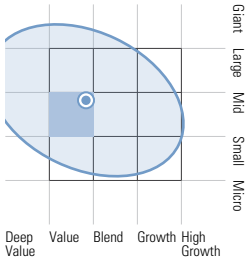
Artemis UK Special Situations Fund R Acc

GB0002192267

Morningstar Analyst Rating
Bronze
14 Dec 2016 17:45, UTC-0600

Morningstar Category	Category Index	Total Assets	Current Yield %	Inception Date	Domicile/ Currency	Morningstar Rating
UK Flex-Cap Equity	FTSE AllSh TR GBP	1,043.94 Mil GBP	—	09/03/00	GBR/GBP	★★★

Equity Style Map

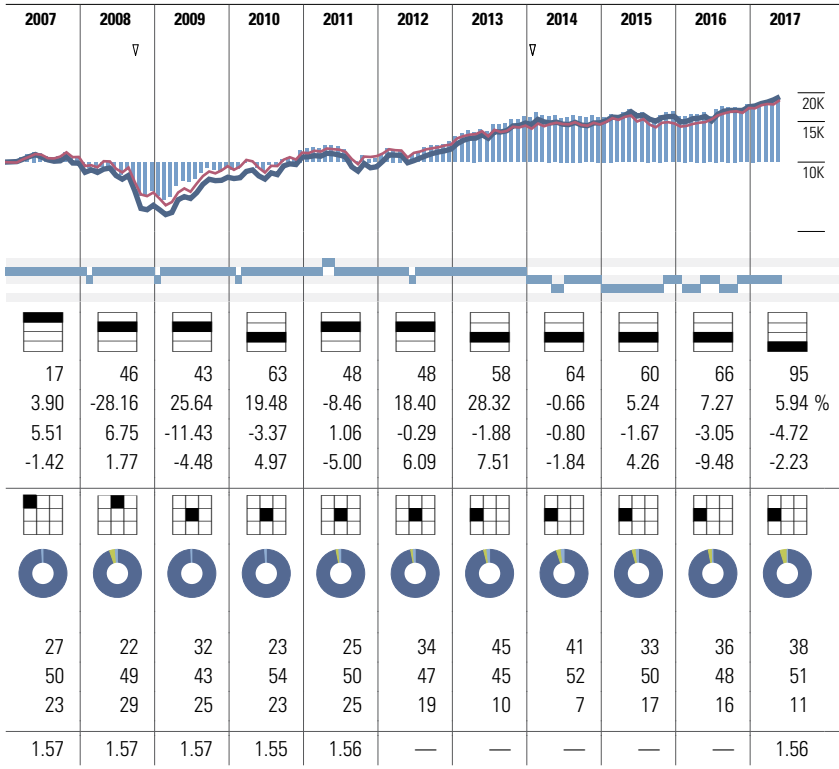


People

Derek Stuart	03/00
Andy Gray	01/14
Total Named Managers	2

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Positive
Price	Neutral



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
											Quartile Rank in Category
17	46	43	63	48	48	58	64	60	66	95	Percentile Rank in Category
3.90	-28.16	25.64	19.48	-8.46	18.40	28.32	-0.66	5.24	7.27	5.94 %	Total Return GBP
5.51	6.75	-11.43	-3.37	1.06	-0.29	-1.88	-0.80	-1.67	-3.05	-4.72	+/- Category
-1.42	1.77	-4.48	4.97	-5.00	6.09	7.51	-1.84	4.26	-9.48	-2.23	+/- Index

27	22	32	23	25	34	45	41	33	36	38	Cyclical
50	49	43	54	50	47	45	52	50	48	51	Sensitive
23	29	25	23	25	19	10	7	17	16	11	Defensive
1.57	1.57	1.57	1.55	1.56	—	—	—	—	—	1.56	Price TER/OGC

Performance 31/05/17

Growth of 10,000 Annualized	Value GBP	Ret %
Fund	18,513	6.09
Category	19,906	6.83
Index	18,582	6.13

▼ Full Manager Change
∇ Partial Manager Change

Morningstar Rating

Process

Equity Style Box

Asset Allocation
Stock Bond Cash Other

Equity Supersectors
Cyclical
Sensitive
Defensive

Analyst View

Samuel Meakin, Analyst

Our conviction has lessened, but we still believe the fund has merit.

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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

14 Dec, 2016 | We still hold this fund in good regard, but our conviction in its relative merits has lessened.

The fund has been managed by Derek Stuart since its inception in early 2000. Stuart has around 25 years of industry experience and has managed various UK-equity mandates, from equity income to mid-caps and small caps, during his career. He is supported by comanager Andy Gray, who joined Stuart on this mandate in 2013 and also manages the Artemis VCT.

The managers seek out-of-favour stocks and companies undergoing internal change, the potential for which is unrecognised by the market. The focus on self-help and turnaround situations leads the fund to have a value bias relative to the index and peers in the UK Flex-Cap Equity Morningstar Category. The portfolio also features a mid- and small-cap bias.

Although Stuart has stuck to the self-help philosophy throughout his tenure, there have been some changes to the structure of the portfolio over time, such as the steady reduction of small-caps since the early years and the increase in the technology sector weighting since Gray became comanager.

Stuart has built a significant margin of outperformance versus the FTSE All-Share Index and the category average over the entirety of his tenure. However, a large proportion of these active returns came in the first few years of the fund's life, when it had a larger small-cap allocation. Returns over more-recent time periods have been less impressive, especially when compared with a number of funds following a similar special situations strategy, an area of the market that has become more competitive.

Our attribution analysis indicates that, when accounting for the fund's style bias relative to the broader category average, the managers have continued to demonstrate some positive stock selection over the period of weaker relative performance. While this supports a positive view, we no longer believe the fund merits our highest rating relative to its competitors. The fund is therefore lowered to a Morningstar Analyst Rating of Bronze.

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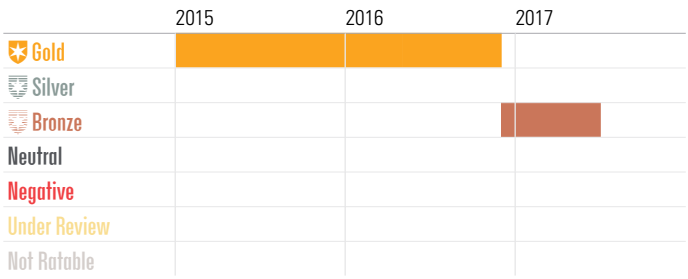
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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

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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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.

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