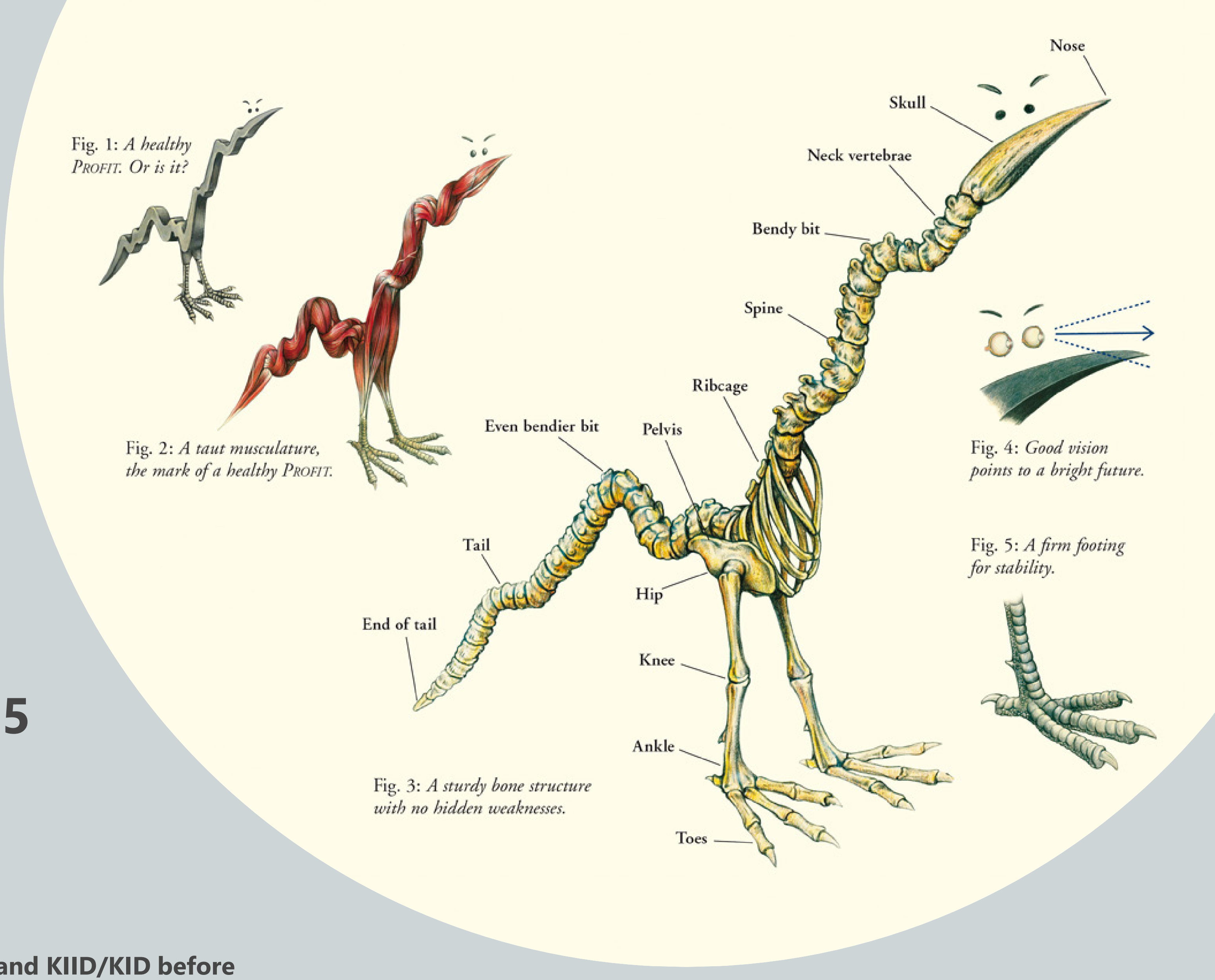
ARTEMIS
The PROFIT Hunter

Artemis UK Smaller Companies Fund

An Afternoon with Artemis 2025

Mark Niznik | William Tamworth



Fund facts

Artemis UK Smaller Companies Fund

A cash flow focused core small cap strategy

- A core **UK small cap strategy** designed to capture **small cap premium** and add **alpha through stock picking**
- Disciplined bottom up investment process focused on **sustainable**, **undervalued free cash flow**
- A **diversified**, **conservative** portfolio that produces **idiosyncratic returns**
- **25 year track record** of **2% annualised alpha**, proven in a **range of market environments**

Fund launch	April 1998
Fund, Strategy AUM	£467m
Benchmark	Deutsche Numis Smaller Companies (-InvTrust) TR
Management team	Mark Niznik, William Tamworth
Performance quartile, 1/3/5/10 years	Q1/Q1/Q1/Q1

Number of holdings	60-90
Active share	85%
Average holding period	3-5+ years
Median market cap	£540m
Alpha source	Stock selection

Past performance is not a guide to the future. Source: Artemis, Lipper Limited, class I accumulation units in GBP from 1 January 2011 to 31 January 2025. 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.

