

# Artemis Corporate Bond

## Opinion

- This Recommended fund is managed by Stephen Snowden and Grace Le. Mr Snowden is a well-known fixed income practitioner who has managed funds through many different market conditions using his distinctively pro-active approach to fixed income investing.
- Informed by this broad experience, the managers invest with conviction where they identify value. They seek to profit from the fact that different market participants, who operate with varying investment parameters and time horizons, generate inefficiencies in bond pricing.
- The managers are performance-focused and are prepared to take advantage of the fund's flexible remit to this end, whilst not losing sight of the cost of active management.

## Characteristics and Utility

- The mandate is wide-ranging and there are no positioning constraints relative to the fund's benchmark index.
- Security selection and credit quality decisions are typically more important drivers of excess returns than duration decisions.
- Credit-wise, the managers are prepared to use the full flexibility of the mandate in their search for value.
- The pro-active, flexible approach means that investors should be prepared for peaks and troughs in the risk/return journey when compared to peers and indices.
- The fund should appeal to investors who appreciate the dynamic approach. It would complement passive options, as well as funds where duration management is a more important influence upon returns.

## Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

The fund's five-year standard deviation is similar to mainstream investment grade credit benchmarks. We would expect the reasonably diversified nature of the manager's approach to lead to a volatility outcome in keeping with the asset class over most five-year periods. Different share classes could have differing SRRI scores.



## Key Fund Facts

<b>Inception Date:</b>	30 October 2019
<b>Manager(s) Since:</b>	Stephen Snowden (Oct 19) Grace Le (Mar 20)
<b>Fund Domicile:</b>	United Kingdom
<b>Base Currency:</b>	£ Sterling
<b>Fund Benchmark:</b>	iBoxx £ Collateralized & Corporates
<b>IA Sector:</b>	£ Corporate Bond

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at [theadvisercentre.co.uk](http://theadvisercentre.co.uk). An asset manager adviser factsheet is also provided there.

## Fund Snapshot

A relatively concentrated portfolio of global investment grade corporate bonds managed in a pro-active and flexible manner. The portfolio may include off-benchmark positions in high yield, government bonds and cash. Within its sector, the fund features in our 'High Conviction' category.

## Investment Team

The fund is co-managed by Stephen Snowden and Grace Le. Mr Snowden joined Artemis in 2019 to lead the firm's Edinburgh-based fixed income team. Prior to joining Artemis, Mr Snowden was co-head of fixed income at Kames Capital (now Aegon Asset Management), where he co-managed several bond funds, including the Kames Investment Grade Bond. Ms Le joined Artemis in December 2019 from Kames Capital, where she was co-manager of a range of investment grade bond funds.

## Investment Philosophy

The managers believe that the corporate bond market is inefficient, providing opportunities for active managers with the flexibility to invest across the market to achieve superior returns. They employ a longer-term strategic and thematic approach but will also seek short-term tactical opportunities to take advantage of market moves.

## Investment Process

The approach combines top-down, macro-economic analysis with bottom-up credit research to identify the most attractively valued parts of the fixed income market through the business cycle. The managers assess the relative value within markets continuously and adjust the fund accordingly. In doing this, they appraise the potential for added value from four key areas, namely: allocation between asset classes; stock selection; sector allocation; and, duration decisions. Taking account of the prevailing economic and investment environment, they assess the potential for each of these factors to generate excess returns.

Security selection is the driving force of the process. The managers' framework for analysis is based around fundamental, valuation, technical and sentiment factors. This work generates preferred sector strategies and, using this, the managers look for and assess structural changes that are taking place because of political, regulatory, social, environmental or technological developments. Candidates for investment are those companies seen to have a competitive position, with the fundamental analysis of balance sheets and cashflows determining financial strength. The managers focus on companies that are improving but which the market has overlooked and therefore represent value opportunities.

The interpretation of economic data supports their decisions regarding the desired level of interest rate risk in the portfolio. The aggregate duration position is adjusted on the basis of their view of the future path of interest rates. Decisions about the credit quality bias of the portfolio are informed by their assessment of the economic, equity and default cycles.

## Portfolio Construction and Risk Controls

The managers prefer to run relatively concentrated portfolios and the fund usually comprises 75-150 issuers. The position in any one issuer is limited to no more than 5% in the case of investment grade, and 3% in the case of high yield or non-rated issuers. Government bond and supra-national agency weightings can be higher. At least 80% of the fund must be invested in investment grade credit, with a maximum of 20% in high yield bonds, non-rated bonds and cash. The fund is typically fully hedged back to sterling. Duration can range between +/- 2 years compared to the index.

## [theadvisercentre.co.uk](http://theadvisercentre.co.uk)

This document is for financial professional use only. The Adviser Centre is a trading name of Embark Investments Limited and is not authorised to carry out regulated activities. Embark Investments Limited is a company incorporated in England Company Number 03383730 and is regulated by the FCA, registration number 628981. The information in this document, including information from asset managers and third-party sources, is deemed to be correct at the time of publication but The Adviser Centre takes no responsibility for its accuracy. This document has been written for illustrative purposes and as such is neither a solicitation nor a recommendation with respect to the purchase or sale of any securities. Opinions are always stated honestly and with careful consideration, but they can change at any time. Full fund documentation provided by the asset manager should be reviewed as part of any decision-making process. Any investment's value and any income from it may fall as well as rise because of market and currency fluctuations. Investors may not get back the amount originally invested. V.3 25/1