



Artemis UK Select Fund

An Afternoon with Artemis 2025

Ed Legget | Ambrose Faulks

MARKETING COMMUNICATION: Refer to the fund prospectus and KIID/KID before making any final investment decisions. **FOR PROFESSIONAL INVESTORS AND/OR QUALIFIED INVESTORS AND/OR FINANCIAL INTERMEDIARIES ONLY. NOT FOR USE WITH OR BY PRIVATE INVESTORS. CAPITAL AT RISK.**



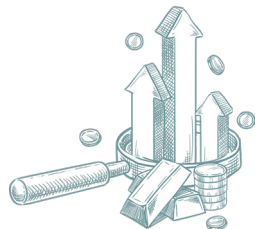
Investment team



UK equities at Artemis

10

INVESTMENT
PROFESSIONALS
FOCUSED
ON UK EQUITIES



£13.5_{bn}
AUM

INVESTED ACROSS

5

DEDICATED
UK INVESTMENT
STRATEGIES

EXTENSIVE
INVESTMENT
EXPERIENCE



COVERING ENTIRE
UK EQUITY MARKET

CIRCA

450

UK COMPANY
MEETINGS
PER YEAR



ARTEMIS UK EQUITIES

SMARTGARP UK EQUITY

Philip Wolstencroft

INCOME

Adrian Frost
Andy Marsh
Nick Shenton

UK SELECT

Ed Legget
Ambrose Faulks

UK SMALLER COMPANIES

Mark Niznik
William Tamworth

UK SPECIAL SITUATIONS

Andy Gray
Henry Flockhart

Fund overview



Artemis UK Select Fund

- Concentrated multi-cap ‘best ideas’ UK equity fund targeting long-term capital growth
- Actively seeking to generate alpha in all market conditions
- Fund benchmarked to FTSE All-Share; limited shorting capability offers potential for better risk adjusted returns
- ESG integrated into fundamental investment analysis

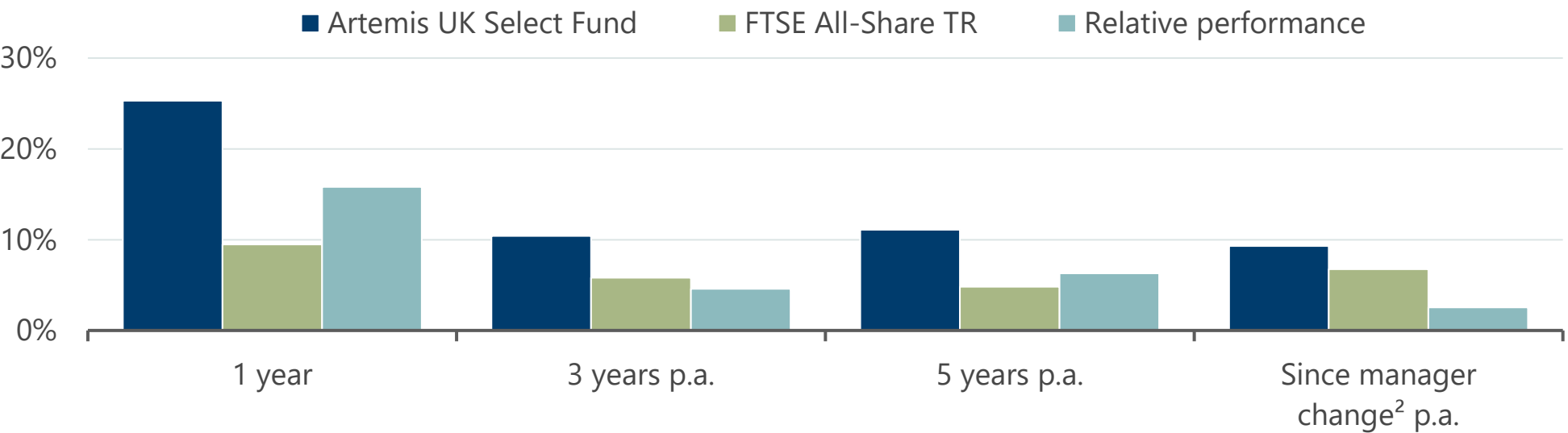
Fund launch	April 1998	Number of holdings	40-50 long, 3-10 short
Fund size	£3,556.4m	Active share	c.75%
Benchmark	FTSE All-Share	Average holding period	> 12 months, short < 12 months
Management team	Ed Legget and Ambrose Faulks	Median market cap	£5.7bn
Objective	Capital growth over a five-year period	Alpha source(s)	Stock selection, asset allocation

Source: Artemis as at 31 December 2024.

Note: the indicative information above reflects the current view of the fund manager and may change over time. For information about formal investment restrictions relevant to this fund please refer to the prospectus.

Performance

Annualised performance



Cumulative performance	1 year	3 years	5 years	Since manager change²
Artemis UK Select Fund	25.3%	34.7%	69.4%	122.8%
FTSE All-Share TR	9.5%	18.5%	26.5%	80.2%
IA UK All Companies NR	7.9%	5.0%	15.2%	58.9%
Position in sector¹	1/193	3/190	1/182	3/157

Past performance is not a guide to the future. Source: Lipper Limited, class I accumulation units in GBP as at 31 December 2024. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. This class may have charges or a hedging approach different from those in the IA sector benchmark. ¹Sector is IA UK All Companies NR. ²Ed Legget and Ambrose Faulks began managing the Artemis UK Select Fund on 31 December 2015.

Investment approach



Investment philosophy

Change in company expectations drives share prices

The share price
of a company

=

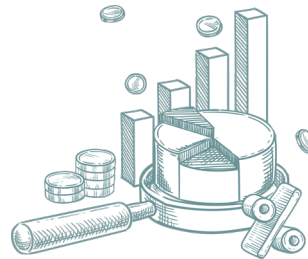
Earning (£m)/
number of shares

X

Multiple market is willing
to pay for them (P/E ratio)

Change in earnings estimates

Change in sentiment



Analysis



Judgement

Investment backdrop

Top-down a lot of uncertainties

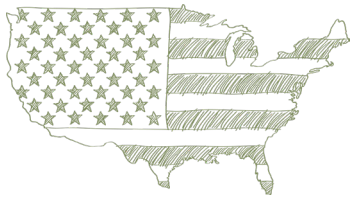


UK economy

Budget fall out

Inflation/stagflation

Monetary policy



Trump 2.0

Tariffs

Geopolitics

Energy

Fiscal spending

Monetary Policy



Relative valuation

UK equities cheap within
global equities



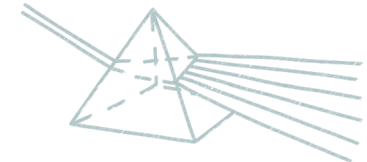
Absolute valuation

Improving from lows



UK equities

Are there any buyers?



Dispersion

Still at extreme levels vs history

Bottom-up opportunities are abundant

UK Macro outlook



CONFIDENCE

Consumer and corporate

INFLATION

National Insurance
National Living Wage
Employment Laws

UNEMPLOYMENT

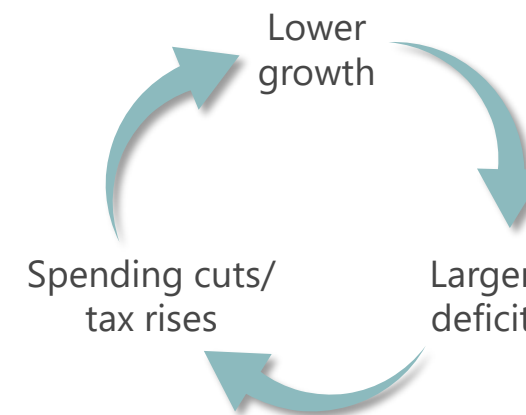


FT FINANCIAL
TIMES

Gilt investors warn Rachel Reeves she may need to raise taxes

Chancellor seeks to reassure bond market after UK borrowing costs rose to highest level since financial crisis