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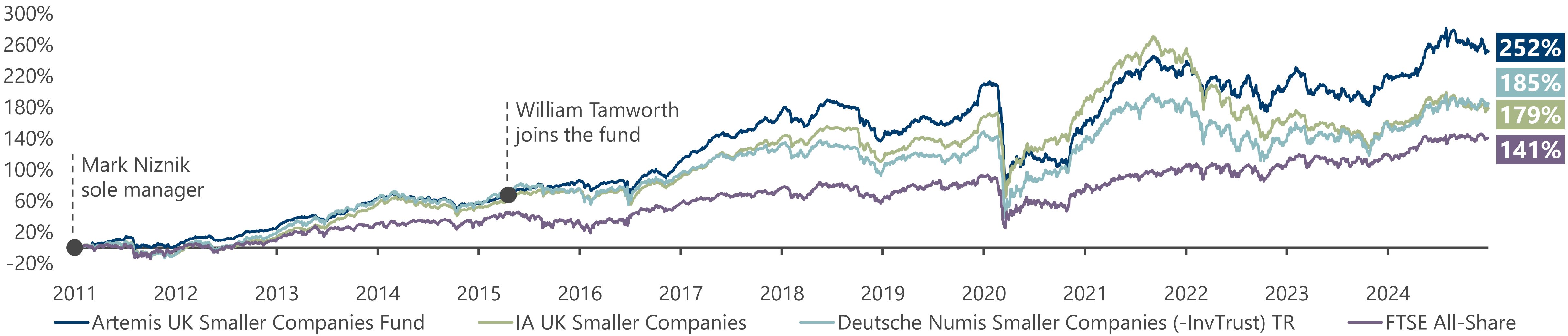
Strong long term performance

	Mark's track record 1997-2024	Since Mark appointed sole manager 2011-2024	Mark and William working together 2015-2024
Fund manager	11.4%	9.4%	8.0%
Deutsche Numis Smaller Companies (-InvTrust) TR	9.3%	7.8%	5.4%
Relative	+1.9%	+1.5%	+2.4%
Quartile peer group ranking[1]		1	1



Past performance is not a guide to the future. Source: Lipper Limited. Invesco Perpetual Global Smaller Companies Fund (UK portion) in GBP from January 1997 to 31 December 2002. Standard Life In UK Opportunities R accumulation units, in GBP to 31 December 2006. Artemis UK Smaller Companies I accumulation units in GBP from 1 January 2007 to 31 December 2024 (data prior to 1 September 2010 reflects class R accumulation units in GBP). All figures show total returns with dividends and/or income reinvested, net of ongoing charges and portfolio costs. 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. [1]Peer group is IA UK Smaller Companies.

ASC4

What sets us apart?

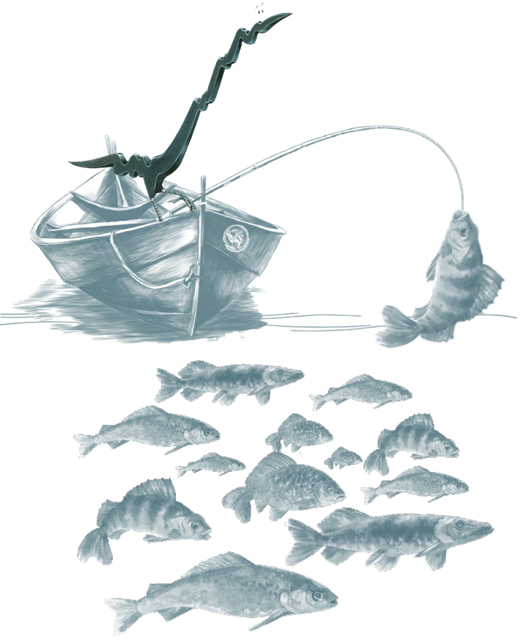
Fishing where the fish are

Valuation discipline – better long term returns

Why does it matter?	Evidence
• Value has outperformed long term • Avoids over hyped companies	• 12x P/E for 13% EPS growth[1]

Cash flow focus – helps avoid disasters

Why does it matter?	Evidence
• Reduce accounting risk • Outperformance in falling markets	• 8% free cash flow yield[1] • Low leverage (0.1x ND/EBITDA)[1]



Long term approach – bigger opportunity set

Why does it matter?	Evidence
• Reduced costs • Higher capacity	• 6 year average holding period

Source: Artemis, Bloomberg as at 31 December 2024.
Note: [1]CY 2025 weighted median.

