

# ARTEMIS US SMALLER COMPANIES FUND - GBP

INVESTMENT RESEARCH NOTE  
FEBRUARY 2024

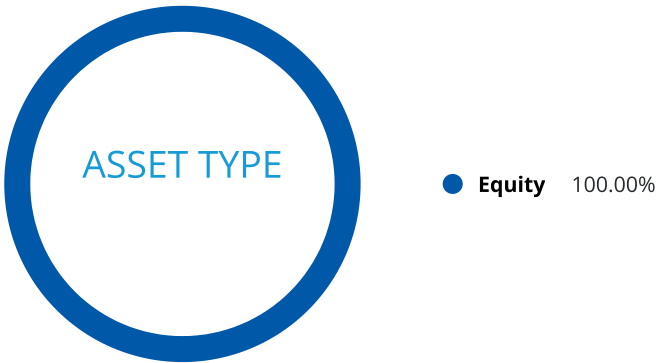
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Artemis is a UK-based investment manager with a partnership structure. It is owned by its UK management team and Affiliated Managers Group (AMG), a US-based investment manager which has stakes in various international boutique investment firms. AMG plays a passive role and does not get involved in the daily running of Artemis' business.

Under the leadership of Cormac Weldon – head of Artemis' US equity team – this strategy uses a dynamic, team-based approach to the generation of investment ideas. With over 78 years of combined investment experience, the team places strong emphasis on debating ideas and incorporating various perspectives into the management of the portfolio. He is supported by other US fund managers and a team of sector specialist analysts.

The managers invest primarily in companies with a market capitalisation of less than \$10 billion. Utilising a style-agnostic approach, they can adapt to a Value or Growth bias when suitable. Although the management ensures an awareness of the prevailing macroeconomic conditions, the strategy focuses on employing a rigorous bottom-up investment process. There is a macro overlay to understand to cyclical and secular trends and outlook for the US economy. No currency hedging is actively deployed unless it is a significant risk.



INVESTMENT PROCESS

The managers believe that diverse and eclectic sources of idea generation allow for the creation of an uncorrelated portfolio that will consistently generate alpha; sources include both internal and external research. It is believed that varying the information source and debating different perspectives reduces bias. Data mining and financial analyses are used to guard against developing insular views. Although the management team conducts macroeconomic analyses to detect cyclical and secular trends and themes, the focus of in the idea generation remains bottom-up research and analysis. Company visits are essential and the team have over 700 meetings per year on average, both in London and the US.

The factors affecting the risk and return potential of stocks are distilled into quantitative measures of the downside risk and upside reward. The team targets stocks that have a potential gain at least two times greater than the downside risk; these stocks are used to create an asymmetric risk-return profile. The main factors considered are: the business model, the financial model, company management and valuation. Business model analysis considers barriers to entry, customer demand for products and the impact of regulation on the business. Traditional financial analysis is used to determine the resilience of the company's profit and cash generation. The quality of the company's management is evaluated by assessing the experience, credibility and incentives of the senior managers and the quality of their strategy.

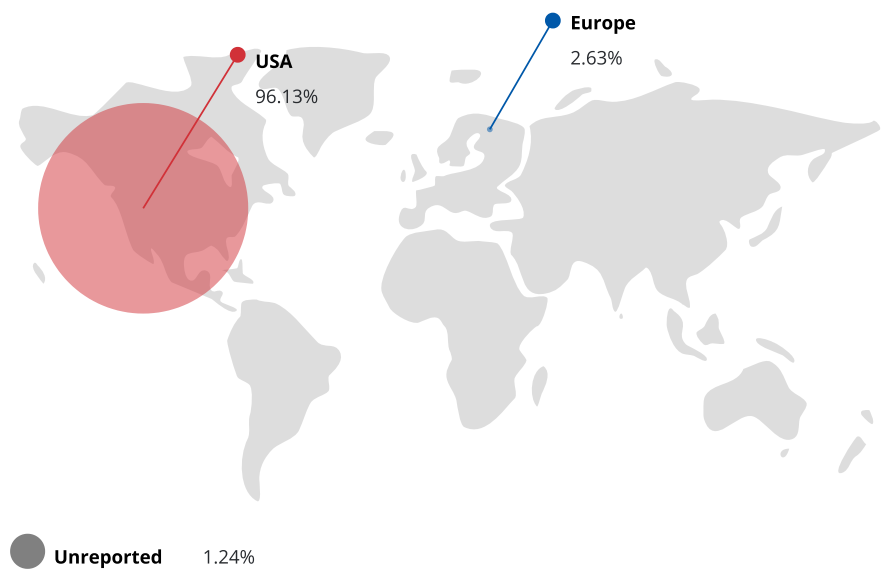
The fund managers perform scenario testing in order to evaluate how much investors will be willing to pay for the stock given different conditions. This helps with the determination of the upside potential/downside risk ratio; which is then compared to the desired 2:1 target. The manager sets a price target for each stock held in the portfolio and stock is sold when these targets are reached. Sell signals include deteriorating fundamentals, change in market conditions, loss of management focus and misallocation of capital. The portfolio typically consists of between 40-60 stocks.