FISCAL STRESS

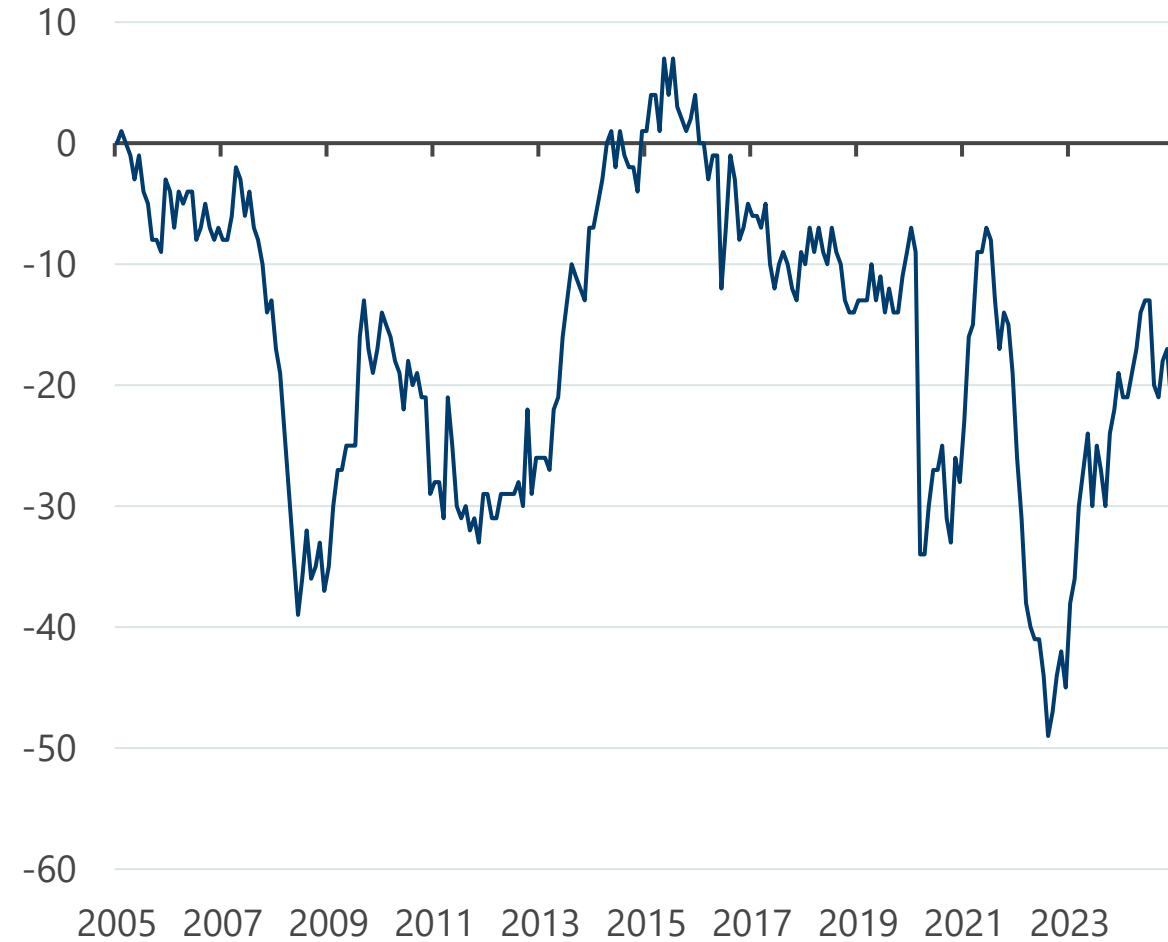


Markets extrapolating latest economic data points

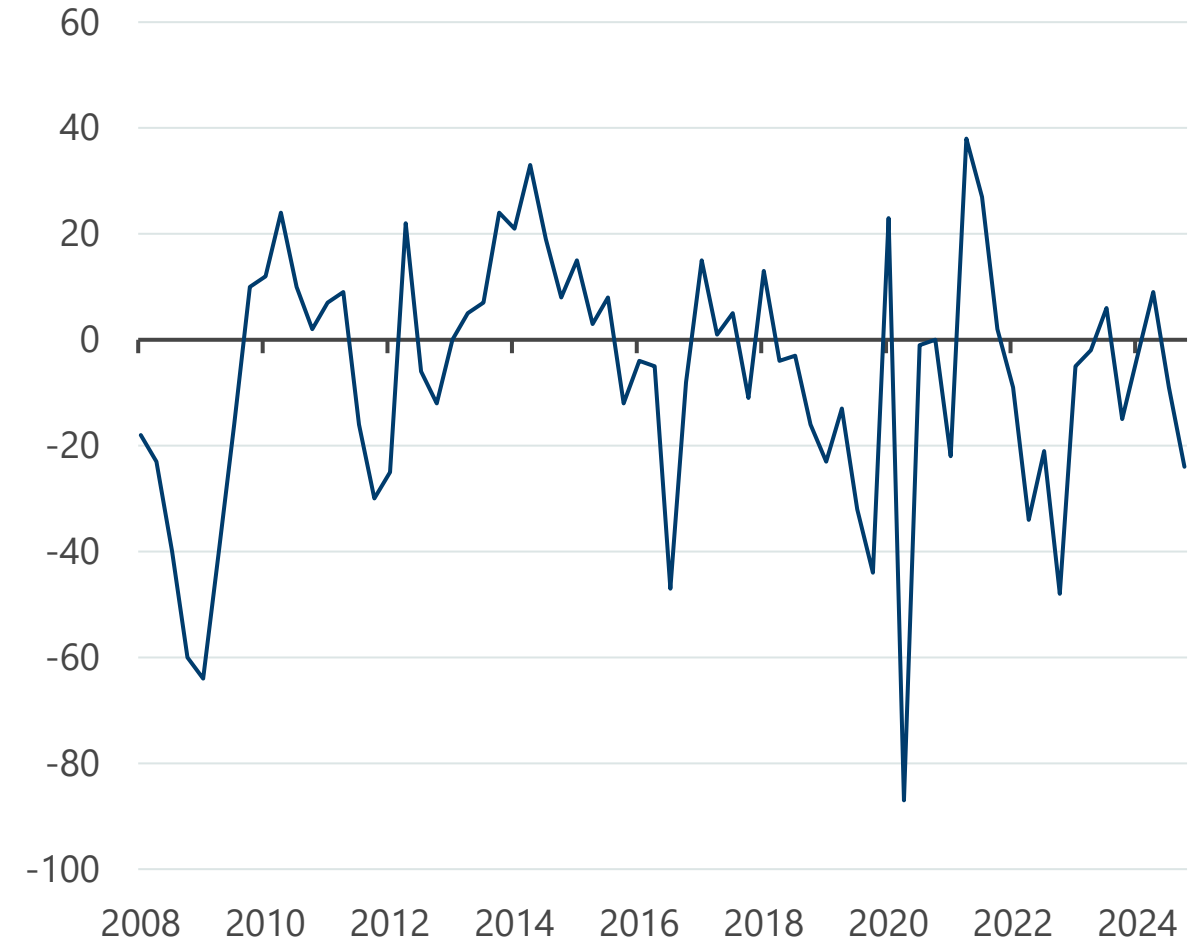
UK Budget – a knock to confidence

UK consumer and corporate confidence

GfK UK Consumer Confidence Index¹

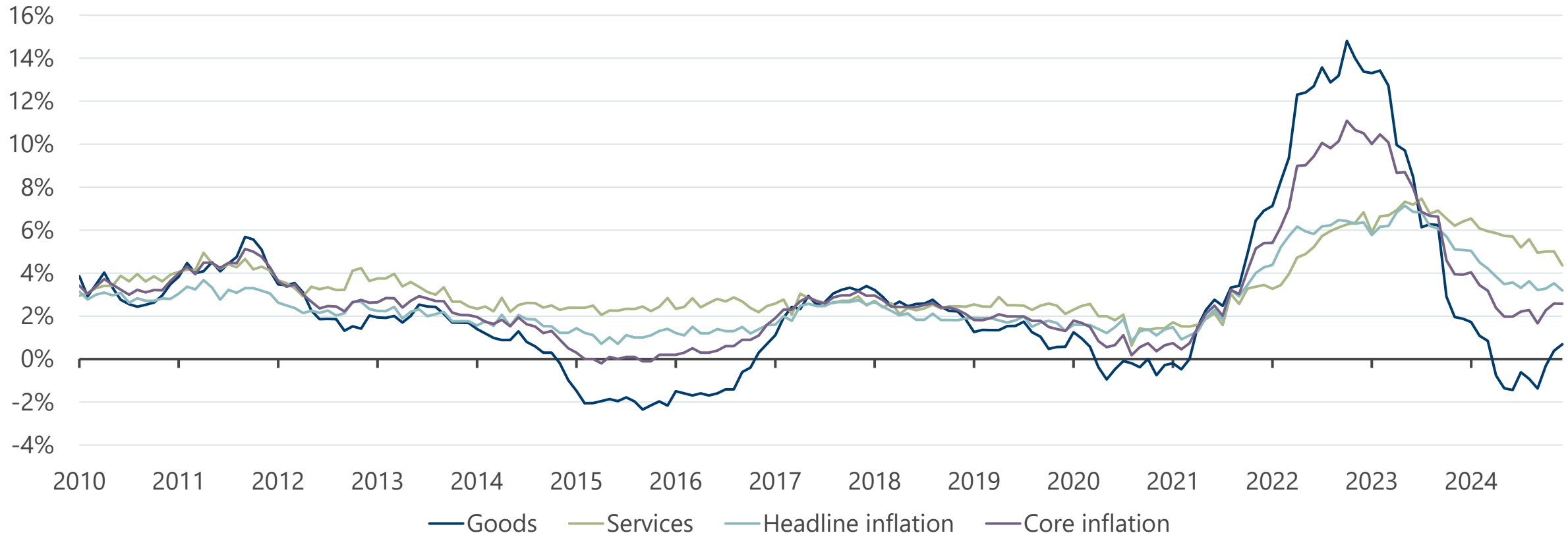


UK CBI Business Optimism Index²



UK Budget – tax rises inflationary but transitory

UK inflation

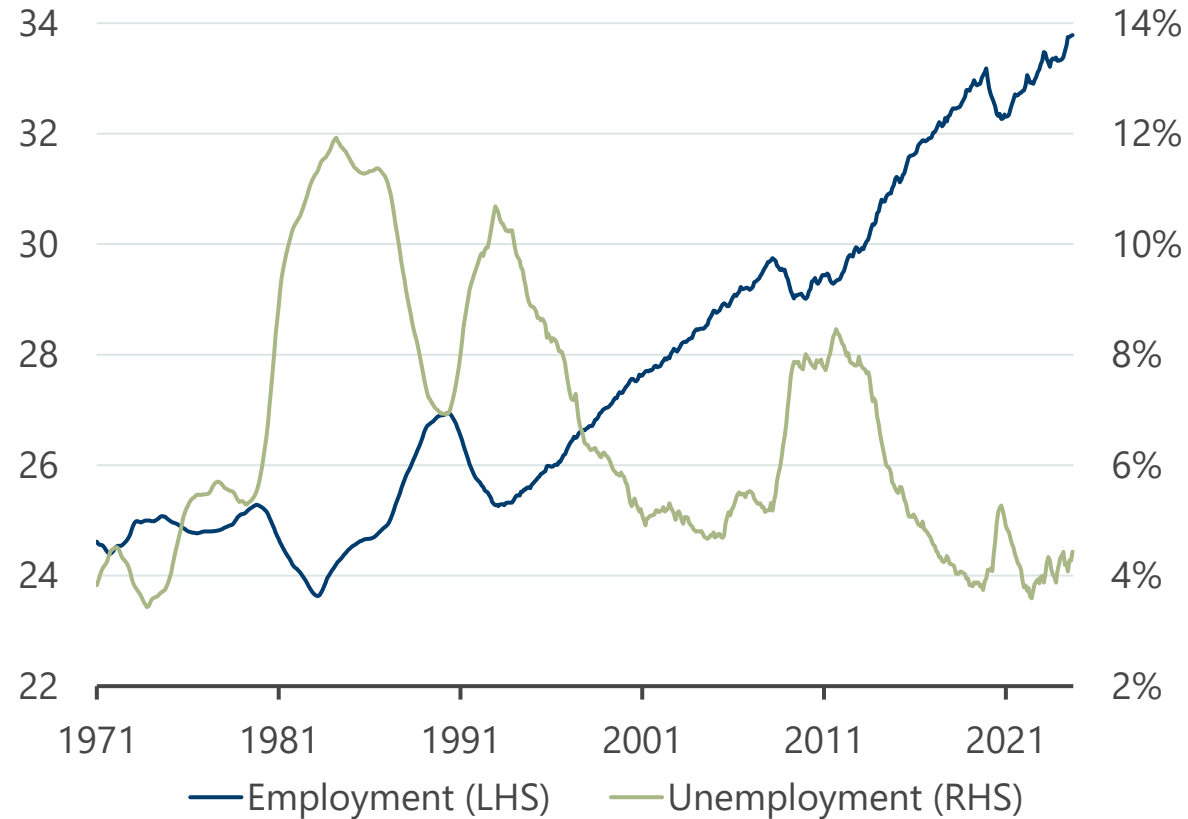


Services inflation is high but should start falling through H2 2025 – interest rates should follow

UK Budget – impact on employment

Labour market showing some signs of weakening

UK employment (m) and unemployment rate



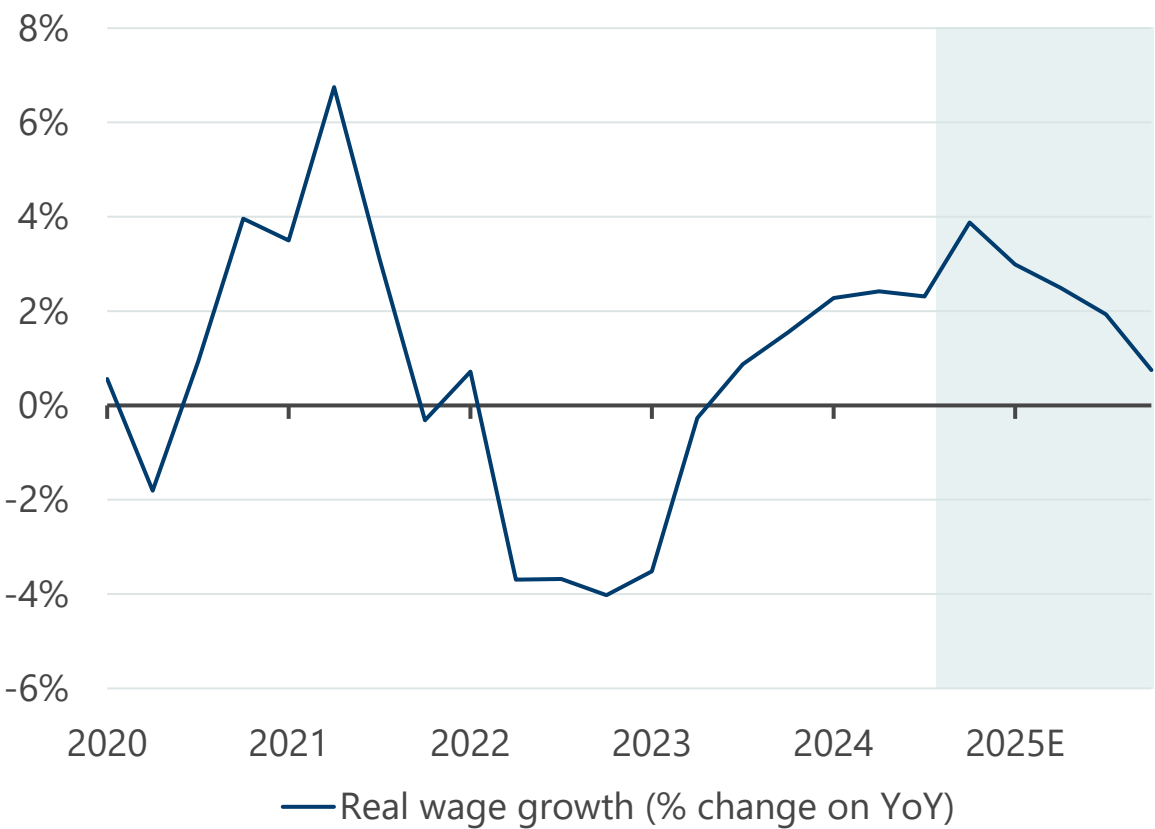
Vacancy/unemployment ratio



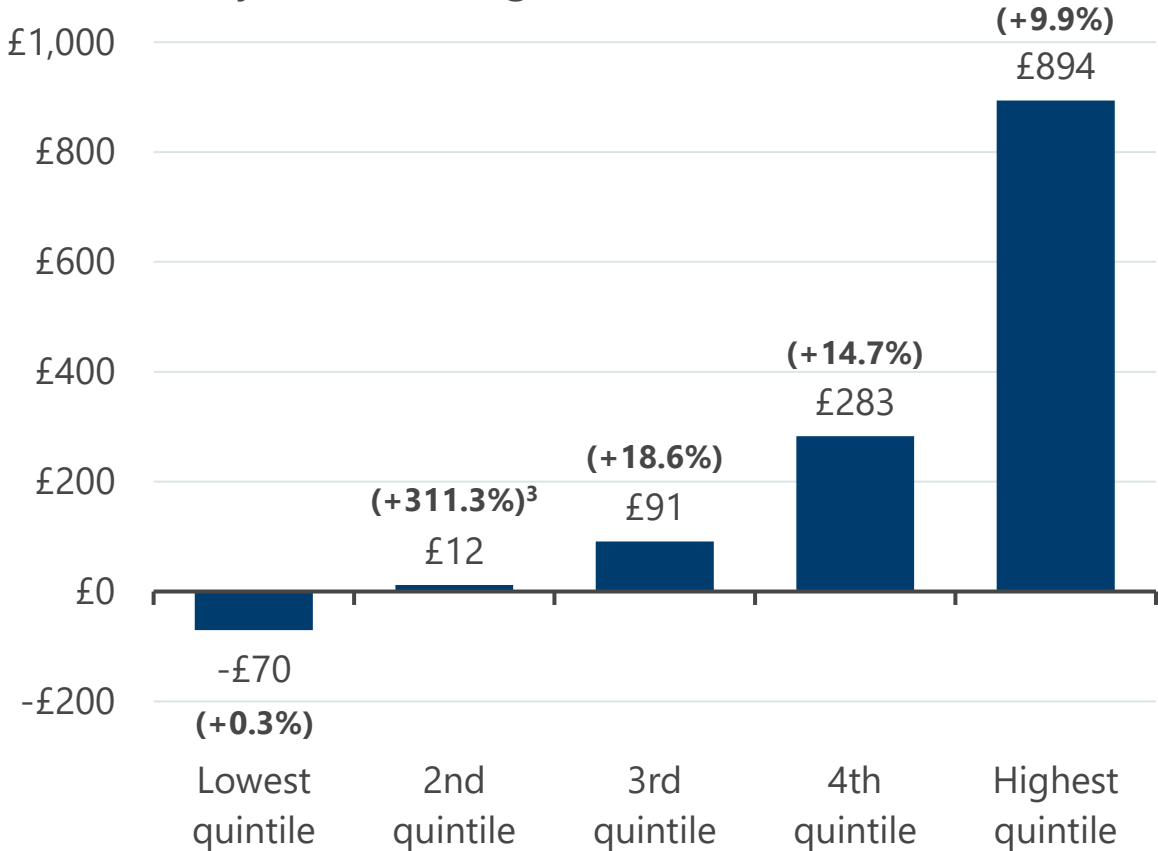
Unemployment key for the consumer story

UK consumer: Cashflow on a positive trend

Real wages have turned positive¹



Discretionary income rising²



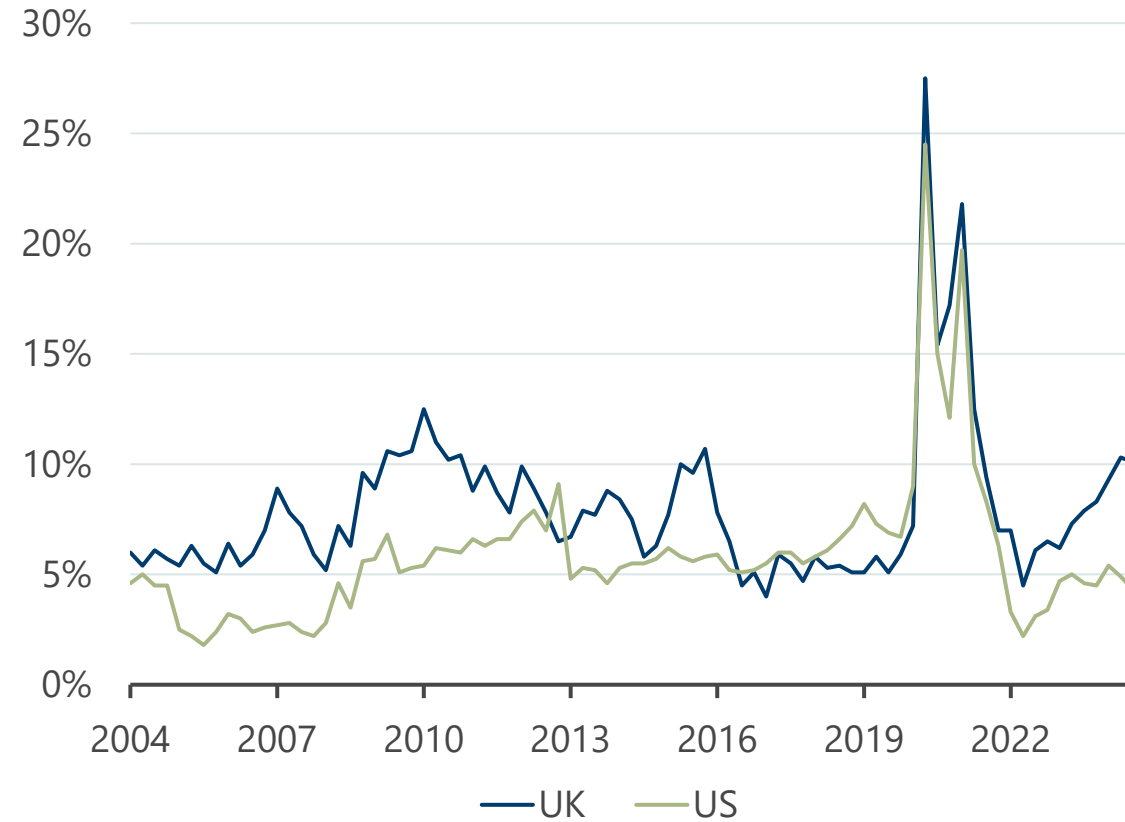
Medium term wage inflation the key determinant of medium term interest rates