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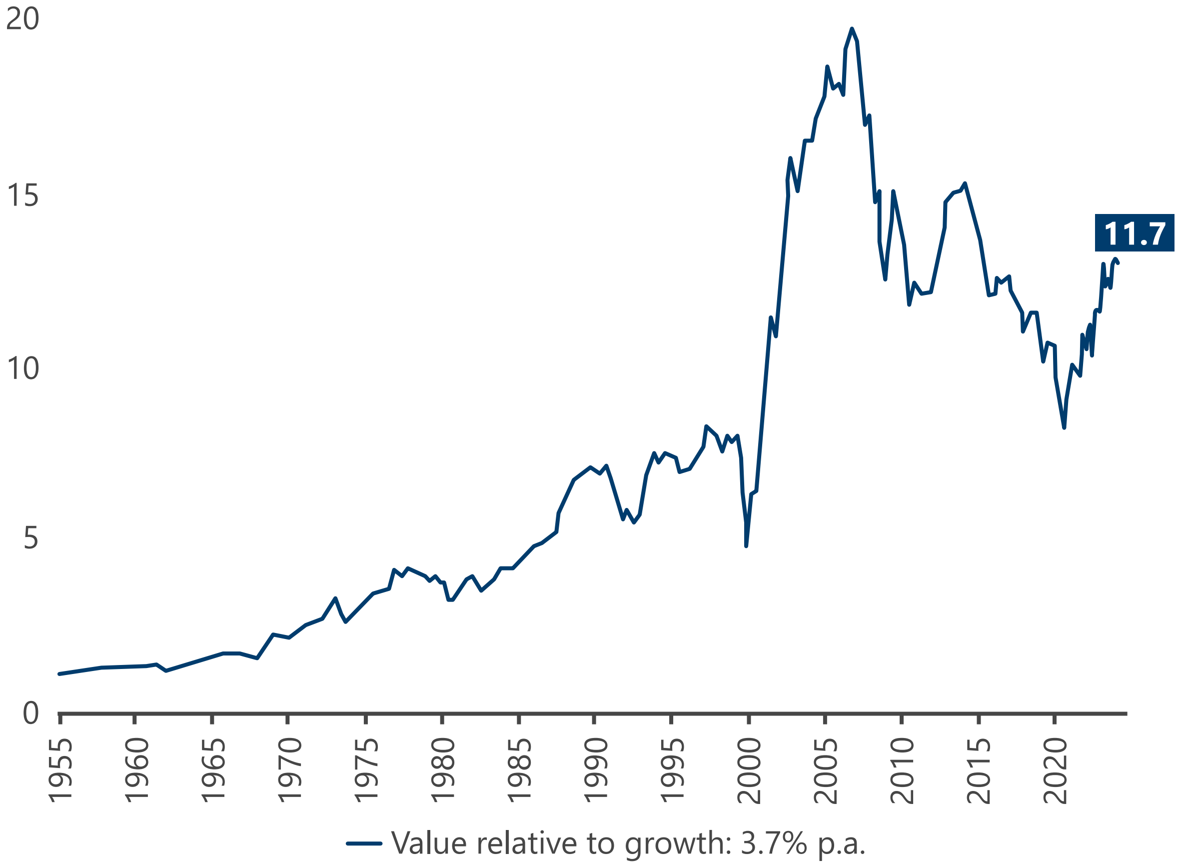
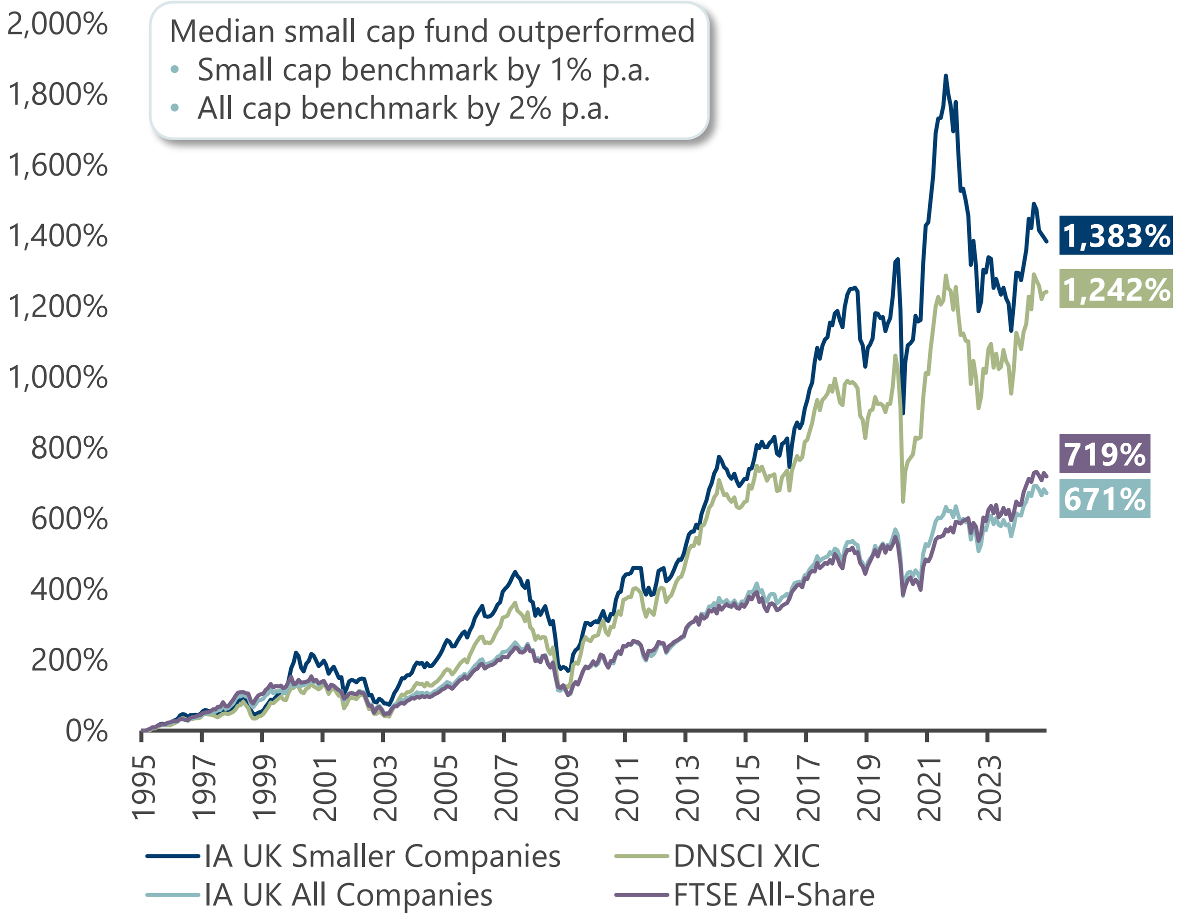
Small cap value shares have beaten growth over the long term

