# LWM Consultants Ltd

## Meeting the Fund Manager

**Artemis Global Income Fund – Jacob de Tusch-Lec**

We have always been aware of Artemis as a fund management group but have felt that the key fund has been the UK Income Fund and that the stable has lacked any real depth. Following a recent review we have identified a number of funds which we will monitor. This means that they will not currently form part of the portfolios but they may in the future.

We were recently invited to a meeting with the fund manager of their Global Income Fund, Jacob de Tusch-Lec. This fund has been running for two years and the thoughts of the fund manager were very insightful.

**What does the fund look to achieve?**

The fund will seek to achieve a rising income combined with capital growth primarily from a portfolio of equities selected on a global basis. Jacob actively manages the portfolio in order to achieve the objective with exposure to company shares, fixed interest securities and derivative instruments as appropriate. Jacob is not restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

**Introducing the fund manager**

We met Jacob who is the lead fund manager. He started his investment career in 1998 and joined Artemis in 2005; Jacob is a partner at Artemis. He works closely with Adrian Frost. Concerns were raised around the support network for Jacob, we were assured that a new member of the team will be joining shortly and he will be supported by the global select team. We are comfortable that Artemis is building safety nets into their system. It is also worth noting that Jacob is a partner at Artemis.

**How the fund is managed?**

Rather than looking at the process we believe it would be helpful to outline some of the discussion points which we believe provides an idea of the style adopted when managing the fund.

Jacob mentioned that flexibility is key to the fund and clearly he has the advantage of a fairly small fund to play on this. The market over the last two years has not played in his favour with regards to his style of management meaning that he is more macro driven in the way he thinks. This is reflected in a high stock turnover over of 175% when he would expect a figure under 100%. This reflects an actively managed portfolio which can increase costs.

The performance has not suffered and the fund has been in the top quartile however it does mean that sometimes stocks which he would be happy to hold in normal circumstances are forced into a buy and sell position not because the company is poor but macro activity forces it. He mentioned an extreme case where the fund has held one particular stock three times. The idea that macro activity sets the agenda is not ideal but this is the market we are in.

He feels that he cannot be dogmatic in his approach and feels he can return to his favoured style when the markets return to some form of normality. We asked about this and his feeling is that this will happen then the economy starts to do well without QE. By this he meant that if the markets weren't spooked if the Bank turned round and said no more QE.

The fund is split into three groups – core stocks which make up around 40 – 60% of the holdings and pay regular dividends but don't offer the potential to grow dividends, growth stocks where the dividends are low but have the potential to grow (Paddy Power was mentioned as an example of this, this company has been mentioned in past meetings – this holding has now been sold as it has become in their view expensive), and then risk stocks which mark up around 10 – 20% of the holdings. With risk stocks the yield is high, there may be high gearing or they are in emerging markets.

This blend enables them to drive returns and dividend income. The fund is essentially a large cap fund and does have holdings in the UK (around 9%), emerging markets (around 15%) and the US (around 30%). It selects from a universe of around 5,000 and has around 80 stocks at present. The holdings are all below 3% at present and Jacob admitted that this was partly because he doesn't have high conviction with regards to any particular stock. When or if the market returns to a sense of normality then we could see fewer holdings and greater conviction.

What you will find with this fund are stocks that you would not necessarily recognise so for example you will not find Shell, Vodafone and Novatis but you will find Handelsbanken (another stock favoured by some of the fund managers we follow) and City of London Investment Group.

As a global income fund manager Jacob has built up a good fund and has a loyal following. Although the style is not necessarily favoured by us clearly he has been driven to this style to reflect the market we are in and has been able to deliver consistent performance being in the top quartile of his peer group.

**Conclusion**

Artemis are certainly an interesting fund manager and have a lot more in their stable then then flagship income fund. We will certainly keep monitoring their funds and in particular this fund. The partnership structure at Artemis brings stability and it is clear that Jacob is passionate about what he does and he does it well.

The source of information in this note has been provided by Artemis Investment Management LLP and is correct to the end of March 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.