Source: ¹Lazarus Economics & Strategy/ONS as at 31 December 2024. ²Asda, 'Asda Income Tracker' report, December 2024. ³2nd quintile saw discretionary income rise from £2.9 to £11.8 over the past year, explaining the anomalous annual growth rate.

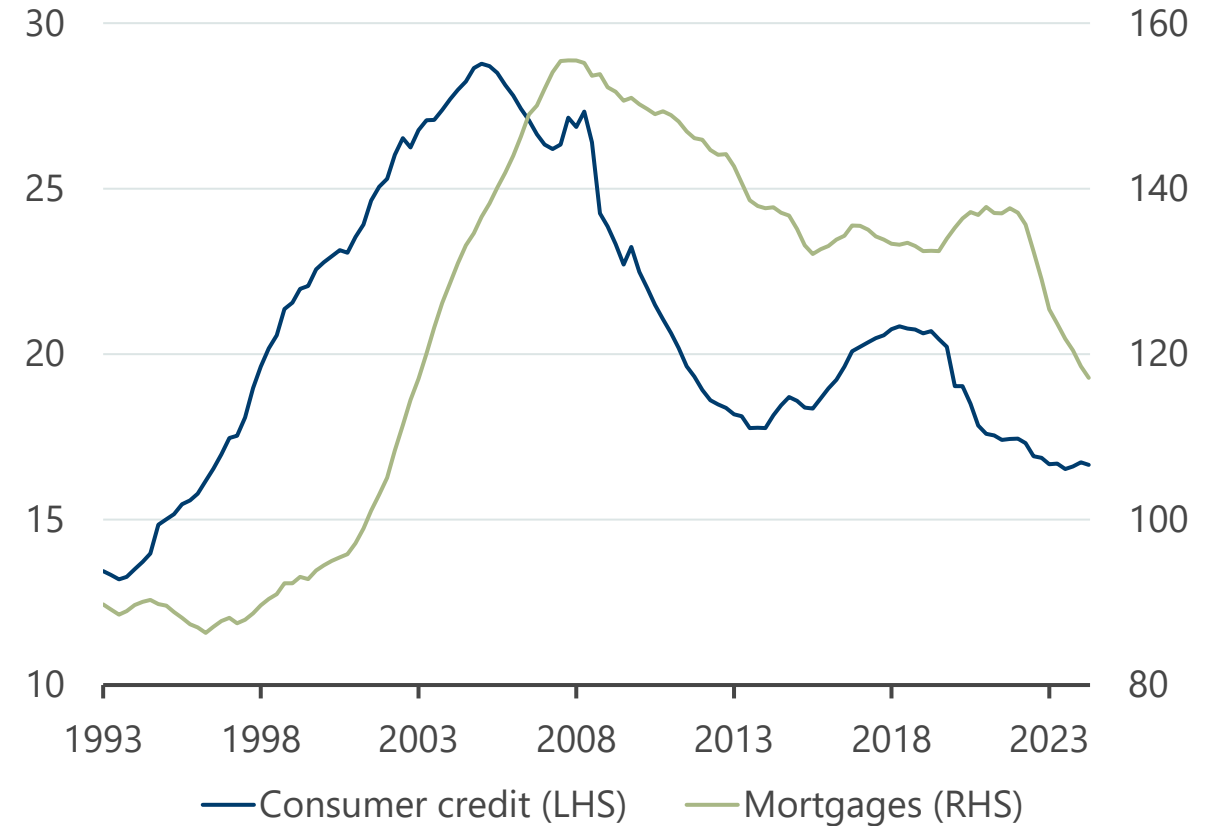
The UK consumer: Leverage low vs history

UK savings ratio remains high and leverage low

Household saving¹



UK household debt by type as a % of gross disposable income²



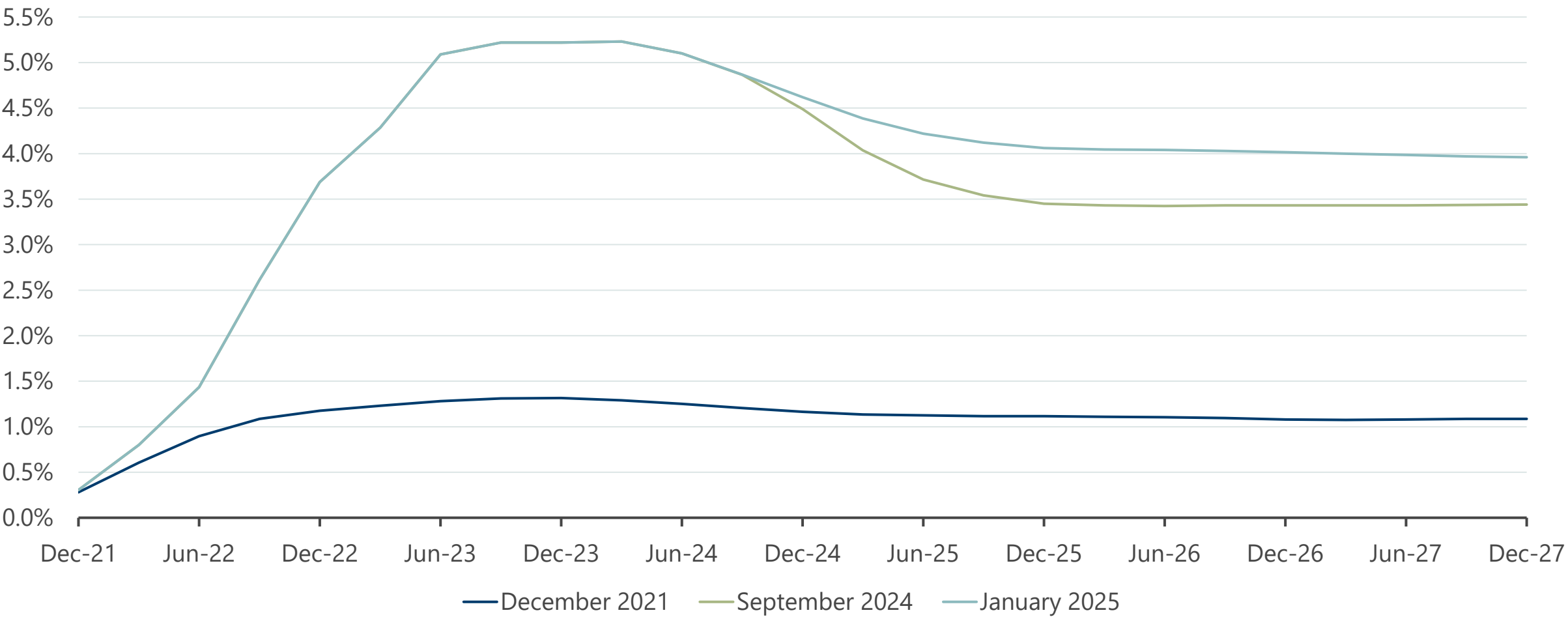
Every 1% decrease in savings ratio is circa £15bn of additional spending

Source: ¹Bloomberg as at 30 September 2024. ²ONS, BoE as at 30 September 2024..

UK Interest rate expectations

Market expectations closer to the US than the Eurozone

Market interest rate expectations



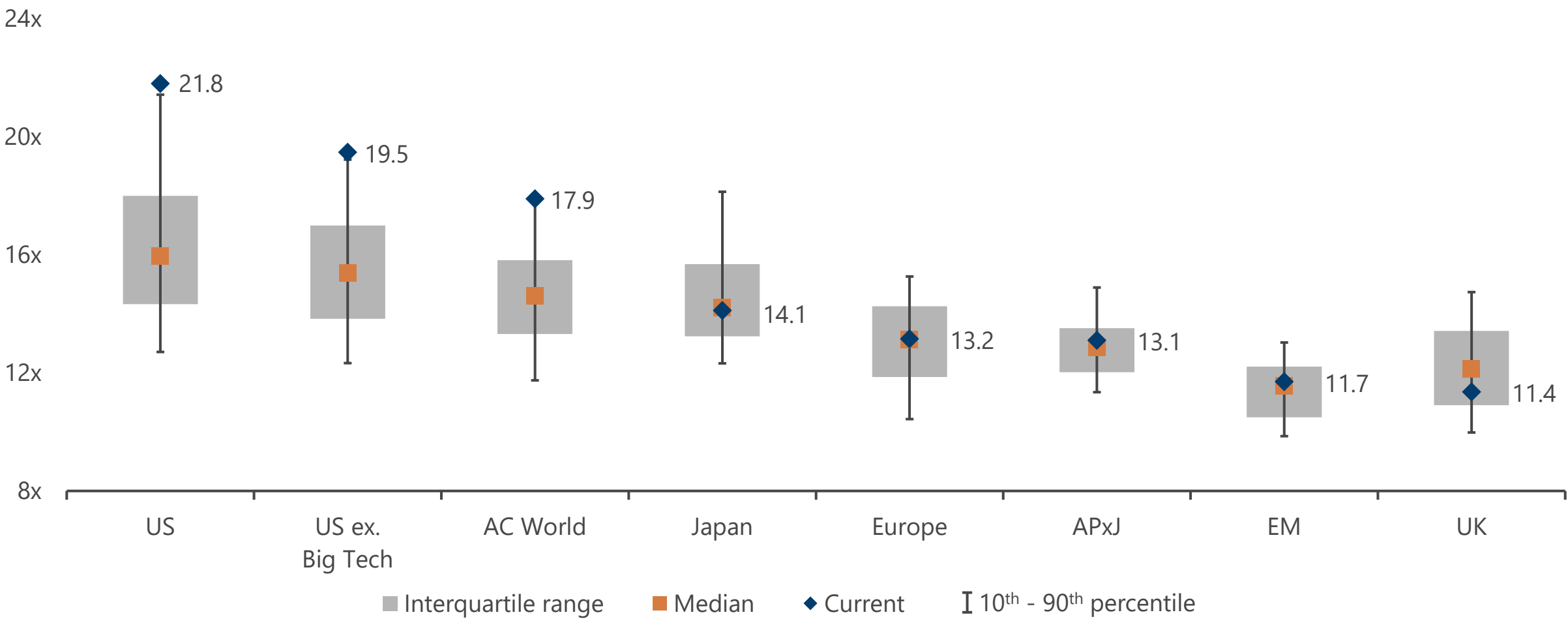
Source: Lazurus Economics, Refinitiv as at 22 January 2025.

UK market outlook



World equity markets valuations versus history

12m forward P/E ranges over last 20 years

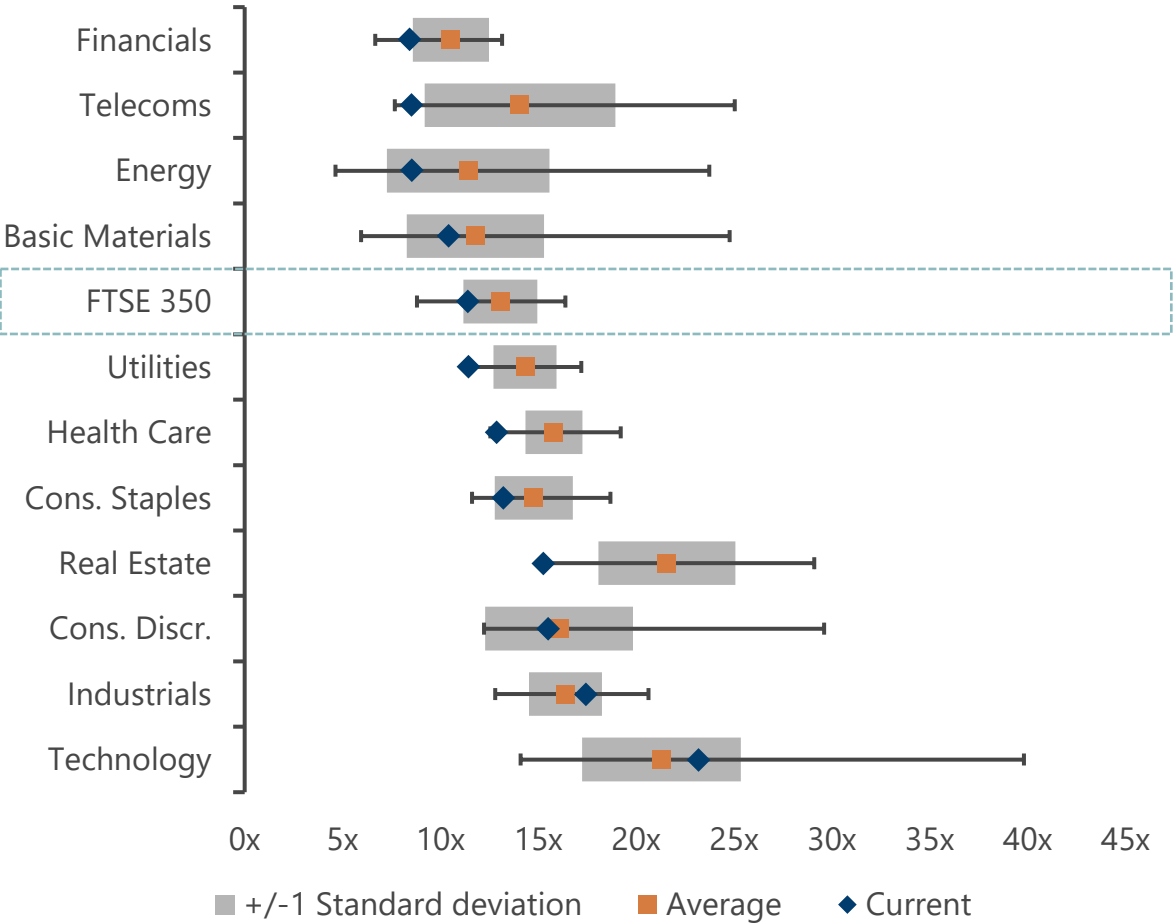


Source: Goldman Sachs as at 4 January 2025.