The construction process uses the Russell 2000 index as a reference, with stock and sector weights expected to deviate from the index by no more than 5% and 10%, respectively. The tracking error tolerance is set at 3-8%. Risk analysis tools are used to measure the sources of risk created by the style tilt.

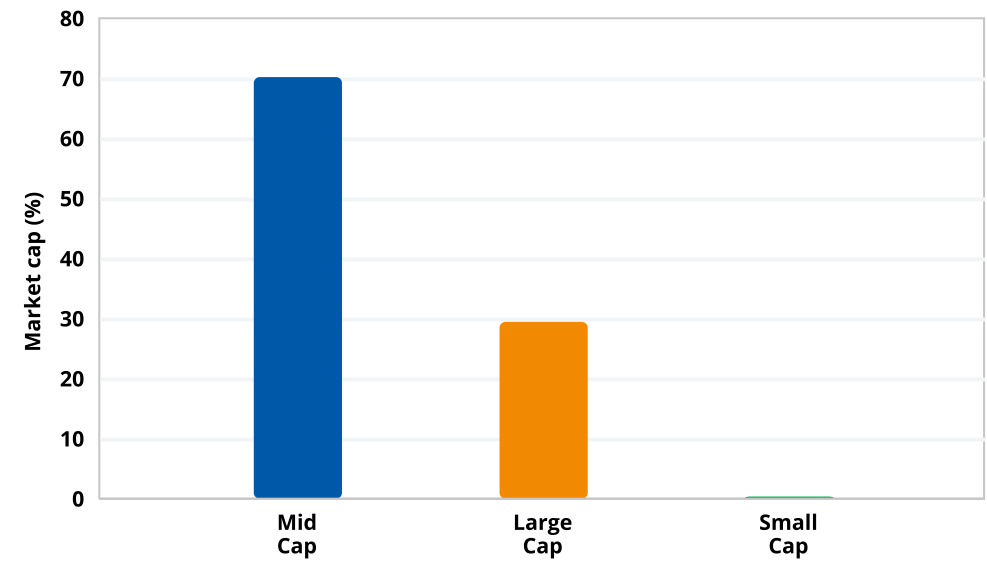
There is both a mark-to-market and liquidity risk to the strategy given the small cap bias which would underestimate the true level of volatility within the Fund. This can be exacerbated particularly in the event of a severe market crisis event.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

