

Artemis Monthly Distribution Fund



James Foster
Fund manager, since
launch



Jacob de Tusch-Lec
Fund manager, since
launch

Class I accumulation units, GBP

November 2018
Data as of 31 October 2018

The fund's aims

The fund aims to achieve an income in addition to capital growth through an actively managed combination of global equities and bonds.

Fund update

October was a particularly torrid month for equity markets. Bond markets provided little relief. Even government bonds did not rally as strongly as might have been expected. Meanwhile, as the Italian government sought a row with the EU, Italian bonds were marked underperformers. Emerging-market bonds fell sharply on the prospect of further rate increases in the US.

Investment-grade bond markets also struggled. Sentiment was affected by weaker equity markets but also by concerns about companies gearing up while interest rates are rising. Financial bonds came under pressure, although perhaps things could have been worse, given the turmoil elsewhere. It was the industrial and auto sectors that seriously underperformed. This was partly because of uncertainty over tariffs but also because of the prospect of the end of quantitative easing in Europe.

Meanwhile, prices of high-yield bonds declined. There was little genuine selling pressure, apart from in the technology sector. Rather, weaker equity markets affected sentiment.

The fund's equity portion performed poorly in October. With no real evidence of recession on the near horizon, we came into the month with holdings in a number of cyclical 'value' stocks. We thought the market would be able to muddle through to the mid-term elections in the US, overcome its worries about rate hikes and Italy and refocus on underlying strength of the economy and what that means for the earnings of some of the companies such as memory maker Western Digital. We miscalculated.

'Growth' stocks in the technology sector fell – but so did 'value' cyclicals: materials, industrials and financials. Some of our cheap stocks fell by

20% despite there having been no deterioration in either news or fundamentals. Investors either left the equity market altogether or shifted into its most defensive areas (utilities, consumer staples and real estate). We did not have enough in these areas of the market.

Meanwhile, with patience having all but evaporated, the pressure on holdings next to which there were already question marks – such as Danske Bank (shrouded by fears of extraordinarily large fines from the US Department of Justice for laundering money in Estonia) and Bayer (whose Monsanto unit faces potentially costly litigation in the US) – intensified. With the market's time horizon contracting, our long-term 'turnaround' ideas had no appeal.



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Composition

Market sector split

Financials	29.2%
Communication Services	12.0%
Energy	10.9%
Utilities	8.0%
Materials	7.8%
Consumer Discretionary	7.4%
Industrials	6.5%
Health Care	5.4%
Real Estate	4.9%
Consumer Staples	2.5%
Information Technology	2.4%
Government Bonds	2.1%
Government Bond Futures	-3.2%

Source: Artemis as at 31 October 2018. Please note that figures may not add up to 100% due to rounding and the cash holding.

Top five equity positions

Bezeq	1.8%
Bayer	1.4%
Arion Banki	1.3%
Targa Resources Corporation	1.3%
Rai Way	1.1%

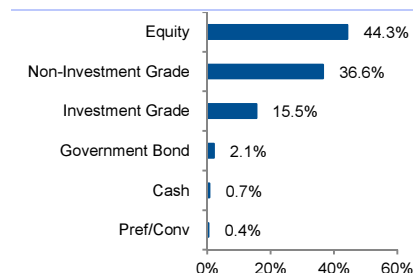
Source: Artemis as at 31 October 2018.

Top five bond positions

UK TSY 0.75% July 2023	2.1%
Tullow Oil 7% 2025	0.9%
EnSCO Plc 7.75% 02/01/2026	0.7%
KCA Deutag Finance 9.875% 2022	0.7%
Vivat 6.25%	0.7%

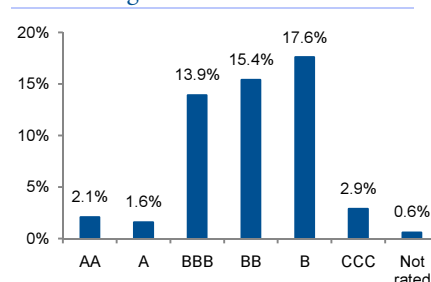
Source: Artemis as at 31 October 2018.

Asset allocation



Source: Artemis as at 31 October 2018. Please note figures may not add up to 100% due to rounding.

Bond rating allocation



Source: Artemis as at 31 October 2018. Please note that figures may not add up to 100% due to rounding and the equity and cash holdings.

Performance

Cumulative performance

	Since launch	5 years	3 years	1 year	6 months
Artemis Monthly Distribution	93.2%	48.3%	25.9%	-1.9%	-2.0%

'Since launch' data from 21 May 2012. Source: Lipper Limited, bid to bid in sterling to 31 October 2018. All figures show total returns with dividends reinvested.