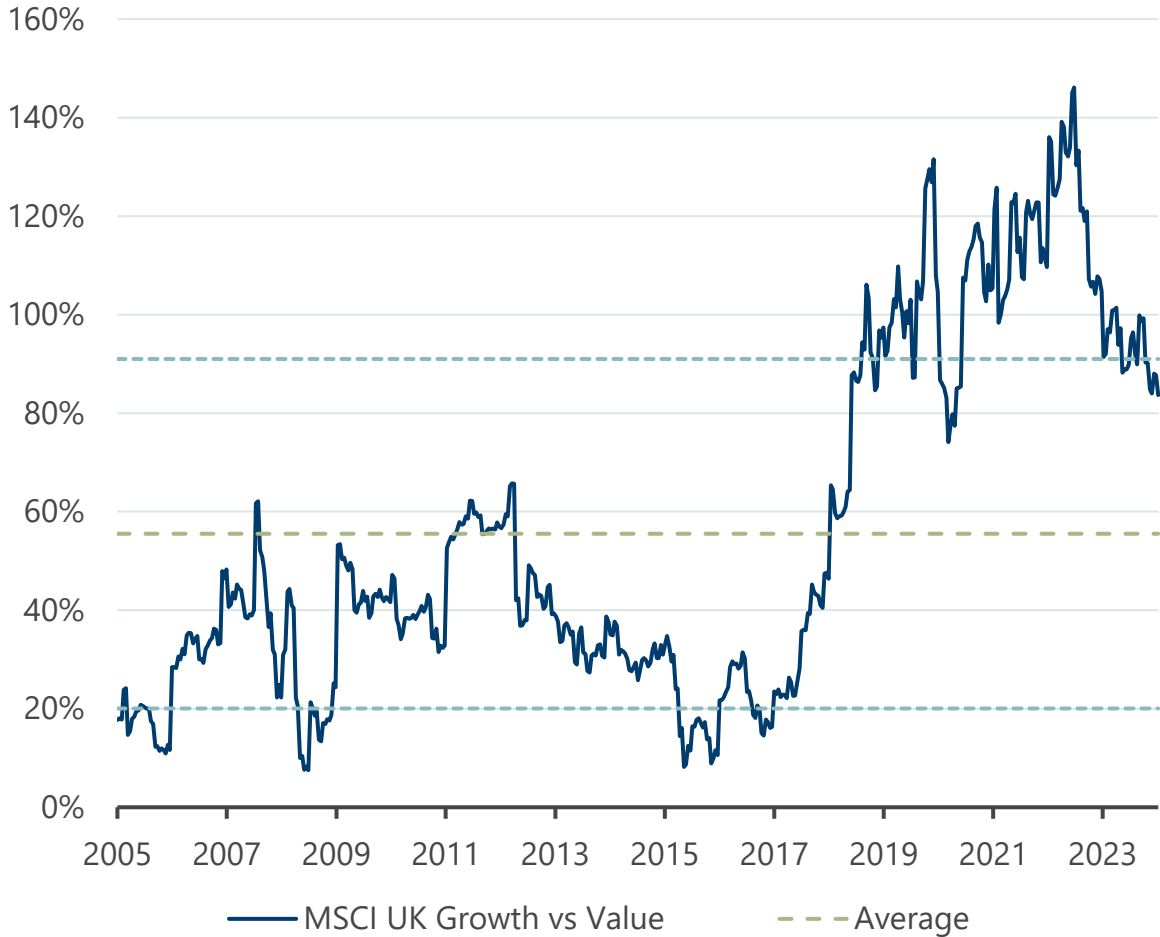
UK valuation dispersion remains wide

Higher risk free rates driving multiple compression

12m forward P/E over the past 10 years

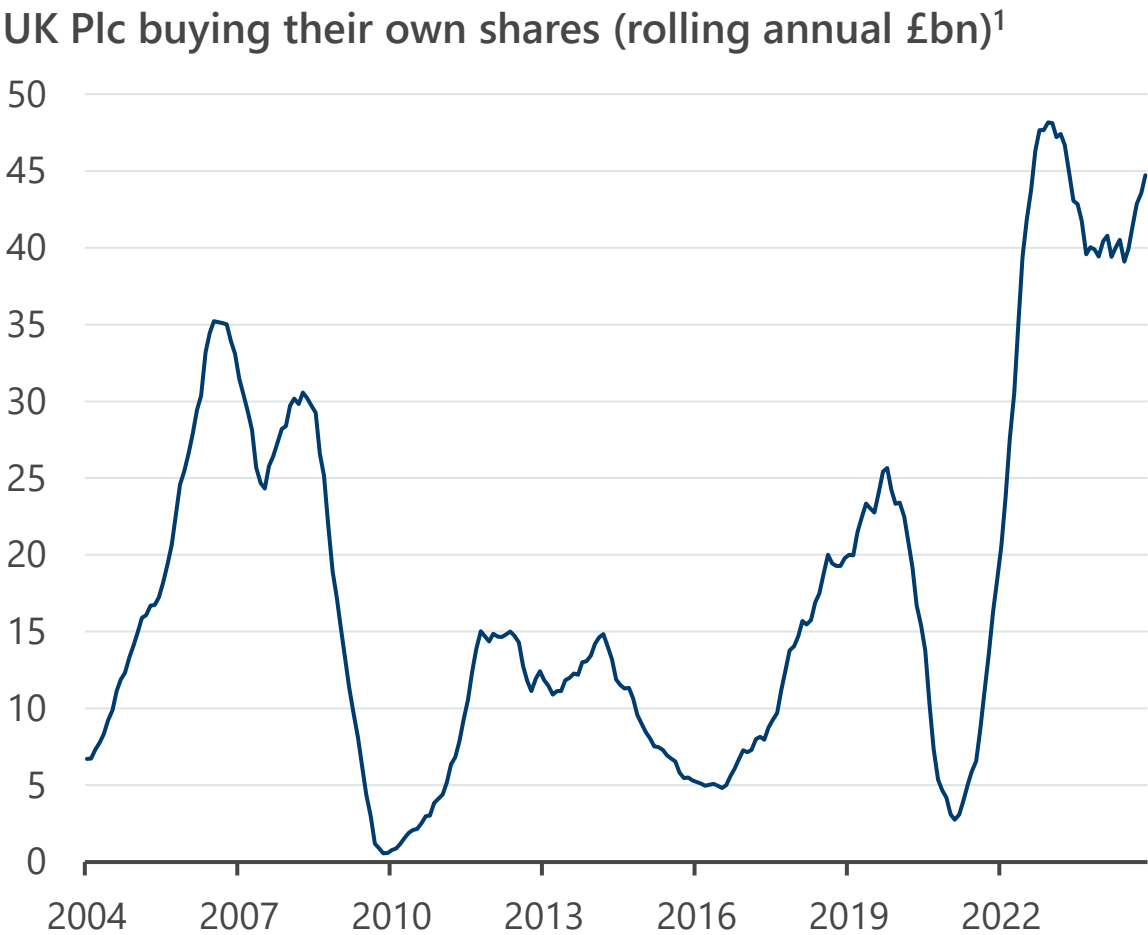


12m forward P/E premium/discount

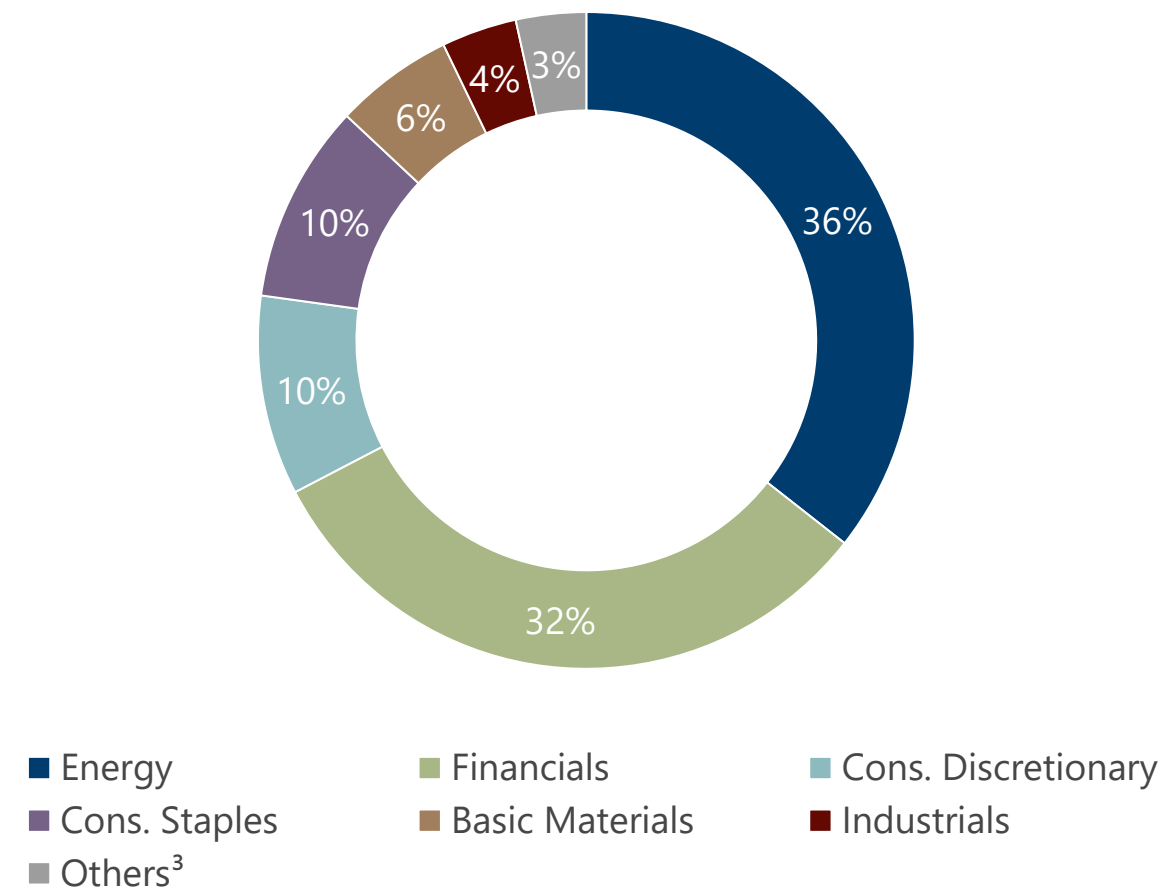


Source: Goldman Sachs as at 4 January 2025.

UK equities: Are there any buyers?



Share of net buybacks – FTSE 350²



Source: ¹Haver Analytics and Goldman Sachs Research as at 30 November 2024. ²Datastream, Goldman Sachs Global Investment Research as at 31 December 2024. ³Others = Telecoms, Utilities, Real Estate, Tech and Healthcare.

UK equities: Are there any buyers?

Inbound M&A – strategic buyers & private equity –
\$60bn in 2024



Companies who have relisted...



Source: DB Numis as at 1 January 2025. Image source: brandsoftheworld.com.

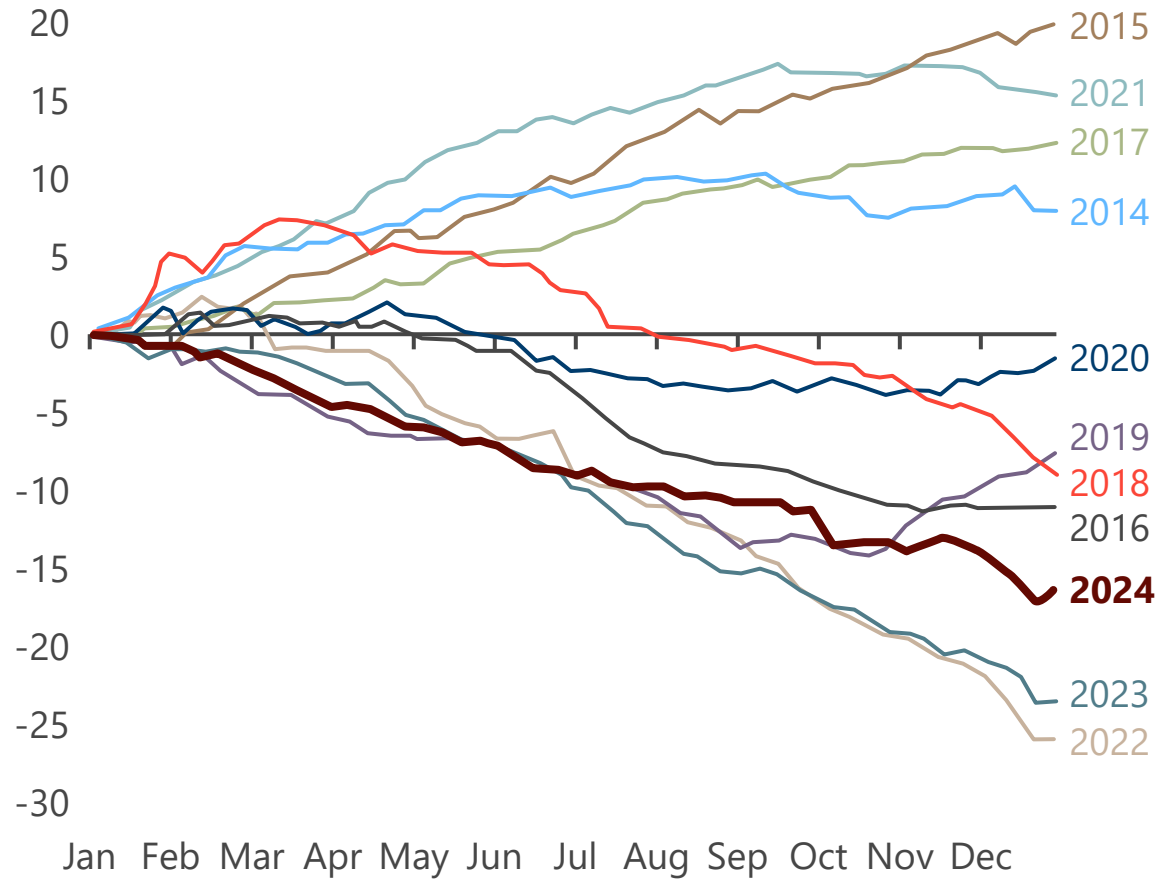
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

UK equities: Are there any buyers?

