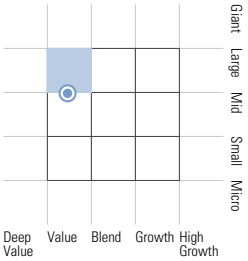
Artemis High Income Fund QR Inc

GB0006838097

Morningstar Analyst Rating
Silver
28 Jun 2016 22:00, UTC-0500

Morningstar Category	Category Index	Total Assets	Current Yield %	Inception Date	Domicile/ Currency	Morningstar Rating
GBP Cautious Allocation	Cat 75%Barclays StlAgg TR&25%FTSE Wld TR	1,154.99 Mil GBP	6.29	26/05/95	GBR/GBP	★★★★

Equity Style Map

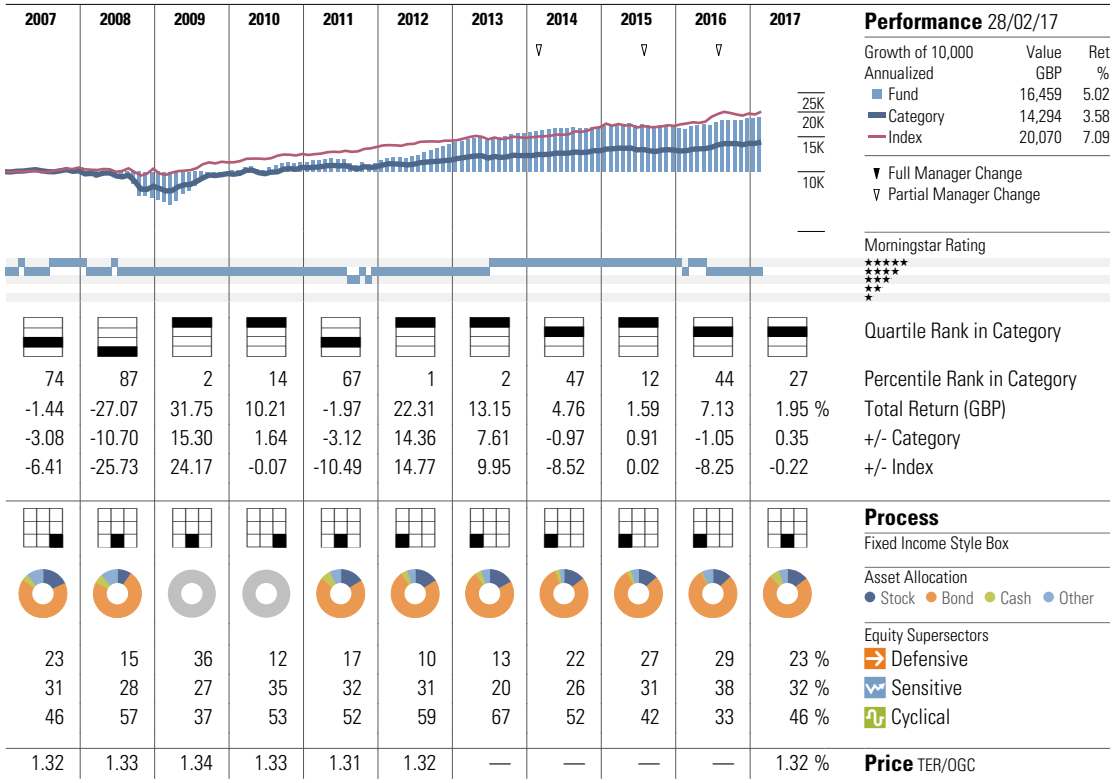


People

Alex Ralph	02/14
Total Named Managers	1

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
74	87	2	14	67	1	2	47	12	44	27	Percentile Rank in Category
-1.44	-27.07	31.75	10.21	-1.97	22.31	13.15	4.76	1.59	7.13	1.95 %	Total Return (GBP)
-3.08	-10.70	15.30	1.64	-3.12	14.36	7.61	-0.97	0.91	-1.05	0.35	+/- Category
-6.41	-25.73	24.17	-0.07	-10.49	14.77	9.95	-8.52	0.02	-8.25	-0.22	+/- Index
23	15	36	12	17	10	13	22	27	29	23 %	Defensive
31	28	27	35	32	31	20	26	31	38	32 %	Sensitive
46	57	37	53	52	59	67	52	42	33	46 %	Cyclical
1.32	1.33	1.34	1.33	1.31	1.32	—	—	—	—	1.32 %	Price TER/OGC

Performance 28/02/17

Growth of 10,000 Annualized	Value GBP	Ret %
Fund	16,459	5.02
Category	14,294	3.58
Index	20,070	7.09

▼ Full Manager Change
∇ Partial Manager Change

Morningstar Rating

Quartile Rank in Category

Process

Fixed Income Style Box

Asset Allocation
Stock Bond Cash Other

Equity Supersectors
Defensive
Sensitive
Cyclical

Analyst View

Ashis Dash, CFA, Associate Director

We retain our conviction here despite changes in the fund's management team.

28 Jun, 2016 | This fund remains a compelling long-term offering for investors looking for a high-yielding fund.

Alex Ralph took over as lead manager here in July 2015. She is responsible for the fixed-income investments within the fund and had been named a comanager in March 2014 in light of her increasing involvement with the strategy since joining Artemis in 2005. Experienced UK equity investor Adrian Frost, who previously managed the fund from September 2002 to July 2015, will be in charge of the equity portion after comanager Adrian Gosden's departure at the end of June 2016. Frost's experience, along with support from UK income manager Nick Shenton, eases our concerns around Gosden's exit. More importantly, the fixed-income team, responsible for the fund's over 80% exposure to bonds, remains intact. We are also reassured by Ralph's experience in the space having successfully comanaged Artemis Strategic Bond, which has a Morningstar Analyst Rating of Silver, since its launch in June 2005.

The fund is managed primarily to sustain an enhanced running yield. As with Artemis' other income funds, the managers employ a largely bottom-up approach. They look for issuers offering high yields but with a high probability of meeting their coupon/principal/dividend payments as well. Within fixed income, this leads to a bias towards high yield and subordinated bonds, especially within financials. The equity allocation is driven by the relative attractiveness of yields offered by equities against the bond portfolio.

The fund's long-term performance has been remarkable with its three-, five-, and 10-year returns, both absolute and risk-adjusted, ranking within its Morningstar Category's top quintile. But its bias towards higher-yielding assets also entails higher risk, as reflected by the fund's above-average volatility and higher maximum drawdown. Although the team is small compared with some peers, the strong combination of experienced managers, an approach apt for the fund's income objective, and below-median fees drive our faith in the fund's long-term outperformance potential. It therefore retains its Silver rating.

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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

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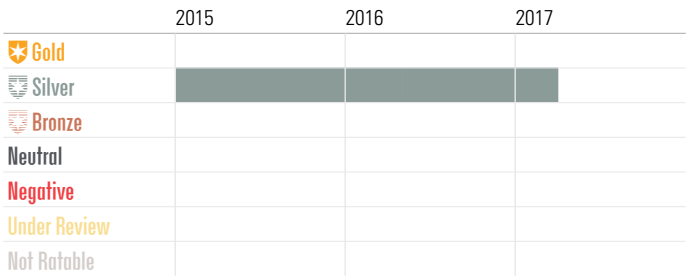
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Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the 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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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.

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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).

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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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