Discrete performance to year end

	2017	2016	2015	2014	2013
12 months to 31 December	9.0%	17.9%	7.8%	9.0%	17.7%

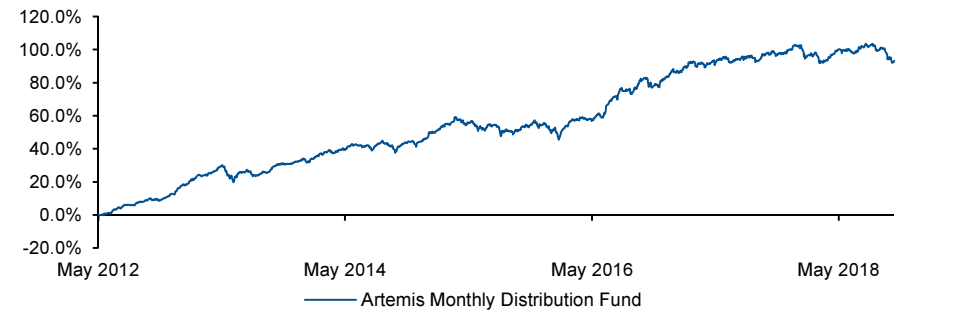
Please remember that past performance is not a guide to the future. Source: Lipper Limited, bid to bid in sterling. All figures show total returns with dividends reinvested.

Discrete performance to quarter end

	2018	2017	2016	2015	2014
12 months to 30 September	3.3%	9.9%	18.6%	5.0%	13.1%

Please remember that past performance is not a guide to the future. Source: Lipper Limited, bid to bid in sterling. All figures show total returns with dividends reinvested.

Percentage growth



Data from 21 May 2012. Source: Lipper Limited, bid to bid in sterling to 31 October 2018. All figures show total returns with dividends reinvested.

Key facts

Fund type	Unit trust
Focus	Income
Asset class	Multi-Asset
Regional focus	Global
IA sector	IA Mixed Investment 20-60% Shares NR
SEDOL	B75F9Z6
ISIN	GB00B75F9Z67
Type	Accumulation
Class currency	GBP
Accumulation date	Monthly
Valuation point (UK business days)	12:00
Year end	31 December
Fund launch date	21 May 2012
Class launch date	21 May 2012
Class launch price	47.98p
SRRI	4
Fund size (mid basis)	£943.8m

Source: Artemis as at 31 October 2018.

Prices and yield

Bid price	91.70p
Offer price	92.24p
Historic yield	4.20%

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market unit price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Charges

Initial charge	0%
Ongoing charge	0.84%

The ongoing charge includes the annual management charge of 0.75% and is shown as at the date of the Key Investor Information Document (KIID), where a full explanation of the fund's charges can be found.

Risks and important information

To ensure you understand whether this fund is suitable for you, please read the Key Investor Information Document and Costs and Charges Information document, which are available, along with the fund's Prospectus, from artemisfunds.com. The value of any investment, and any income from it, can rise and fall with movements in stockmarkets, currencies and interest rates. These can move irrationally and can be affected unpredictably by diverse factors, including political and economic events. This could mean that you won't get back the amount you originally invested. The fund's past performance should not be considered a guide to future returns. The payment of income is not guaranteed. The fund may invest in emerging markets, which can involve greater risk than investing in developed markets. In particular, more volatility (sharper rises and falls in unit/share prices) can be expected. The fund may use derivatives (financial instruments whose value is linked to the expected price movements of an underlying asset) for investment purposes, including taking long and short positions, and may use borrowing from time to time. It may also invest in derivatives to protect the value of the fund, reduce costs and/or generate additional income. Investing in derivatives also carries risks, however. In the case of a 'short' position, for example, where the

fund aims to profit from falling prices, if the price of the underlying asset rises in value, the fund will lose money. The fund may invest in fixed-interest securities. These are issued by governments, companies and other entities and pay a fixed level of income or interest. These payments (including repayment of capital) are subject to credit risks. Meanwhile, the market value of these assets will be particularly influenced by movements in interest rates and by changes in interest-rate expectations. The fund may invest in higher yielding bonds, which may increase the risk to your capital. Investing in these types of assets (which are also known as sub-investment grade bonds) can produce a higher yield but also brings an increased risk of default, which would affect the capital value of your investment. The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities. Because one of the key objectives of the fund is to provide income, the annual management charge is taken from capital rather than income. This can reduce the potential for capital growth. Third parties (including FTSE and Morningstar) whose data may be included in this document do not accept any liability for errors or omissions. For information, visit artemisfunds.com/third-party-data.

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