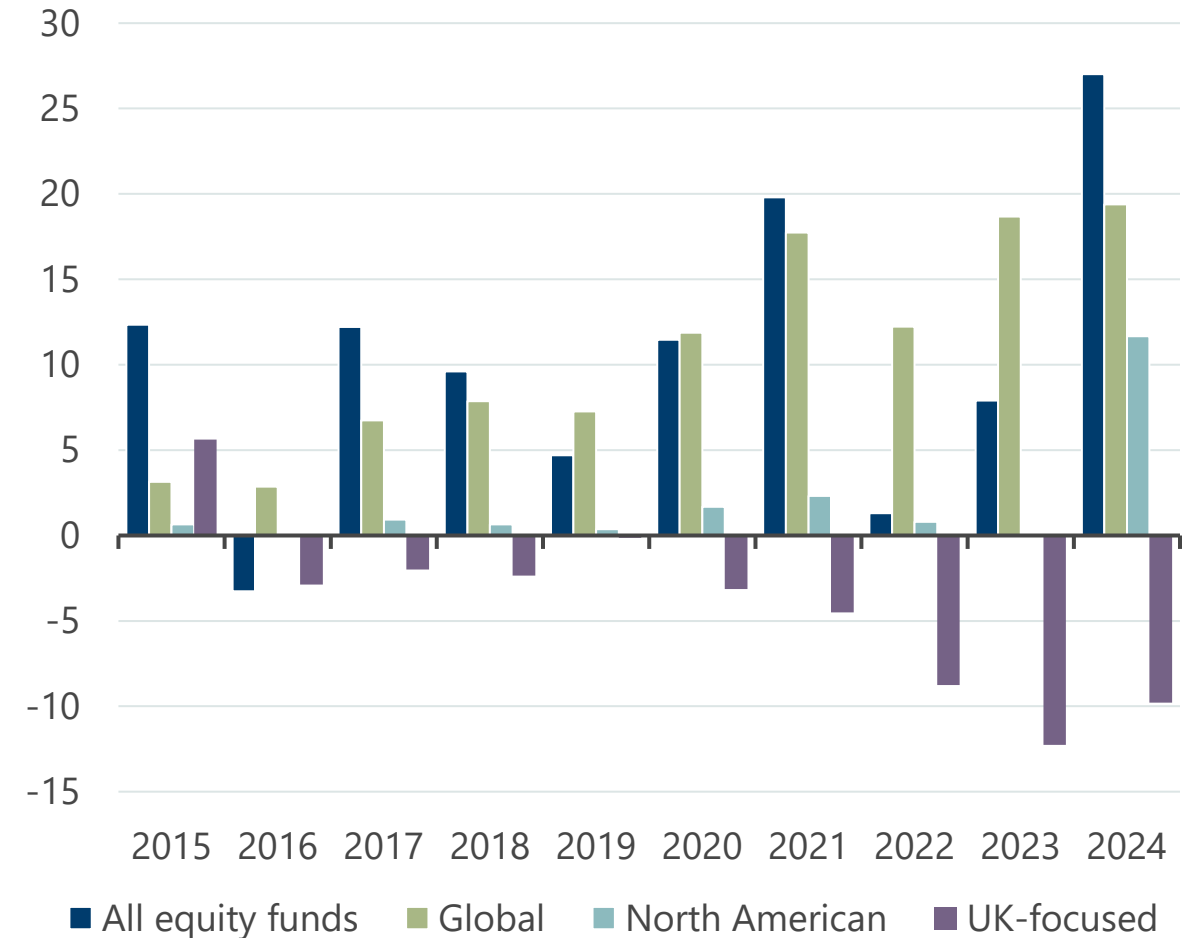
Flows picture remains weak

Global institutional investor selling slows¹

Weekly flows, EPFR country flows, £bn



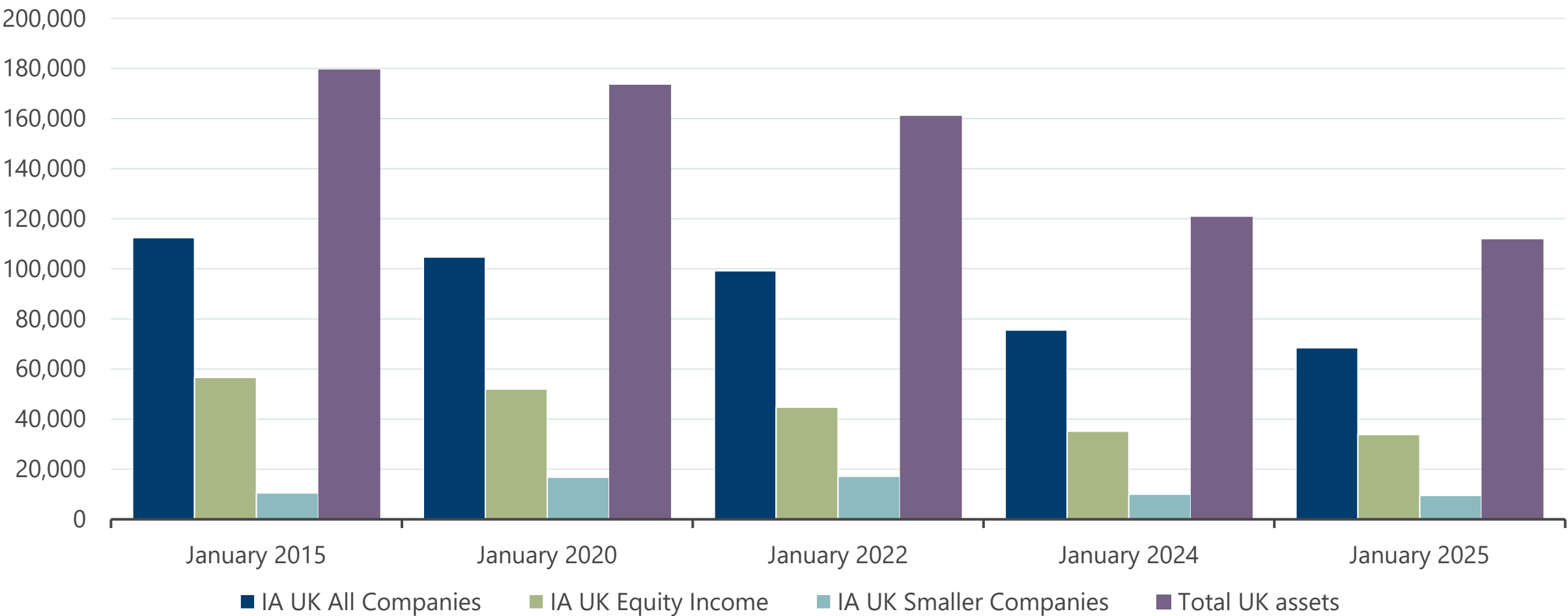
Domestic outflows continue (£bn)²



Source: ¹EPFR, Haver Analytics, Goldman Sachs Investment Research as at 31 December 2024. ²Calastone as at 12 January 2025.

UK equities: Are there any buyers?

UK wholesale active equity assets



Source: IA Echoweb as at 14 January 2025.

Stock views



Sector view: Big banks – *still* early spring for the sector



Why we them?

- Still under appreciate their stability
- 15+ years in the sin bin, 3 years into rehabilitation

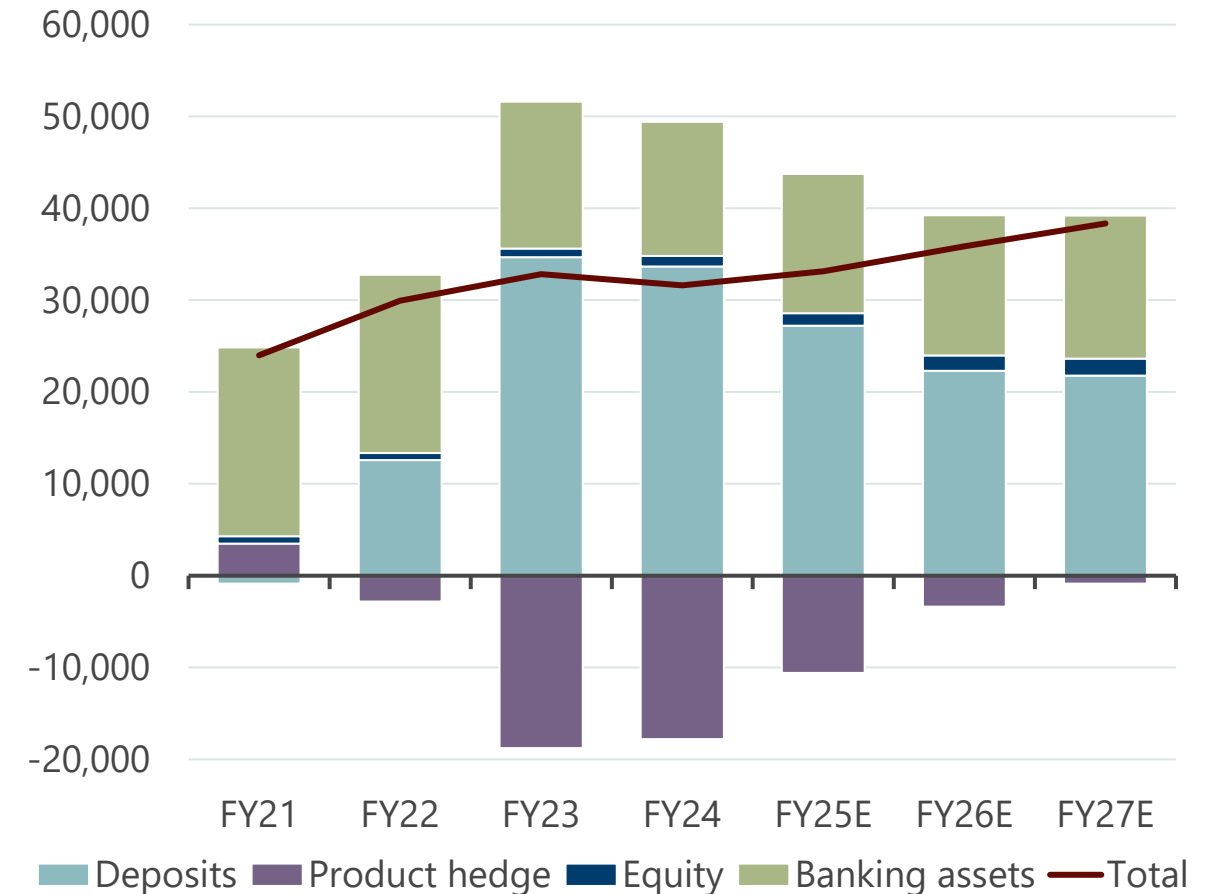
Difference from consensus

- Deposits are calm, asset pricing near effective floor
- Its all about the hedge
- Asset quality at career lows
- Pre provision profits near career highs
- Capital returns to continue
- Regulator onside (delay: Basel 3.1/FRTB, FCA/Chancellor submissions on motor to Supreme Court)
- Capital intensity of income streams misunderstood

Risks

- Geopolitics/oil – growth shock = rates collapse
- Unemployment/politics

Income drivers and changes for combined NatWest, Lloyds, and Barclays UK



Source: Jefferies as at 20 January 2025. Image source: brandsoftheworld.com.

Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

UK bank capital distribution capacity

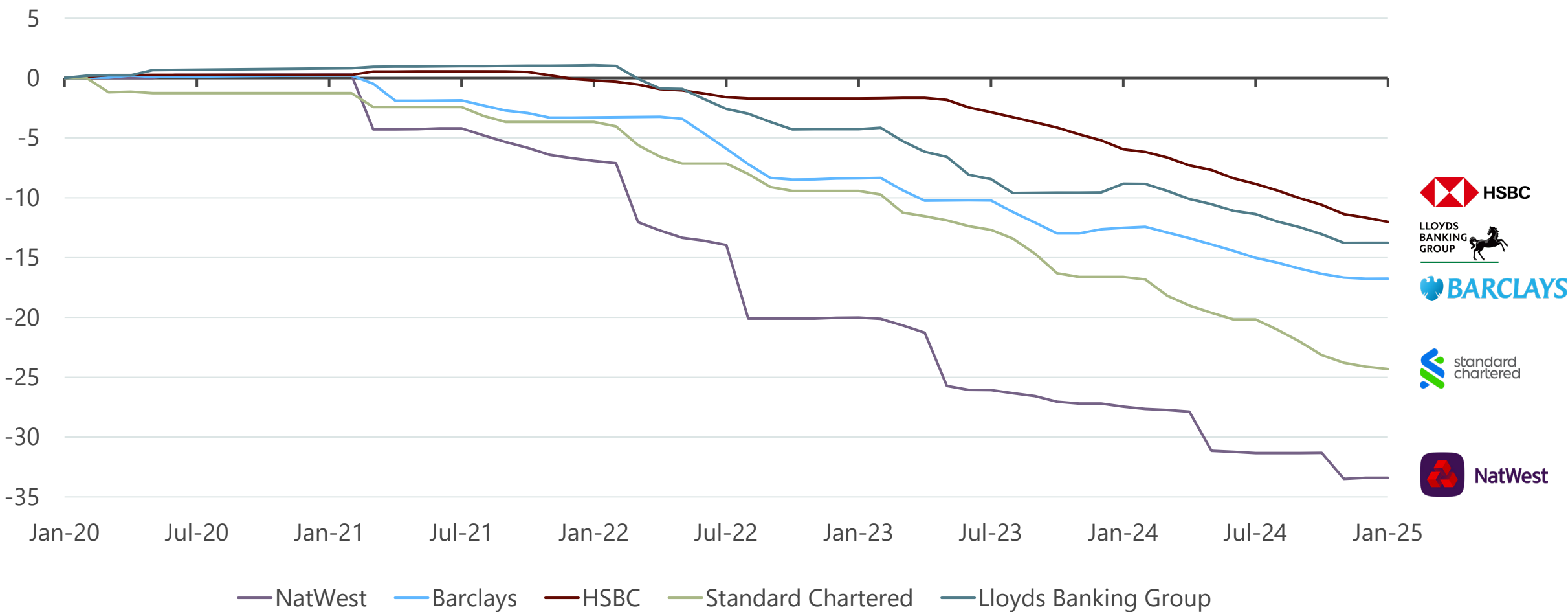
	Share price		2023	2024	2025E	2026E	2027E
 BARCLAYS	282p	Total distribution yield	6.9%	7.2%	8.3%	10.7%	17.1%
		Dividend yield	2.8%	3.0%	3.1%	3.3%	7.0%
 LLOYDS BANKING GROUP	57p	Total distribution yield	10.3%	11.1%	10.3%	17.5%	19.7%
		Dividend yield	4.8%	5.4%	5.7%	7.3%	8.7%
 NatWest	406p	Total distribution yield	9.9%	11.6%	8.9%	12.7%	14.8%
		Dividend yield	4.2%	4.9%	5.2%	7.1%	8.1%
 HSBC	814p	Total distribution yield	11.0%	14.8%	13.5%	14.6%	–
		Dividend yield	6.1%	8.9%	7.3%	7.9%	–
 standard chartered	1063p	Total distribution yield	7.9%	11.1%	9.2%	11.9%	–
		Dividend yield	2.1%	2.2%	2.2%	2.3%	–

Source: Jefferies as at 16 January 2025. Image source: brandsoftheworld.com.

Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

UK bank share count reductions last 5 years

Current shares outstanding (% change)



Source: Bloomberg as at 17 January 2025. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Stock view: WH Smith

Why we like it?

- 85% profits from travel
- Should be low double digit top line growth
- Growing global travel retailer, product expansion nearly as important as space
- Market share in US c.12%
- RoW airport wins = densification = improved margin

Difference from consensus

- Mix effect drive US LFL turnaround
- Sustainability of SBB
- Win rate in the US >50%

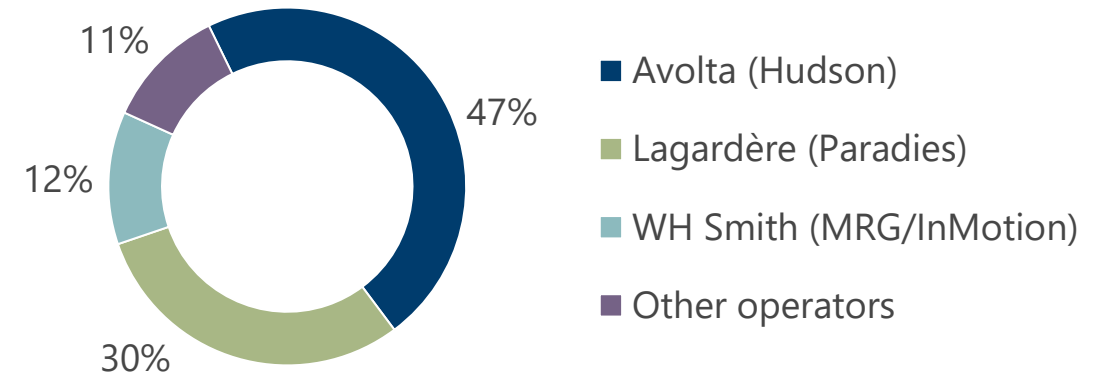
Valuation

- P/E: 12.6x, and 11.3x August 2025 and 2026 (17x median pre covid)
- Div yield: 3.1% and 3.5% 2025, 2026 with SBB on top

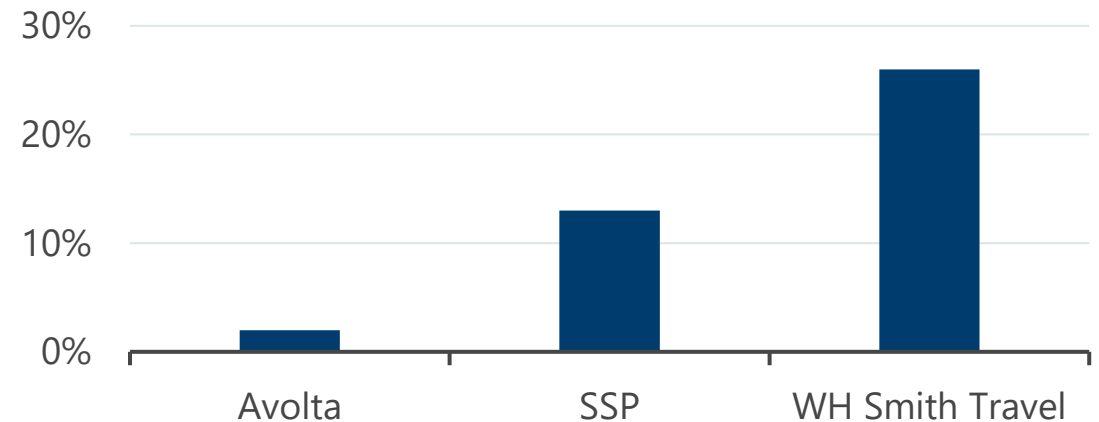
ESG/risks

- US airport wins not hitting expectations
- UK high street limited, but £32m PBT 2024

Estimated North America travel retail airport convenience market share, 2023¹



Travel retail estimated space growth, 2024E vs 2019¹



Source: Artemis/Bloomberg as at 22 January 2025. ¹Company reports, JP Morgan estimates. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Positioning

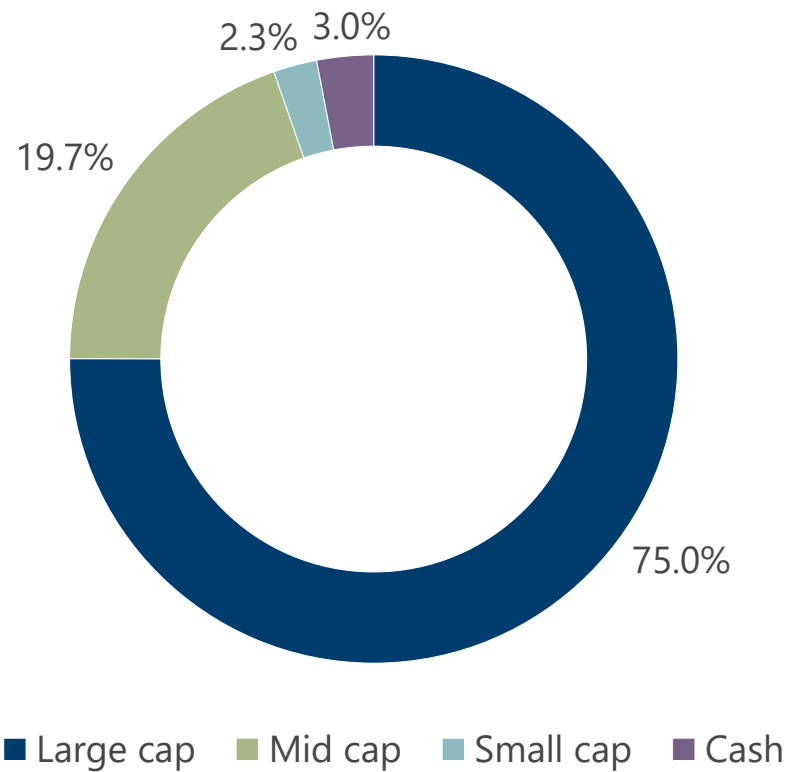


Positioning

Valuation metrics vs benchmark¹

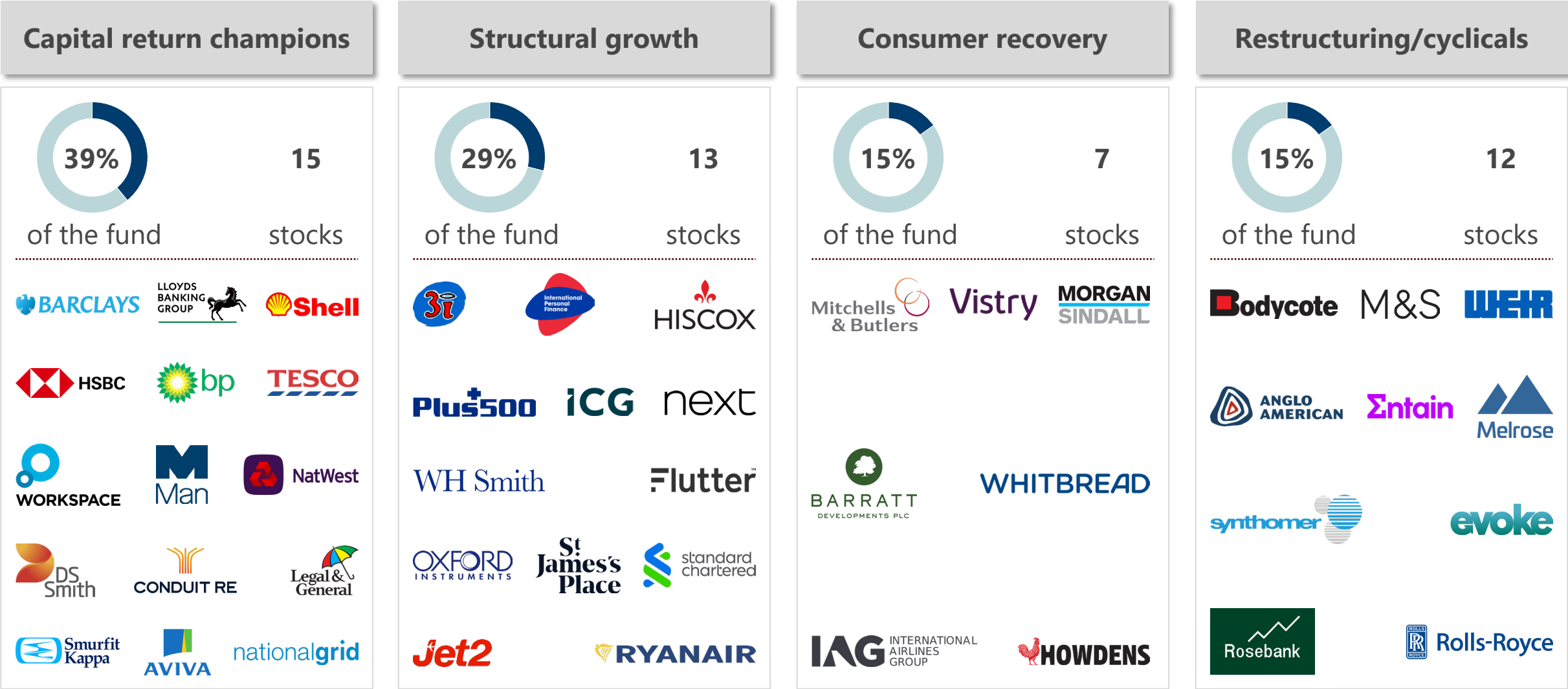
	Artemis UK Select Fund	FTSE All-Share
P/E ratio	9.7	11.4
Dividend yield (%)	3.6	4.0
EV/EBITDA	4.0	6.0

Market cap breakdown²



Source: ¹Bloomberg as at 21 January 2025. ²Artemis as at 31 December 2024.
Note: as per Bloomberg’s Index Method which is only available only for certain equity fields, such as price ratios and growth ratios, with the Index Method, calculation of the aggregate price to earnings ratio includes companies with negative earnings.

A thematic view



Source: Artemis, Bloomberg as at 17 January 2025. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Positioning

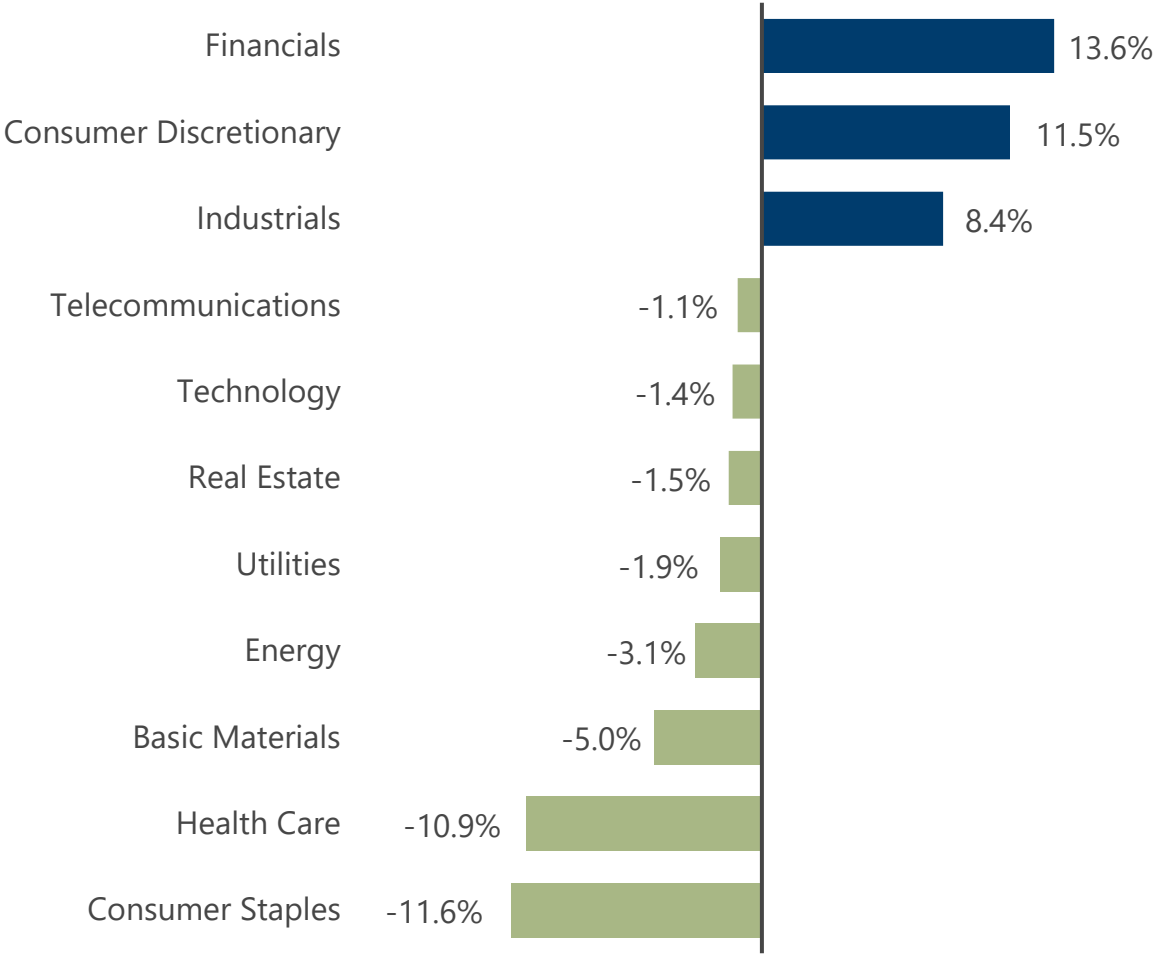
Top 10 holdings

Barclays	5.9%
Standard Chartered	5.7%
NatWest	5.3%
Rolls-Royce	4.8%
International Airlines Group	4.4%
3i	3.9%
Shell	3.4%
HSBC	3.3%
Morgan Sindall	3.2%
Oxford Instruments	2.9%

