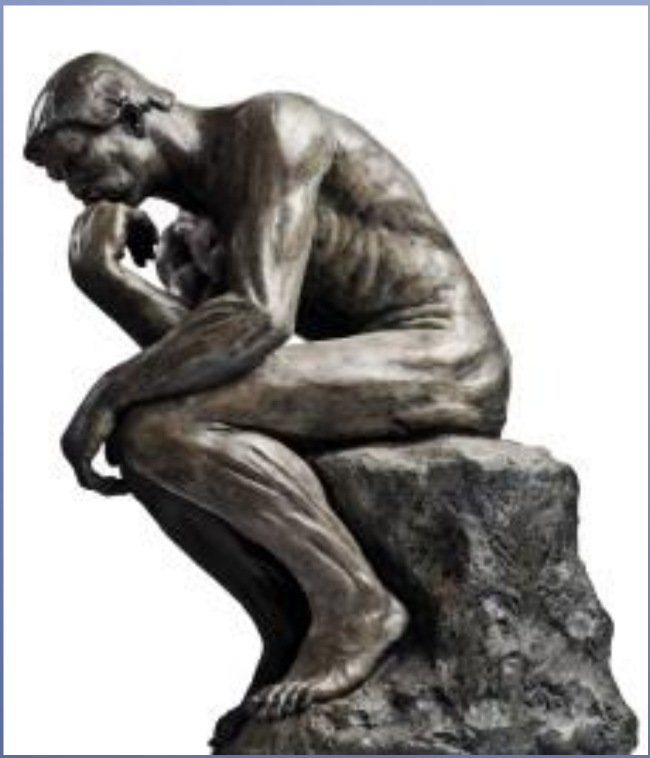

Fund Bites

Artemis European Opportunities Fund

The Artemis European Opportunities Fund is a new fund we will be adding to the Portfolio in July 2013. This "fund bites" is a summary of the recent meeting we had with the fund manager, Mark Page.

Introduction

In many cases the funds we have in our portfolios are conviction based. The Artemis European Opportunities Fund falls into that camp. I met the lead fund manager last year and was impressed by his style of management.

The fund itself has around £30 million of assets under management and was launched in 2011. However, the team behind it brought the process across from LV Asset Management where they managed the fund for a number of years.

Mark who is the lead manager feels that Artemis provides a more supportive environment and this has been demonstrated in two ways. His portfolio is more concentrated. He holds a maximum of sixty stocks and his view is that if a good stock appears then it can only be added if another stock can go, so he is always forced to challenge what he holds. In the previous fund he was encouraged to hold up to 80 stocks and often he was holding stocks for the sake of holding them.

The second aspect is that now the two managers can carry out meetings together. He believes this is important because two people hear different things and together as a team they can quickly analyse good and bad stocks. In the previous company they did not have the same freedom.

During our visit to London we met three European Fund managers and clearly to extract value in a challenging economic environment requires good stock pickers and we believe Mark and his team are potentially the type of the manager that could deliver this. As this is a new holding initially it will be a smaller holding however we may review this in 2014.

The Fund

What attracted me to the fund was one of Mark's phrases and that is that he likes to kick the tyres. If you look at the macro picture of Europe politics are in a mess and domestically it is little better.

Amongst this Mark has one key aim and that is to identify stocks which have the potential to delivery returns of 10% p.a. over a five year period.

Of course there are stocks where you are paying for certainty, for example Nestles share price will go up even if profits are down because it is seen as safe and these are the types of stocks that Mark looks to avoid.

To some extent what Mark was saying reminded me of Robert Brooke of GLG, he is almost looking for beaten up stocks or unloved stocks. A situation like Cyprus gives him a chance to go shopping.

The fund has a spread of 60 holdings with the largest holding being Roche. He believes this gives a good coverage but also ensures one stock doesn't dominate the portfolio. He likes Roche because it has a dependable drugs pipeline with the growth potential he is looking for.

I like his expression of fishing; he doesn't mind where he fishes he is just looking for good companies and his largest overweight's are Spain, Italy and Norway.

We wanted to get a feel for some of his holdings. One holding Paul knows well is Vivendi and his view is similar to Paul. This is effectively a break up story where there are various triggers which could go either way.

But you are buying because it is cheap and you are being paid to wait.

Telefonica is another example; this is a self-help story essentially. The dividend was slashed to nil, and effectively they had wasted shareholder capital and clearly to survive they had to do something. The stock was at rock bottom and the belief is that the management team can turn this around and therefore this is why they like this type of stock.

In the banking sector they feel the Euro Banking System is weak but some of the bigger domestic players offer opportunities. BNP Paribas is one of those stocks and was purchased when they felt it couldn't be beaten up much more.

A company they have mentioned before is Intrum Justitia which they believe can deliver close to 10% p.a. through dividends and growth. This company is a debt collecting company and has a system where it can track people and manage payments. It also buys distressed debt and can turn this into a healthy profit. So for example it buys debt at 10 in the 100, and gets around 25 in the 100 so an instant profit.

We talked about companies Mark has sold, Inditex was an example of a stock which he felt was good but it was trading at a premium which enabled him to use the money to invest elsewhere.

Clearly Mark is a conviction manager and behind every stock there is a story and a reason. He works closely with Laurent who is the analytical part of the partnership; he will crunch the numbers and identify flaws.

In summary in a difficult market we believe this is a great fund to exploit those opportunities.

Conclusion

This is the first time we have used Artemis in the portfolios and it gives us an opportunity to understand more about their style and process.

This is a new fund but the managers have a proven track record and this is important when we look to select a fund.

The source of information in this note has been provided by Artemis and is correct as at 24 April. These are notes from meeting the fund manager or representative 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 note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.