Cumulative performance of value relative to growth within DNSCI XIC[1]



The small cap effect



Source: [1]Deutsche Numis as at 31 December 2023. [2]Morningstar as at 31 December 2024.
Note: DNSCI XIC is the Deutsche Numis Smaller Companies (-InvTrust).

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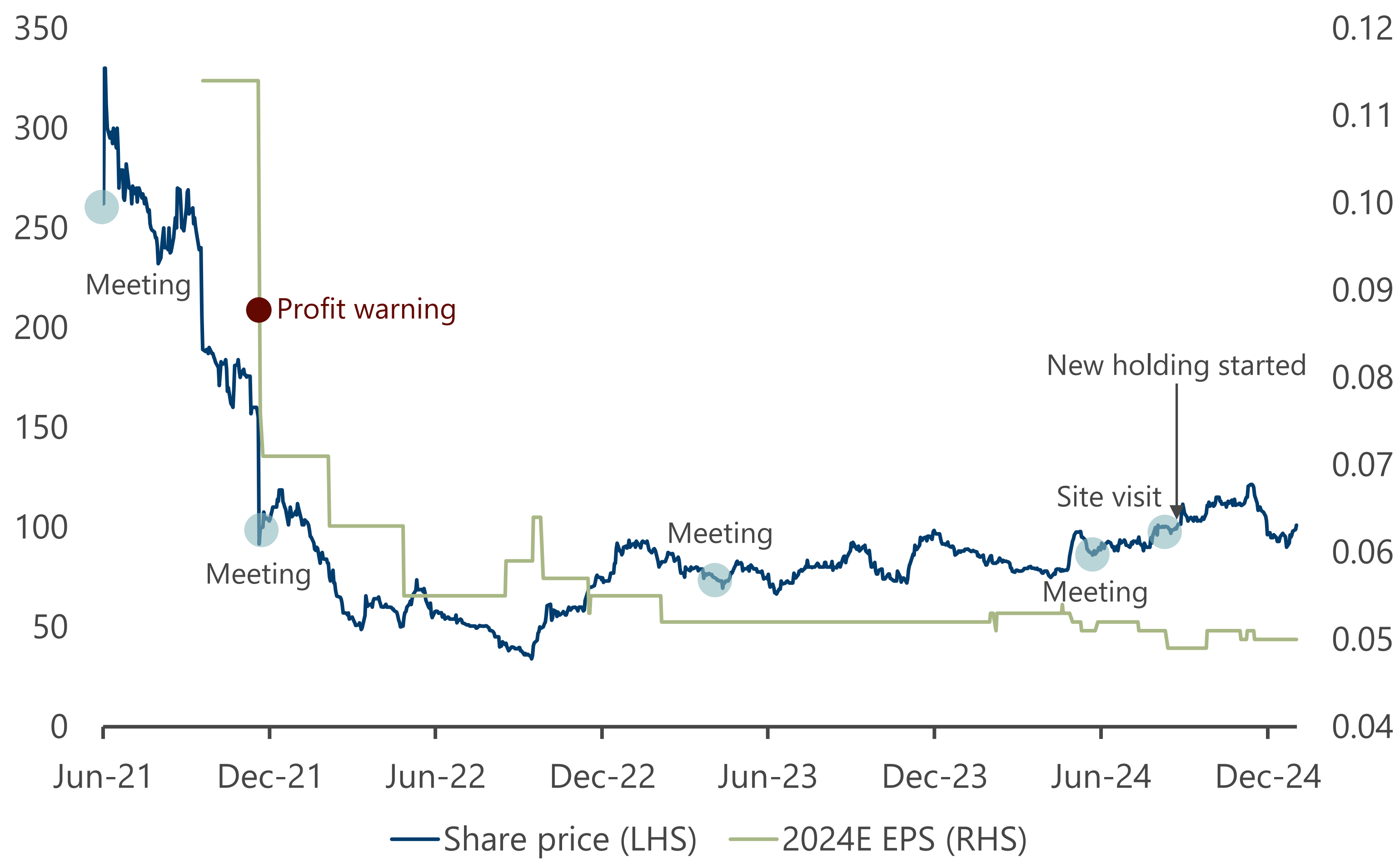
New position case study



