

Artemis UK Smaller Companies Fund R Acc

GB0002583598

Morningstar Analyst Rating

11 Apr 2016
23:00, UTC-0500
Morningstar Category
UK Small-Cap Equity

Category Index
FTSE Small Cap Ex Invest Trust TR
GBP

Total Assets
390.81
Mil GBP

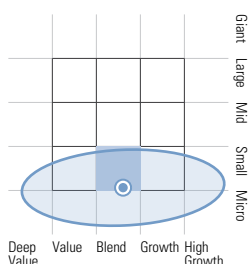
Current Yield %
—

Inception Date
03/04/98

Domicile/Currency
GBR/GBP

Morningstar Rating
★★★

Equity Style Map

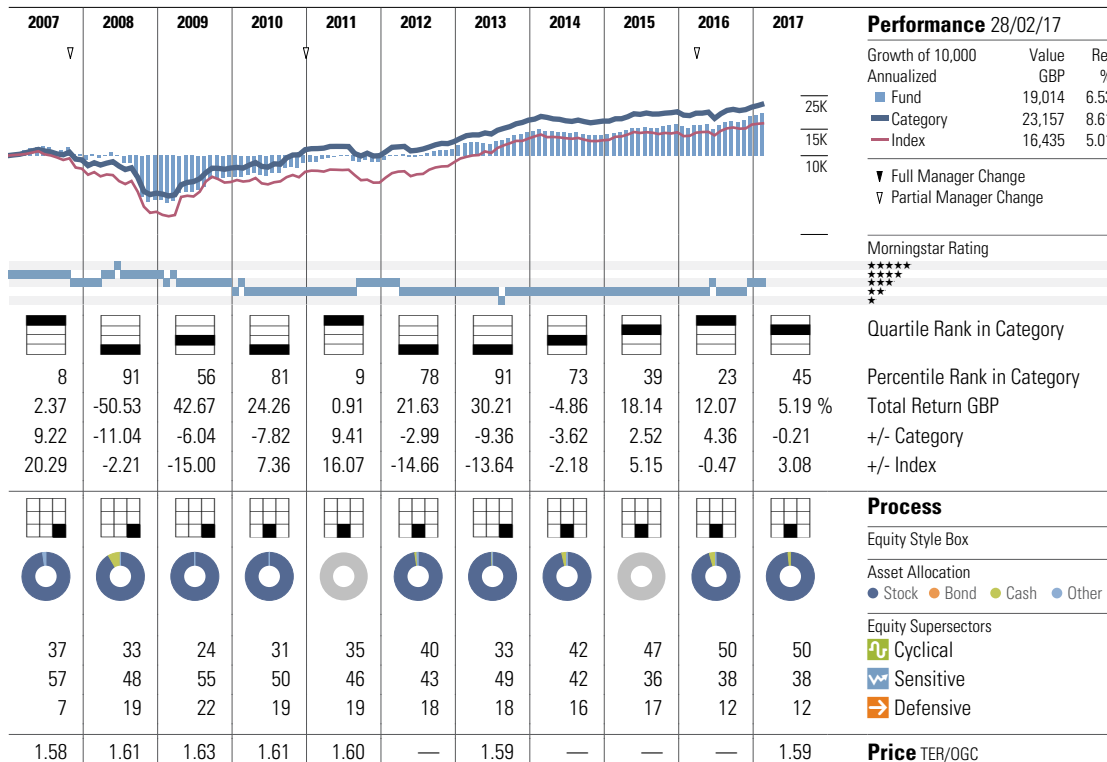


People

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

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Positive
Price	Neutral



Analyst View

Samuel Meakin, Analyst

The manager has exhibited a high level of 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>

11 Apr, 2016 | This fund remains a strong offering for UK smaller-companies exposure with a quality tilt.

Manager Mark Niznik conducts thorough bottom-up stock analysis using growth, value, estimate revision, and momentum metrics. This process leads to the ranking of stocks in terms of prospective returns, but overall it leads Niznik to companies with strong free cash flow yields that can offer resilience in difficult markets. The merits of the approach were demonstrated in 2011, when the fund delivered a small positive return while its average peer lost 8.5%.

The fund endured a difficult period in 2012 and 2013 relative to its index and peer group. However, given that Niznik focuses on high-quality companies that demonstrate resilient business models, this relative underperformance was not entirely unexpected. Indeed, it was refreshing to see Niznik remain true to his style. However, investors were likely disappointed that the fund struggled to stay above water in the choppy markets of 2014 and underperformed its peers and the index. The manager's process should lend itself to protect capital better than most under such conditions, but despite that hiccup in performance our conviction remains intact.

The fund enjoyed a better year in 2015, outperforming the index and peers, assisted by the energy underweighting but also by strong stock selection across several sectors.

A notable headwind for much of Niznik's tenure since he assumed sole responsibility for the fund at the end of January 2011 was the unquoted holdings he inherited from his predecessor. It was a slow process for Niznik to remove this exposure from the portfolio, but it was completed in early 2014 and is no longer an issue.

In April 2015, Will Tamworth was appointed as a dedicated analyst to support Niznik, and in March 2016 he was promoted to co-manager. We view this extra resource as a positive. We also continue to believe that the experienced manager and robust process make this a strong choice for UK small-cap exposure. The fund retains its Morningstar Analyst Rating of Silver.

Morningstar Global Fund Report

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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

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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Not Ratable

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