Top 10 positions relative to the FTSE All-Share

Standard Chartered	4.9%
Barclays	4.3%
NatWest	4.1%
International Airlines Group	3.9%
Morgan Sindall	3.2%
Oxford Instruments	2.9%
Rolls-Royce	2.7%
Smurfit Westrock	2.6%
Melrose Industries	2.6%
3i	2.5%

Sector breakdown relative to the FTSE All-Share



Artemis UK Select

Reasons why

Concentrated multi-cap
'**best ideas**' UK equity
fund targeting long-term
capital growth



UK macro uncertainty higher than in 2024

**Valuation of UK equities low
vs both history and peers**

**Stock dispersion remains high – capital/balance sheet
intensive businesses exceptionally cheap**

**Flows out of UK have been a significant headwind
particularly for small/midcaps**



Appendix



Stock view: Oxford Instruments

Why we like it?

- World leader in scientific instrumentation for nano-technology research and production – a rapidly growing area of material science
- 75% of end markets have seen trends accelerated by Covid
 - Compound semiconductors – EV charging, 5G
 - Quantum computing
 - Healthcare and life science
 - Re-shoring of semiconductor supply chain

Difference from consensus

- New management bringing increased focus to operational improvement
- Move from research R&D to commercial R&D and Production
- Likely M&A target – Spectris bid £31 a share vs £22 today

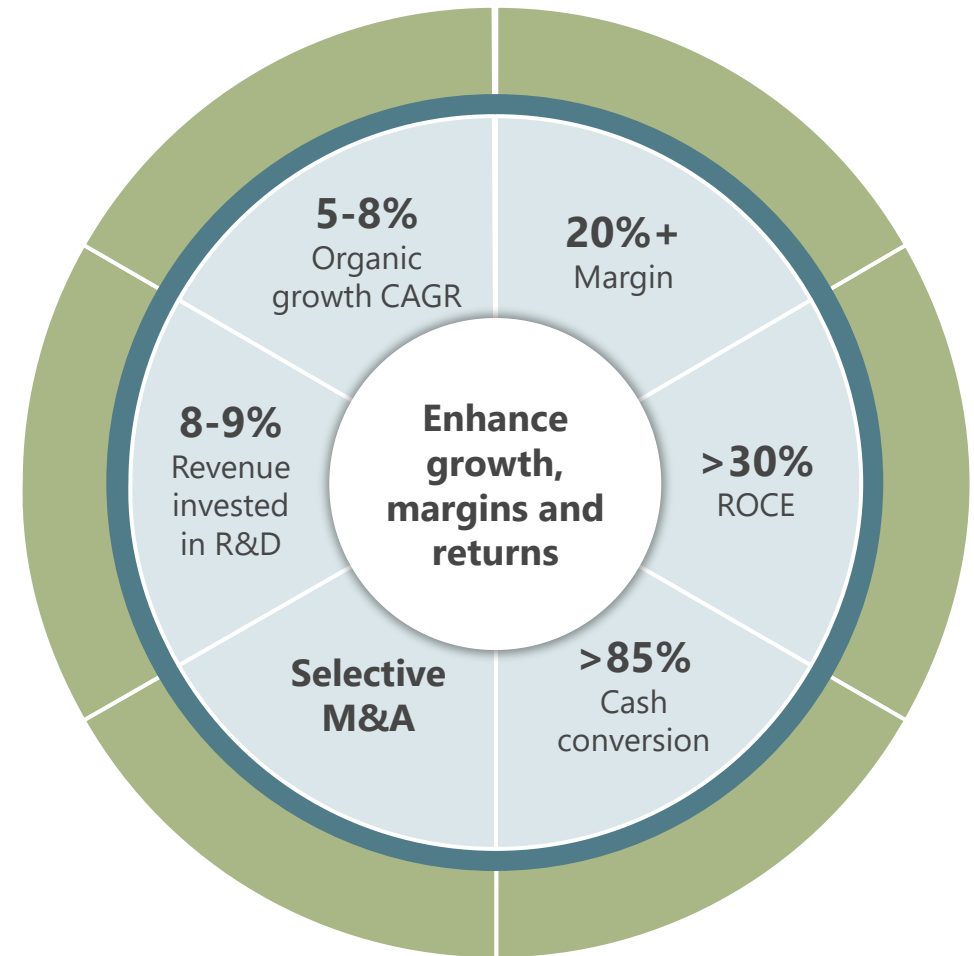
Valuation

- P/E 19.5x March 2025, P/E 18.2x March 2026

ESG/risks

- Regulation on technology transfer (China)
- Re-organisation offers potential for disruption

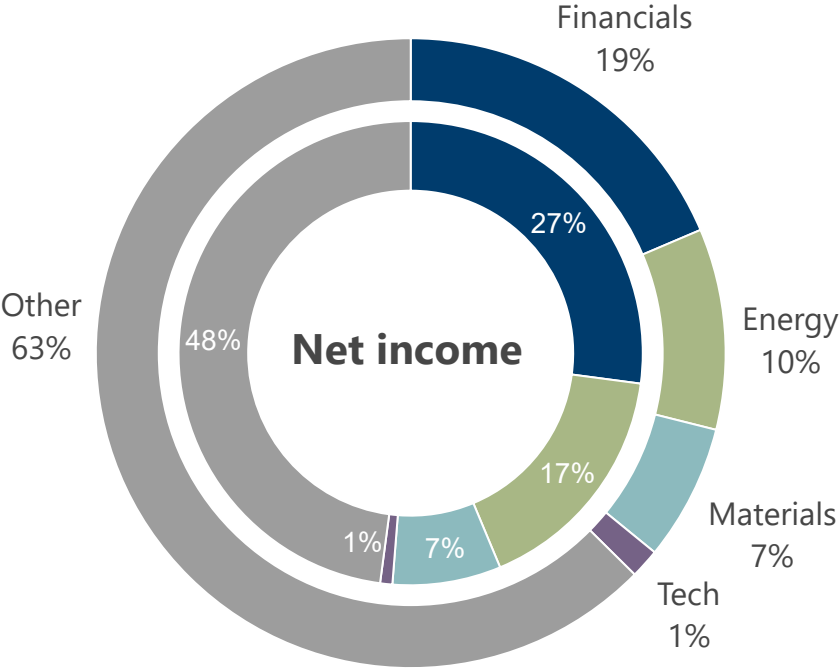
Re-focusing business onto core competencies¹



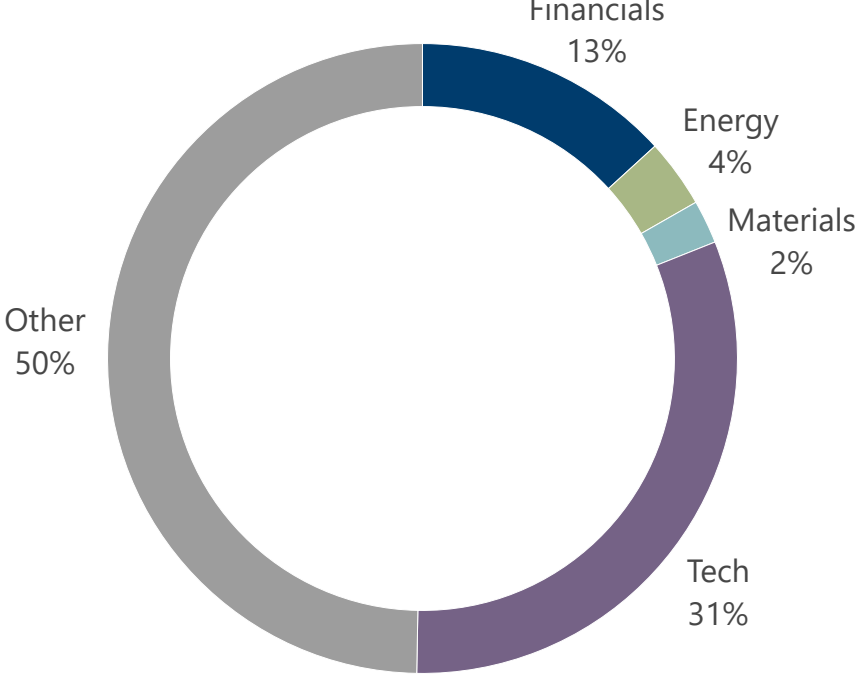
Source: Artemis/Bloomberg as at 20 January 2025. ¹Oxford Instruments full year results presentation as at 11 June 2024. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