What?

- Online sales of bathroom products

Why we like it?

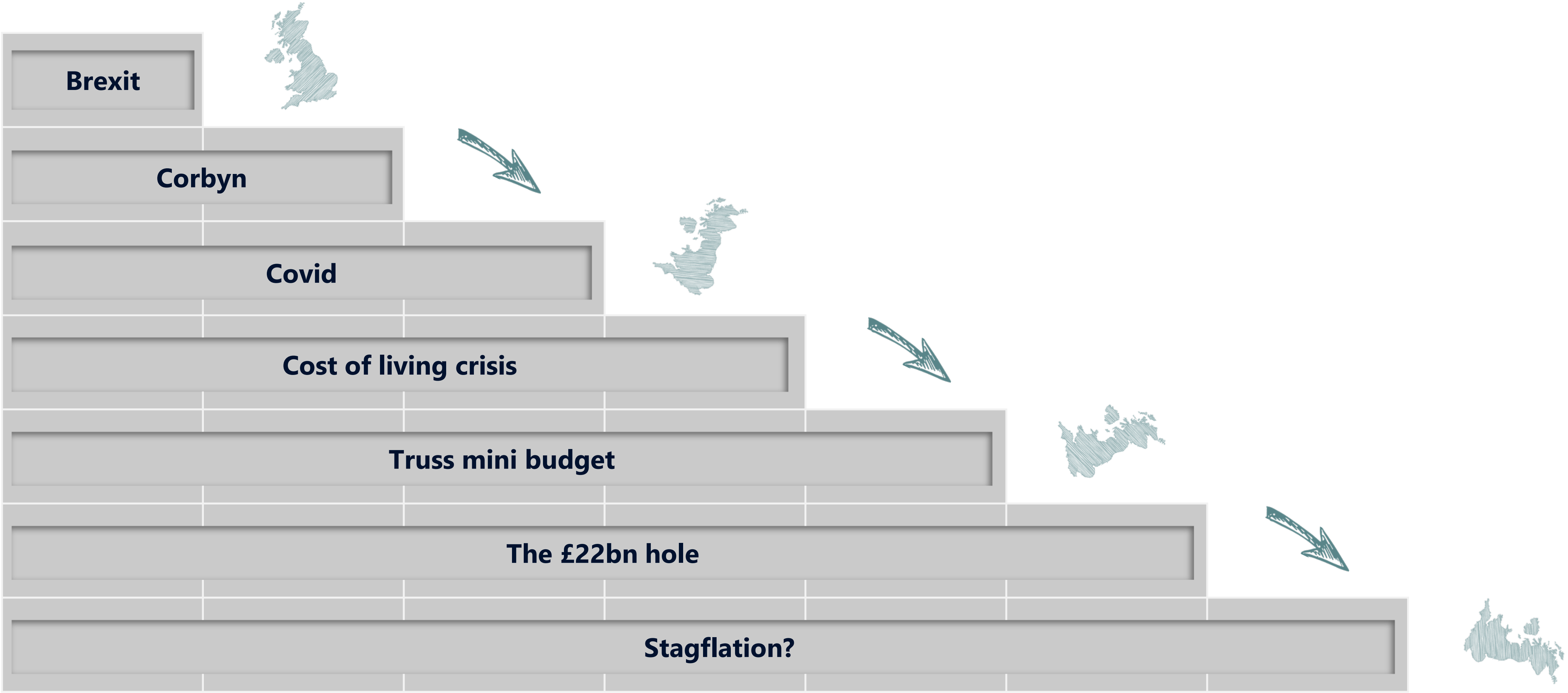
- Market leader: 70% share of online
- Structural growth in online (1/3 total)
- Strengthening competitive position
- New warehouse: efficiency + capacity to 2x sales
- Strong balance sheet (net cash)