# OVERALL PERFORMANCE

Artemis US Smaller Companies I GBP Acc      Russell 2500 Total Return Index GBP

## GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



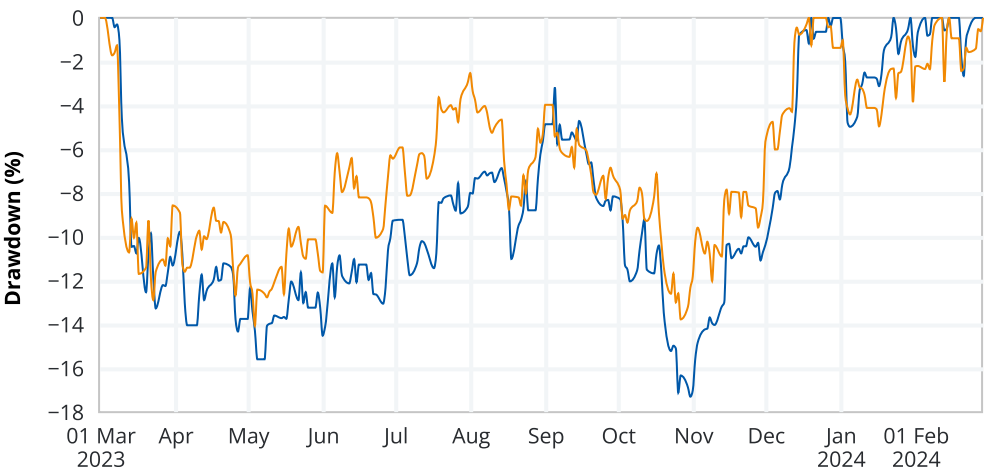
## GROWTH (%) - FROM INCEPTION

28 Oct 2014 - 29 Feb 2024



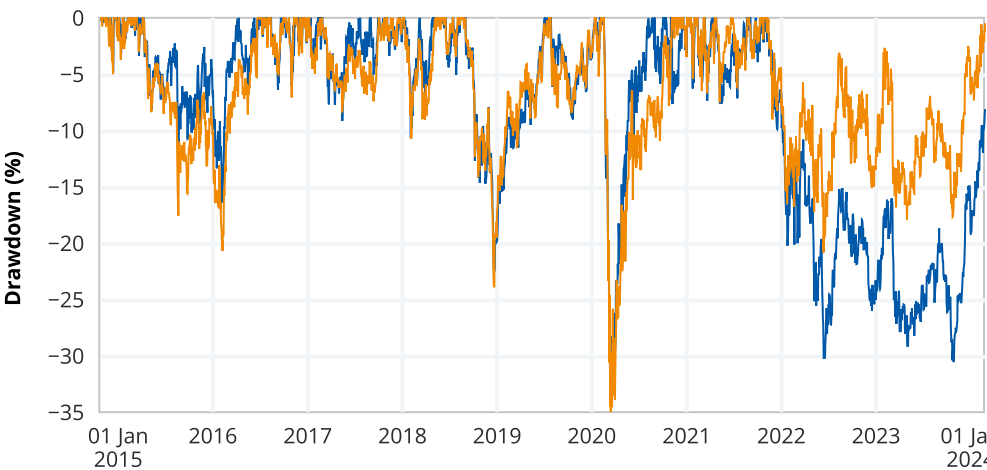
## DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



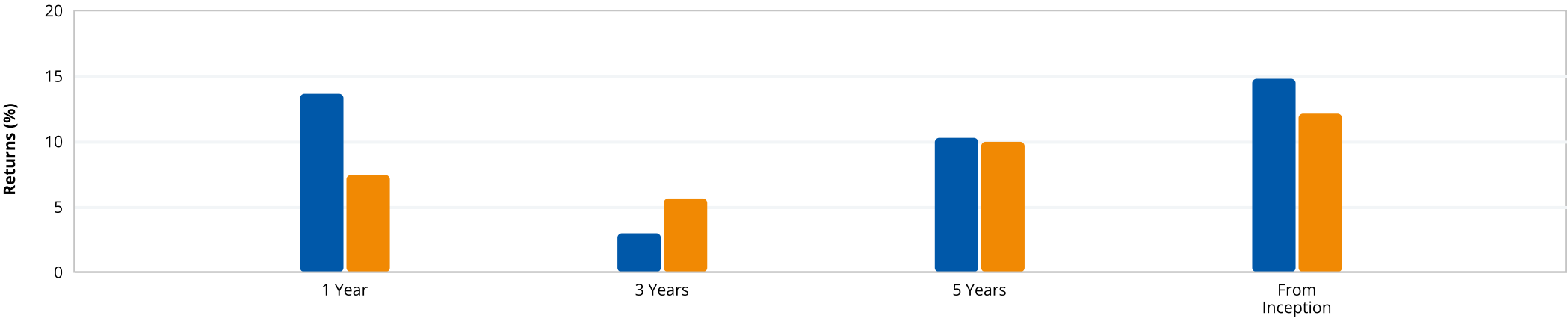
## DRAWDOWN (%) - FROM INCEPTION

28 Oct 2014 - 29 Feb 2024



# RETURNS

Artemis US Smaller Companies I GBP Acc      Russell 2500 Total Return Index GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	0.34	7.69											8.05
2023	4.80	2.28	-7.90	-2.75	0.58	4.59	0.70	3.26	-2.65	-9.96	7.98	13.41	12.74
2022	-12.81	4.46	3.61	-5.91	-5.18	-8.63	9.14	4.68	-3.02	0.88	-1.50	-4.80	-19.38
2021	2.75	3.11	3.47	4.91	-3.02	1.26	0.47	4.19	0.73	0.70	-1.36	-0.45	17.75
2020	2.85	-7.75	-14.86	14.70	9.38	1.08	1.77	3.92	0.17	2.93	5.16	6.06	24.58
2019	6.27	4.34	1.20	4.42	-2.68	5.03	8.62	-1.55	-3.29	-2.88	5.26	-1.05	25.27

