

Artemis Income Fund R Inc

GB0006572464

Morningstar Analyst Rating

Bronze

 29 Jun 2016
 05:00, UTC-0500

Morningstar Category
 UK Equity Income

Category Index
 FTSE AllSh TR GBP

Total Assets
 6,370.60
 Mil GBP

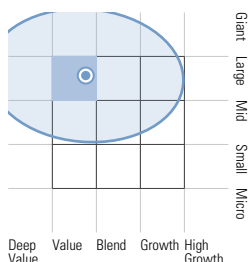
Current Yield %
 4.22

Inception Date
 06/06/00

Domicile/Currency
 GBR/GBP

Morningstar Rating
 ★★

Equity Style Map

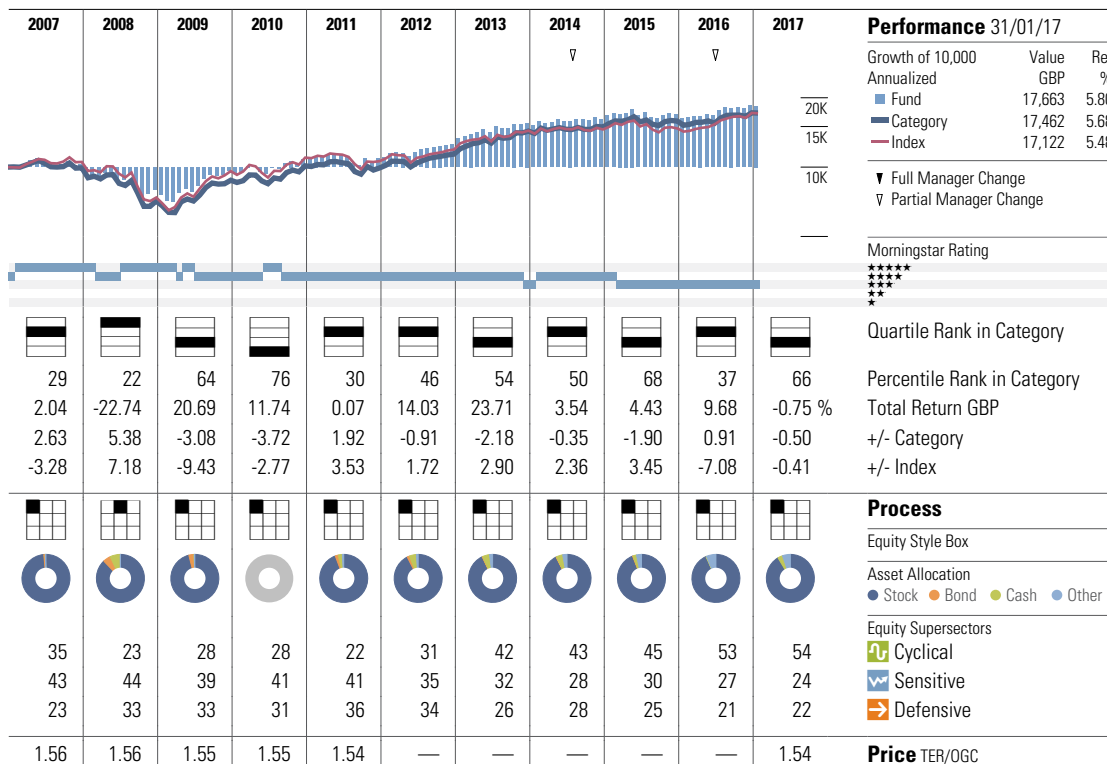


People

Adrian Frost	01/02
Nick Shenton	07/14
Total Named Managers	2

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Positive
Price	Neutral



Performance 31/01/17

Growth of 10,000 Annualized	Value GBP	Ret %
Fund	17,663	5.80
Category	17,462	5.68
Index	17,122	5.48

 ▼ Full Manager Change
 ▼ Partial Manager Change

Morningstar Rating

 ★★★★★
 ★★★★★
 ★★★★★
 ★★★★★
 ★★★★★

Quartile Rank in Category

Percentile Rank in Category

Total Return GBP

+/- Category

+/- Index

Process

Equity Style Box

Asset Allocation

● Stock ● Bond ● Cash ● Other

Equity Supersectors

📈 Cyclical

📉 Sensitive

➡ Defensive

Price TER/OGC

Analyst View

Peter Brunt, CFA, Senior Analyst

Despite losing a key team member, we continue to have a positive opinion on this fund.

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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>

29 Jun, 2016 | Despite the loss of comanager Adrian Gosden, we continue to have a positive view on this core UK equity-income mandate.

This was one of our highest-conviction funds for many years, thanks to a highly experienced management team consistently applying a sensible, tried-and-tested approach. The experienced Adrian Frost took the reins of the fund back in 2002 and was joined by comanager Gosden in 2003. Gosden arrived with experience managing UK equity-income mandates at Société Générale. While Frost has always been the senior team member (and maintained veto power accordingly), over time Gosden gained more influence on the portfolio; together they formed a formidable partnership. This was enhanced by Nick Shenton's arrival; he joined as a third comanager in 2014.

Gosden announced his planned departure from the group at the end of June 2016, thereby marking a meaningful change to the team. In a signal of continuity, Frost has committed to at least three more years on the fund, and the group has plans to recruit an experienced manager as a replacement. While we welcome the intentions to restore resources, we note that this in itself can prove a timely process and it will take time for whoever joins to bed down in a new environment.

The fund is managed as a core mandate and, with its considerable size, does not have the flexibility to invest further down the cap scale, unlike many peers. While this has proved somewhat of a headwind in performance terms, it does not explain the entire trend of lacklustre returns over recent years. The fund is lagging the category average over five years to the end of May 2016, and it is only middle of the pack relative to funds with a similar market-cap profile over the same period.

While we continue to have a high regard for Frost and the consistency of approach, the loss of Gosden is significant and presents challenges over the short term. This, combined with the trend of disappointing performance, has lowered our conviction in the fund. We are therefore moving it to a Morningstar Analyst Rating of Bronze from Gold.

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Morningstar Analyst Rating

	2015	2016	2017
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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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.

Morningstar Analyst Ratings

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

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Not Ratable

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