Valuation

- 7% 2026E FCF yield
- £600m sales at 12.5% margin → 16% FCF yield

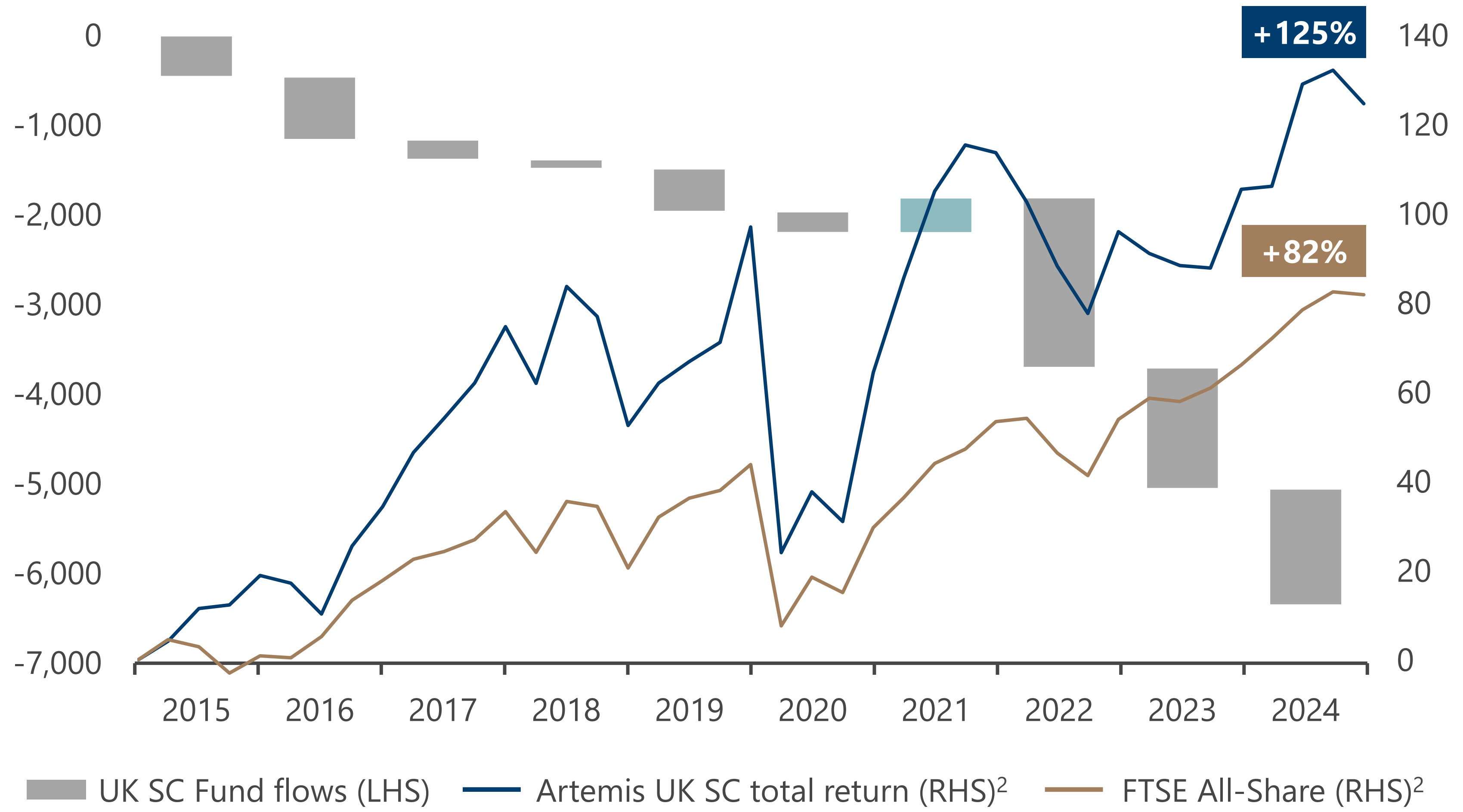
Source: Bloomberg, Artemis as at 21 January 2025. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