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Artemis US Smaller Companies I GBP Acc	13.64	2.97	10.27	14.79
Russell 2500 Total Return Index GBP	7.43	5.63	9.97	12.12

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Artemis US Smaller Companies I GBP Acc	13.64	9.15	62.75	260.95
Russell 2500 Total Return Index GBP	7.43	17.80	60.57	190.02

Artemis US Smaller Companies I GBP Acc      Russell 2500 Total Return Index GBP

PERFORMANCE - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024

RETURNS (%)	13.64	7.43
VOLATILITY (%)	17.78	18.54
ALPHA	-0.18 *	
BETA	1.02 *	1.00
CORRELATION	0.86 *	1.00
SHARPE RATIO	0.47	0.13
SORTINO RATIO	0.64	0.19
MAX DRAWDOWN (%)	-17.29	-14.05

\*Calculated over a 3 year period where history permits.

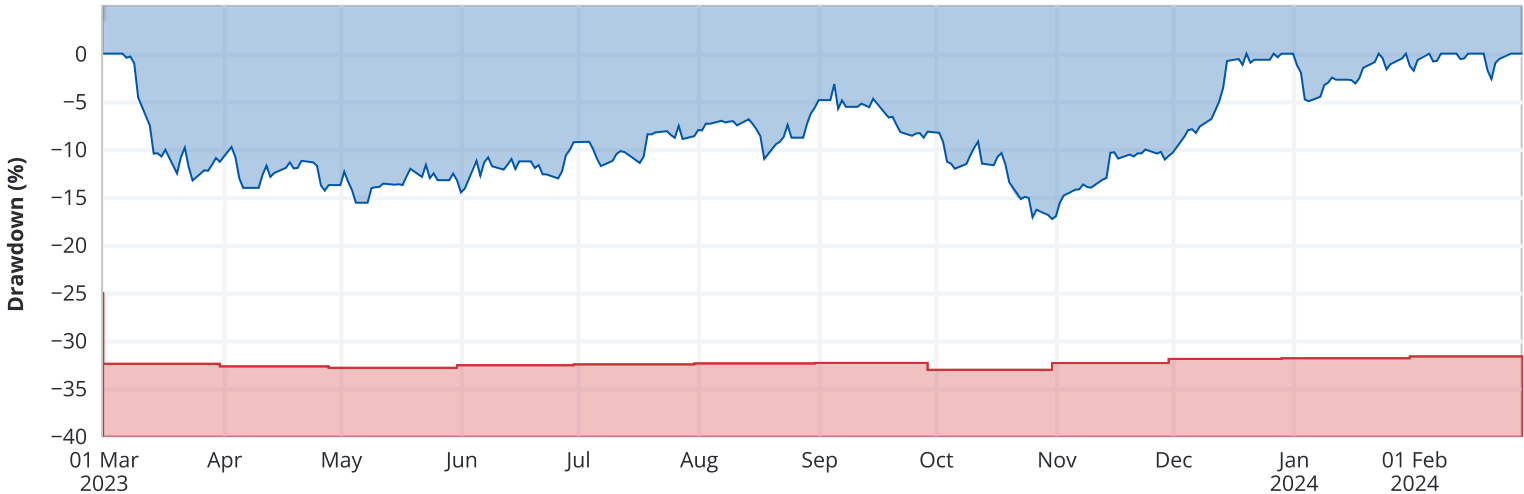
PERFORMANCE - FROM INCEPTION

28 Oct 2014 - 29 Feb 2024

RETURNS (%)	14.79	12.12
VOLATILITY (%)	20.22	21.62
ALPHA	0.26	
BETA	0.95	1.00
CORRELATION	0.88	1.00
SHARPE RATIO	0.67	0.50
SORTINO RATIO	0.95	0.70
MAX DRAWDOWN (%)	-32.93	-35.00

SIMPLE STRESS TEST DRAWDOWN (%)

1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

# DISCLAIMER

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