UK sector exposure – by net income more extreme

FTSE All-Share sector exposure



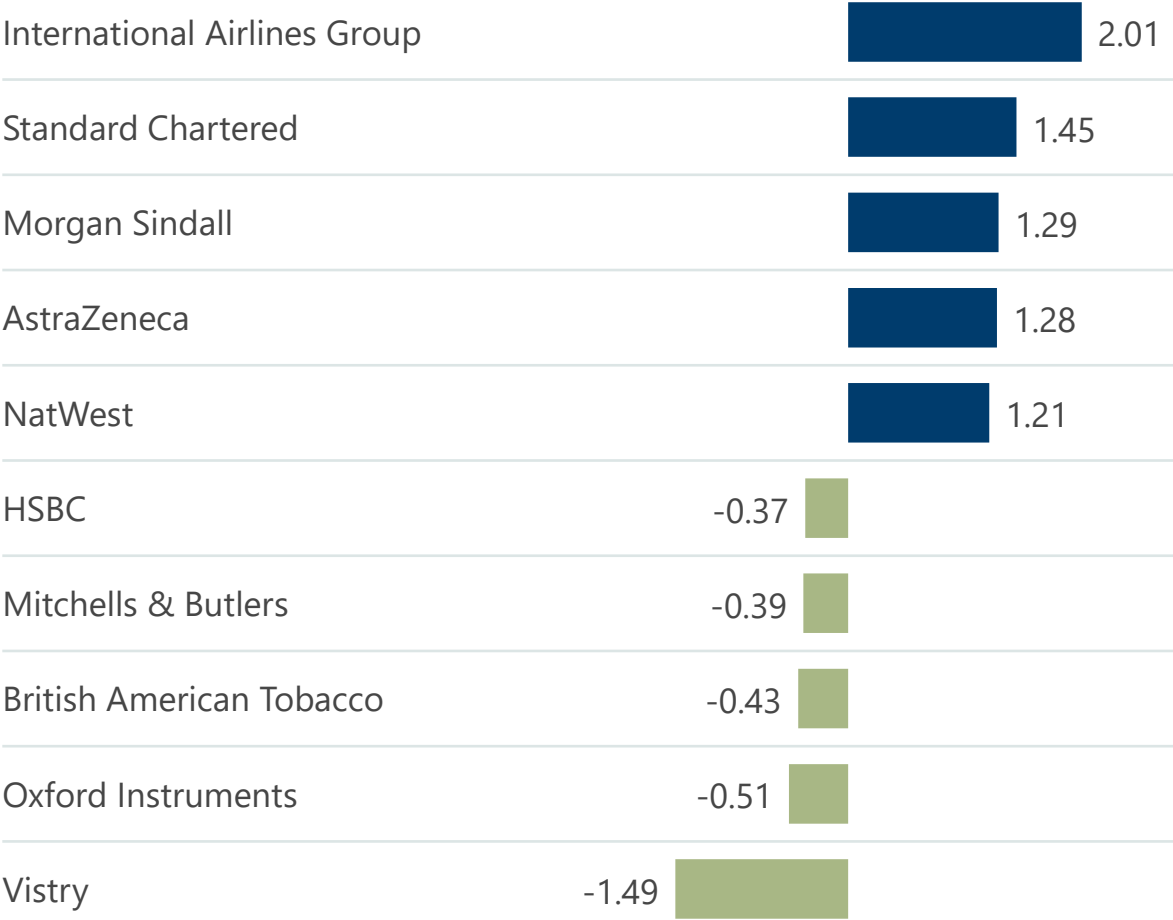
S&P 500 sector exposure



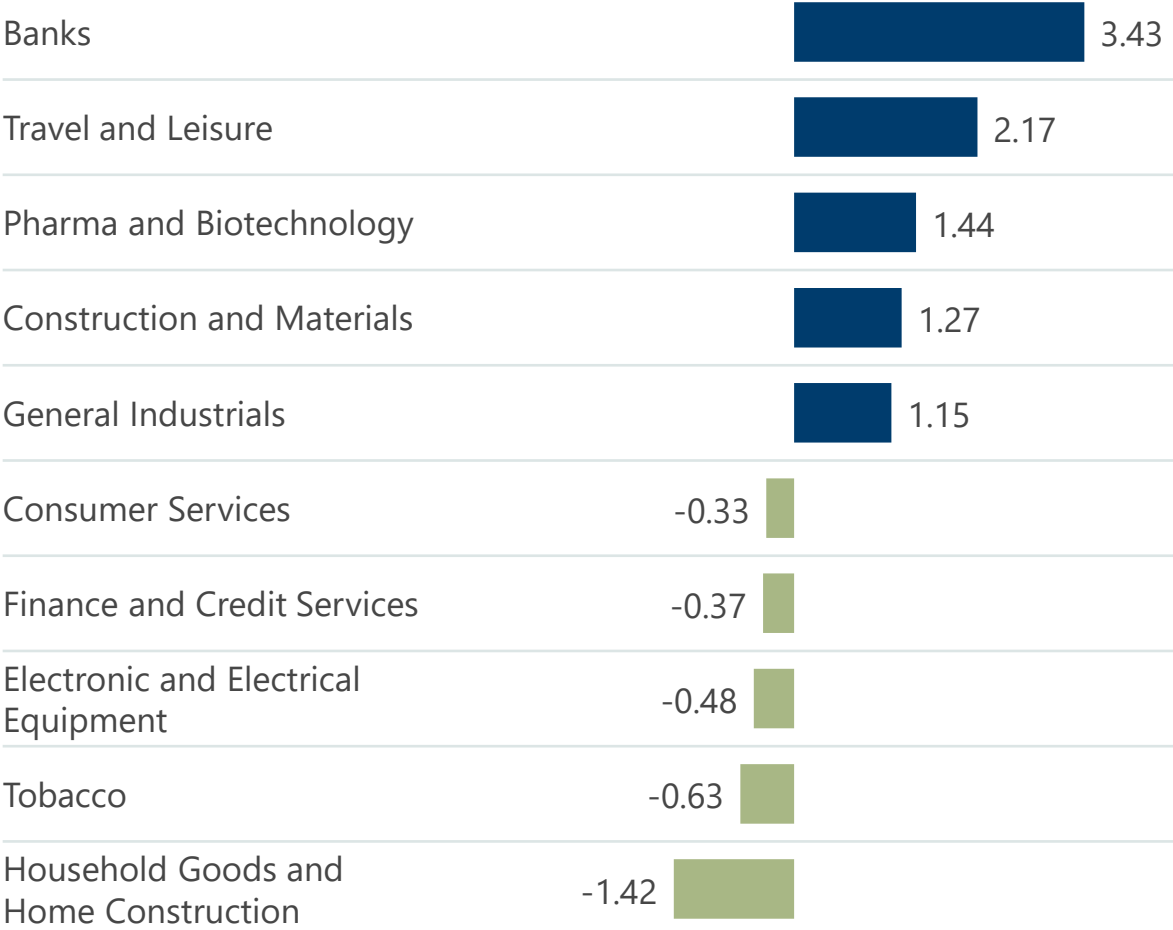
Source: FactSet as at 31 August 2024.

6 month attribution (%)

Stocks



Sectors



Source: Artemis as at 31 December 2024. Benchmark is the FTSE All-Share Index.
Note: short positions are highlighted in red.

Transactions

Top purchases – 3 months

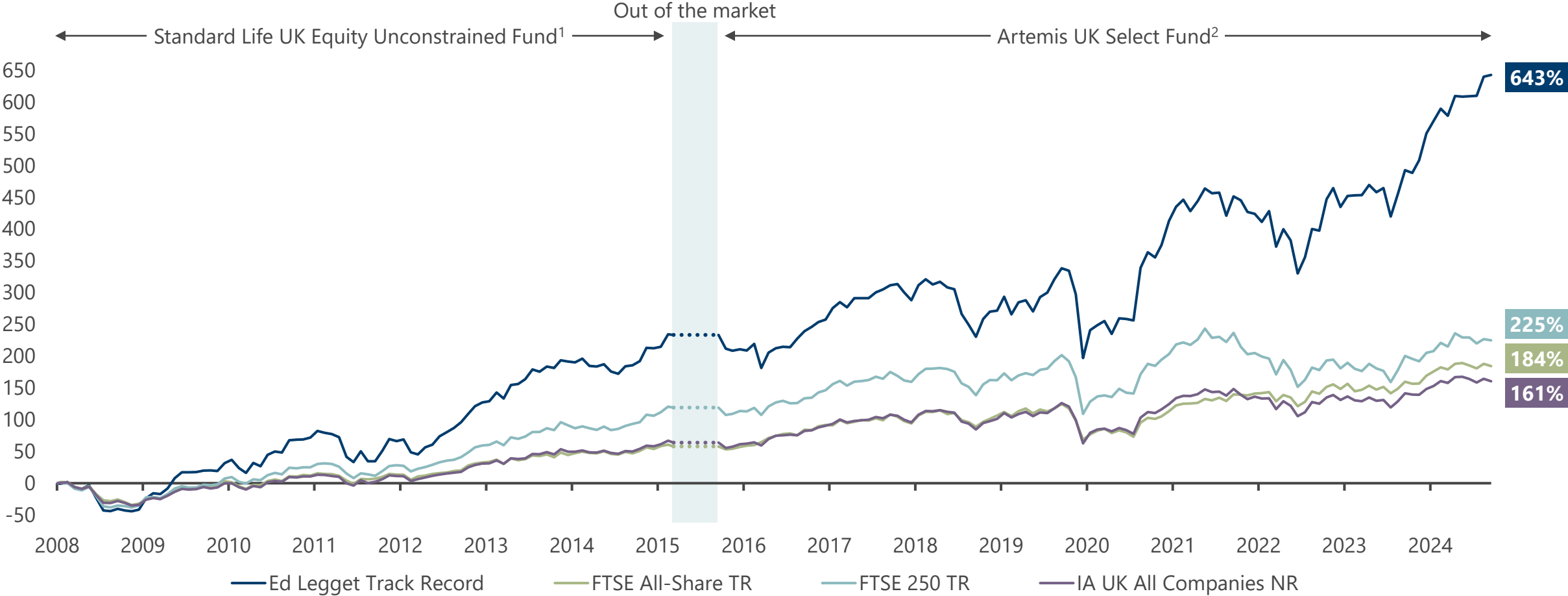
	% trans.
St James's Place	1.69%
Aviva	1.31%
Smurfit Westrock	1.03%
Standard Chartered	1.02%
Lloyds Banking Group	1.00%
HSBC	0.94%
Barclays	0.86%
Intermediate Capital Group	0.80%
Tesco	0.75%
Rolls-Royce	0.73%

Top sales – 3 months

	% trans.
DS Smith	-1.02%
Quanex Building Products	-0.09%

Source: Artemis as at 31 December 2024.
Note: M&A transactions are highlighted in blue. Short positions are highlighted in red.

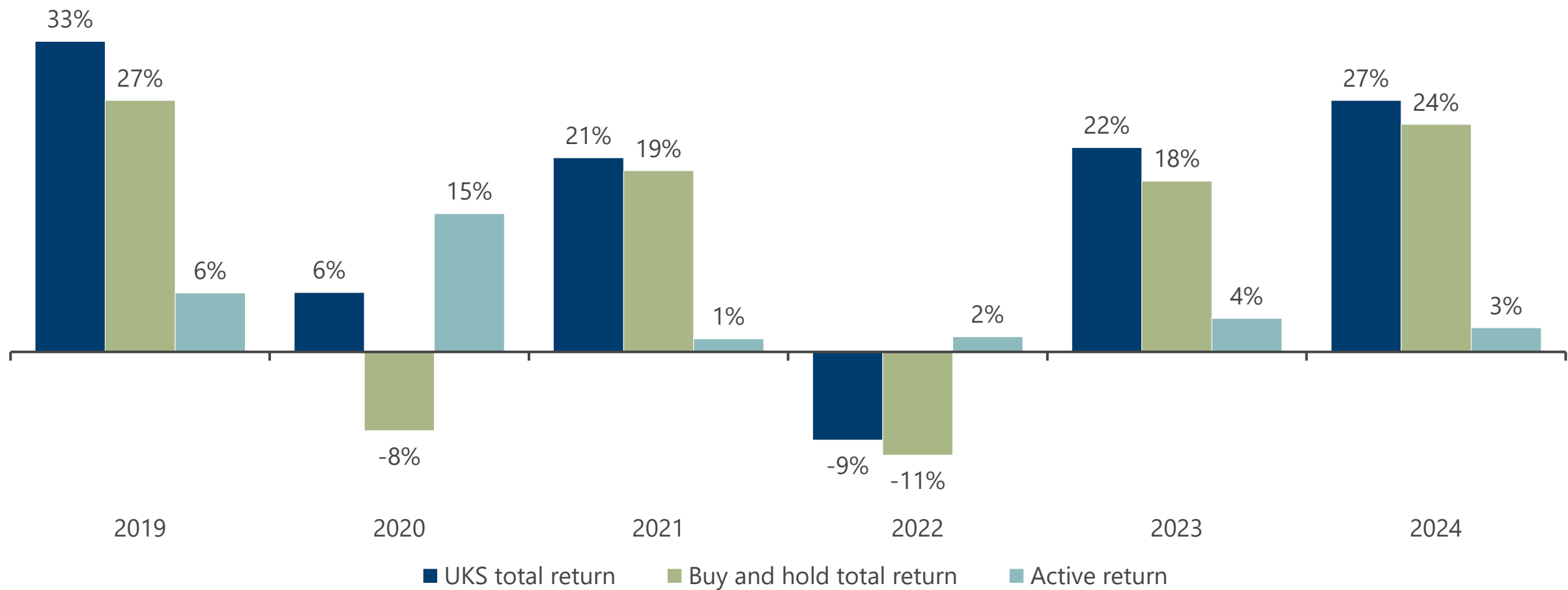
Ed Legget: Historic track record



Past performance is not a guide to the future. Source: ¹Lipper Limited, class I accumulation shares, bid to bid in GBP from 18 April 2008 to 22 June 2015. ²Lipper Limited, class I accumulation units in GBP from 31 December 2015 to 31 December 2024. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. This class may have charges or a hedging approach different from those in the IA sector benchmark. Dotted lines represent the period in which Ed Legget was not managing funds.

Trading analysis – activity

Performance of buy and hold portfolio vs Artemis UK Select Fund: Annual periods



Past performance is not a guide to the future. Source: FactSet/Artemis as at 31 December 2024. Data shows actual returns for Artemis UK Select Fund, buy and hold portfolio assuming Artemis UK Select Fund is static from start of each discrete year. Active return shows performance for Artemis UK Select Fund vs buy and hold portfolio.

UKS135

42

Climate change and the environment at Artemis

Climate change is a material risk and opportunity for many of the companies we invest in on behalf of our clients and as such our fund managers assess, monitor and manage its impact within portfolios.

Artemis aims to reduce its carbon footprint as part of a long-standing commitment to behaving responsibly as a business.

How we relate to the world beyond fund management is a part of the distinctive Artemis culture and partnering with environmental charities is core to our Foundation.



Artemis as an employer

Conscious of our environmental impact as consumers of the earth's scarce resources:

- Environmental working group established with an aim to improve our operational energy efficiency
- Workshops to engage staff in supporting efforts to become more sustainable

Partnered with Planet Mark since 2019 to obtain annual environmental certification:

- Commitment to measure our annual carbon footprint and reduce over time
- Annual operational emissions are offset via carbon credits which are verified by Gold Standard, an industry-leading certification standard that is used to verify carbon offset projects



Artemis as an investor

As with all risks/opportunities, our analysis of climate risk is rooted in the investment case:

- Engagement with the boards of investee companies
- How we vote at company AGMs
- Assessing climate risk in portfolios

Actively participate in and are signatories to the:

- Net Zero Asset Managers initiative
- Institutional Investors Group on Climate Change
- Climate Action 100+
- UN-backed Principles for Responsible Investment
- Transition Pathway Initiative supporter

The Net Zero Asset Managers initiative



Artemis in the wider world

The environment is one of the Artemis Charitable Foundation's core themes:

- Focused on increasing the share of donations to environmental causes
- Our donations principally reflect the urgent need to address the climate crisis and biodiversity loss across the natural world

Key beneficiaries include:

- River Action UK



Diversity, equity and inclusion at Artemis

We embrace difference: different backgrounds, ideas, opinions, experience and approaches create our advantage.

This applies to how we: operate our investment strategies and run our business.



Artemis as an **employer**

Diversity, equity and inclusion is integrated into our business through:

- Our corporate values
- Policies to attract, retain, reward and develop our people

Our partners and associations include:

- 10,000 Black Interns
- 30% Club mentoring scheme
- Arrival Education
- Future Asset
- Investment 20/20
- LGBT Great
- Progress Together
- The Diversity Project
- Women in Finance Charter



Artemis as an **investor**

We encourage diversity of thought in the companies we invest in through:

- Engaging with the boards of investee companies
- How we vote at company AGMs

Industry initiatives include:

- The Investment Association's policy work
- The Investor Forum
- Signatory to the UK Stewardship Code
- UN-backed Principles for Responsible Investment

Signatory of:



Artemis in the **wider world**

Improving equality of opportunity is integrated into our charitable activities through:

- The Artemis Charitable Foundation – £13m donated since 2007
- Volunteering opportunities for our people – 30% of our people volunteered in 2023

Our partners and associations include:

- Brass for Africa
- City Harvest
- Shivia



Important information

FOR PROFESSIONAL INVESTORS AND/OR QUALIFIED INVESTORS AND/OR FINANCIAL INTERMEDIARIES ONLY. NOT FOR USE WITH OR BY PRIVATE INVESTORS. This is a marketing communication. Before making any final investment decisions, and to understand the investment risks involved, refer to the fund prospectus, available in English, and KIID/KID, available in English and in your local language depending on local country registration, from www.artemisfunds.com or www.fundinfo.com. CAPITAL AT RISK. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.

Investment in a fund concerns the acquisition of units/shares in the fund and not in the underlying assets of the fund.

Reference to specific shares or companies should not be taken as advice or a recommendation to invest in them.

For information on sustainability-related aspects of a fund, visit www.artemisfunds.com.

The fund is an authorised unit trust scheme. For further information, visit www.artemisfunds.com/unittrusts.

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 www.artemisfunds.com/third-party-data.

Any research and analysis in this communication has been obtained by Artemis for its own use. Although this communication is based on sources of information that Artemis believes to be reliable, no guarantee is given as to its accuracy or completeness.

Any forward-looking statements are based on Artemis' current expectations and projections and are subject to change without notice.

Issued by Artemis Fund Managers Ltd which is authorised and regulated by the Financial Conduct Authority.