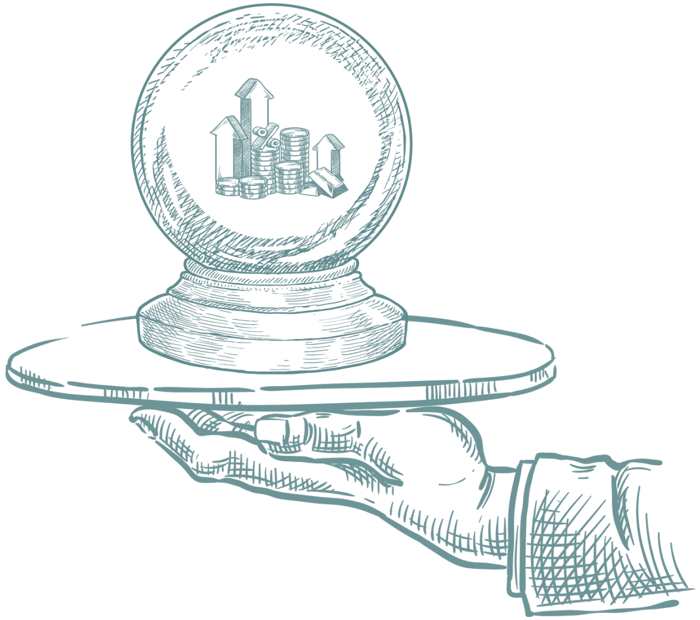
The UK has an image problem



A decade of sector outflows

UK Smaller Companies sector net fund flows (£m)[1]

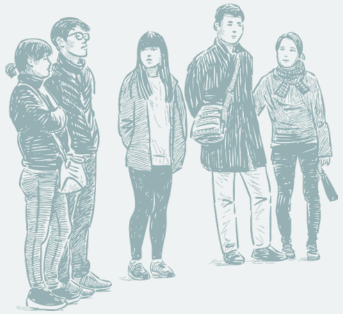




Source: [1]Investment Association (2015-2023) and Morningstar (2024) as at 31 December 2024. [2]Bloomberg as at 31 December 2024.

The outlook is better than it seems

Consumer



Rising real incomes

Business

Resilient

Politics

Shift to growth

What are we hearing from our investee companies?

Top 10 stocks

ALPHA	↑	FY 24 revenue +23%; "Confident in the outlook" – *January 2025*
serco	→	"The outlook for 2025 is positive" – *December 2024*
MONY GROUP	→	"Confidence in full year outlook" – *October 2024*
ALLIANCE	↑	"Recommended 62.5p cash bid from DBAY – a 41% premium" – *January 2025*
moonpig	→	"Trading in line" – *December 2024*
nccgroup	↓	"Lengthening of sales cycles" – *December 2024*
On the Beach	↑	"Summer '25 will be significantly ahead of Summer '24" – *December 2024*
Beeks	↑	"Momentum into the next year and beyond" – *October 2024*
GBG	→	"High single-digit growth in profit" – *November 2024*
Wilmington plc	→	"Revenues and profits in line with expectation" – *September 2024*

Portfolio statistics (2025E)[1]

P/E	12x
Dividend yield	3%
EV/EBIT	9x
FCF yield	8%
ROCE	18%
Op margin	12%
Sales growth	7%
EPS growth	13%
Net debt/EBITDA	0x

