeq (Israeli Telco), Rai Way (Italian Telco and Broadcaster) and TLG Immobilien. Those that have hurt the performance were cheap US stocks like Ryder, Huaneng Power, Macy's, Hewlett-Packard and Western Digital.

He added that the market is tricky as many expected that Europe and Japan would pick up the QE baton when the US stopped but the reality is that QE from Europe and Japan has been negative. We have seen a stronger dollar, collapsing commodity prices and emerging markets pushed to the edge. Some of the successes of the last five years have been the likes of high yield, REITs, small caps and defensive stocks. To normalise this needs to shift to investment grade, US banks, large cap and net cash companies. This isn't happening yet.

Effectively he feels we are back to 2010/11 were we are in a policy driven cycle rather than a business driven cycle. With this in mind the market is watching every move by the policy makers looking for mistakes.

In summary this remains a well-managed fund navigating a tricky environment. For those looking for a well-managed global fund this is one to consider but there is a high weighting to the US and Europe and it is worth checking there is not a crossover of holdings with other funds.

Fund performance

Performance over the last five years, and 2016 to 31 January:

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------|--------|--------|--------|-------|--------|
| Artemis Global Equity Income Fund | -4.40% | 16.18% | 34.37% | 13.33% | 6.98% | -5.35% |
| iShares MSCI World Dist | -7.32% | 7.46% | 21.87% | 10.53% | 1.85% | -3.35% |

Performance over 1, 3, and 5 years and since launch (July 2010):

| | 1 year | 3 years | 5 years | Since Launch |
|--|--------|---------|---------|--------------|
| Artemis Global Equity Income Fund | -3.67% | 39.03% | 75.46% | 104.01% |
| iShares MSCI World Dist | -2.71% | 23.13% | 33.29% | 51.48% |

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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