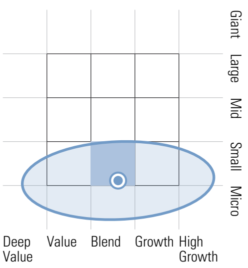
Artemis UK Smaller Companies Fund I Acc

GB00B2PLJL57

Morningstar Analyst Rating
Silver 13 Apr 2017 14:15, UTC-0500

Morningstar Category	Category Index	Total Assets	Current Yield %	Inception Date	Domicile/ Currency	Morningstar Rating
UK Small-Cap Equity	FTSE Small Cap Ex Invest Trust TR GBP	476.48 Mil GBP	—	01/09/10	GBR/GBP	★★★

Equity Style Map

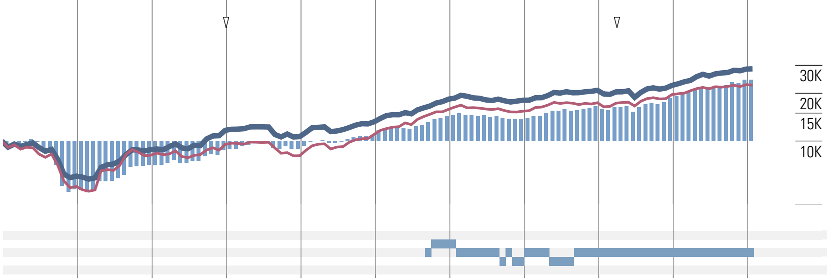


People

Mark Niznik	10/07
William Tamworth	03/16
Total Named Managers	2

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral



Performance 31/01/18

Growth of 10,000 Annualized	Value GBP	Ret %
Fund	24,147	9.13
Category	29,710	11.40
Index	22,482	8.36

▼ Full Manager Change
▽ Partial Manager Change

Morningstar Rating

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Quartile Rank in Category												
Percentile Rank in Category	91	56	80	7	75	89	67	33	16	30	47	
Total Return GBP	-50.53	42.67	24.64	1.67	22.55	31.18	-4.14	19.03	12.91	30.05	0.23 %	
+/- Category	-11.04	-6.04	-7.44	10.16	-2.07	-8.40	-2.90	3.41	5.20	4.08	-0.06	
+/- Index	-2.21	-15.00	7.75	16.83	-13.74	-12.67	-1.46	6.05	0.37	14.44	1.05	
Process												
Equity Style Box												
Asset Allocation (Stock, Bond, Cash, Other)												
Equity Supersectors												
Cyclical	33	24	31	35	40	33	42	47	50	46	45	
Sensitive	48	55	50	46	43	49	42	36	38	40	41	
Defensive	19	22	19	19	18	18	16	17	12	15	14	
Price TER/OGC	—	—	—	0.85	—	0.84	—	—	—	—	0.82	

Analyst View

Samuel Meakin, Analyst

Mark Niznik has demonstrated consistency in his approach over time.

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Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit http://global.morningstar.com/managerdisclosures

13 Apr, 2017 | This fund remains a strong offering for UK smaller companies exposure.

Mark Niznik took sole charge of the fund at the start of 2011, having previously held a comanager position alongside John Dodd. He is an experienced manager within the UK smaller companies sector, and he built strong track records at Perpetual and Standard Life before joining Artemis in 2007. In April 2015, Niznik appointed Will Tamworth as a dedicated analyst to the strategy, and we view the extra support as a positive for the strategy. Tamworth was promoted to comanager in March 2016, and the pair will debate and challenge each other before all stock decisions are taken, which has added to the rigour of the approach, in our opinion.

The approach is focused on investing in smaller companies with strong business franchises, at multiples that are not aggressive. The managers look for predictability of earnings, solid balance sheets, strong returns on capital, and growth, while paying attention to valuations, with free cash flow yield an important measure in this regard. Initial screening on such factors quickly narrows down the investment so the pair can focus their analysis on the most-appropriate ideas. Niznik has been consistent over time in terms of the types of businesses he looks for, while tilting the overall portfolio to take account of valuations.

The portfolio is typically biased toward the smaller end of the market, with an average market cap meaningfully lower than that of the category average. The portfolio is unconstrained in terms of sector weightings, and individual position sizes are decided on an absolute basis depending on the team's level of conviction, rather than being driven by index weightings.

From the start of 2011 to the end of February 2017, the fund has outperformed its Numis benchmark and the Morningstar Category average. Volatility is also lower versus those comparators over the manager's tenure, as we would expect given the reasonably conservative approach, resulting in strong risk-adjusted returns over most time periods. The experienced manager and consistent approach make this a strong UK smaller companies fund. It retains a Morningstar Analyst Rating of Silver.

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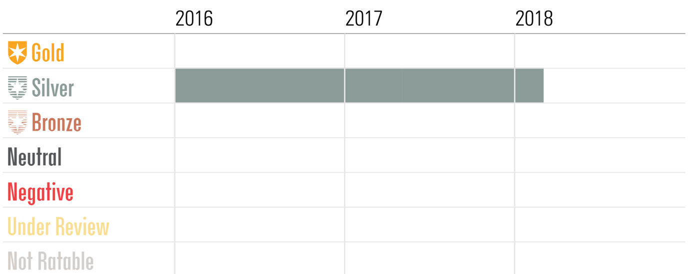
Morningstar Analyst Rating



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The Five (5) Pillars
Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People
The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent
We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process
We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance
We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price
To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

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Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold
Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver
Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze
Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/ or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral
Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative
Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

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