Source: Artemis, Bloomberg as at 31 December 2024. [1]Weighted median. Image source: brandsoftheworld.com.
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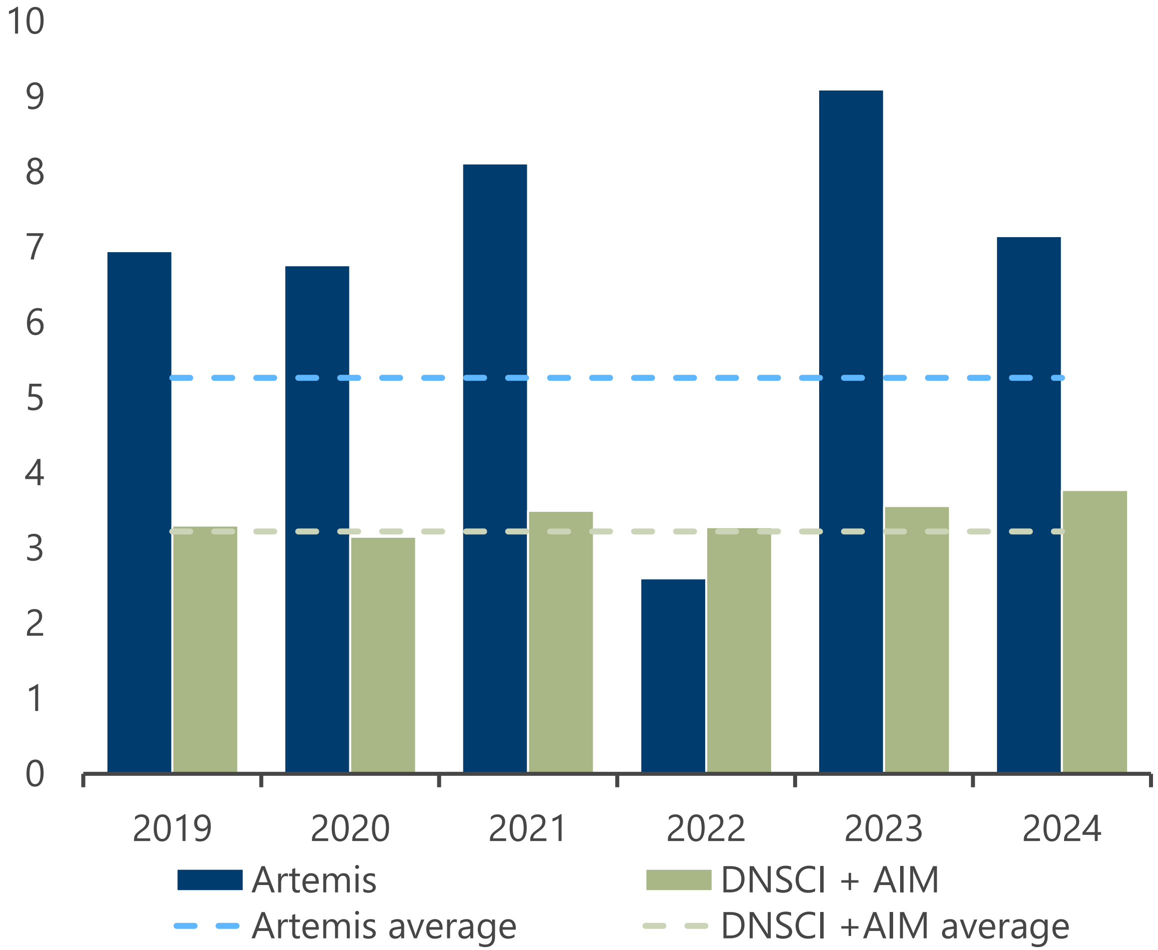
M&A as a catalyst

Average takeover premium approaching 50%

Takeovers – % of constituents[1]



Artemis UK Smaller Companies takeovers[2]

	Average premium (%)	Bids (#)
2019	54	7
2020	47	6
2021	56	3
2022	50	7
2023	50	4
2024	33	5
Total	**47**	**32**

Source: [1]Deutsche Numis as at 31 December 2024. [2]Artemis as at 31 December 2024.

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Unprecedented levels of small cap buybacks

…a result of attractive valuations, strong balance sheets and confident outlooks

Holdings with more than 0.5% reduction in shares outstanding

	H1 16	H2 16	H1 17	H2 17	H1 18	H2 18	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23	H1 24	H2 24
15																		MGAM
14																		GAMA
13																	SFR	ALPH
12																	SOM	JDW
11														LOOK			GAMA	OTB
10														FSTA			QQ	ACSO
9														BVIC	FSTA	TEP	CHG	QQ
8													HBR	HEAD	BVIC	JDW	JDW	FUTR
7													HEAD	SRP	MER	CHG	ZIG	COST
6													DFS	JSE	DFS	FSTA	RWS	SFR
5													RCN	SCS	LOOK	BVIC	FUTR	SRP
4						FSTA							SRP	ZIG	HEAD	RWS	ALPH	IGG
3			LOOK	MONY	LOOK	TEP							ZIG	RDW	SCS	HBR	SRP	FSTA
2	HRN		MONY	TEP	VEC	CSRT		VEC					LOAD	HBR	SRP	FUTR	FSTA	MER
1	EBQ		SPO	HSTN	CCC	LOOK		SCS	VEC	VEC	SRP	SPO	SCS	DFS	HBR	MER	MER	CCC

Source: Artemis, Bloomberg as at 31 December 2024. Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

New investment trust mandate

	Invesco Perpetual UK Smaller Companies plc	Artemis UK Smaller Companies
Aims	1. Capture small cap premium 2. Add value through stock picking 3. Reduce risk	
Investment approach	1. Valuation discipline 2. Cash flow focus 3. Long term 4. No unquoted holdings	
Structure	Investment trust	Unit trust
Assets under management	£140m	£480m
Market cap focus	Small / micro cap	Small cap
Gearing	Yes (current max 9%)	No
Number of holdings	50-70	60-90

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.

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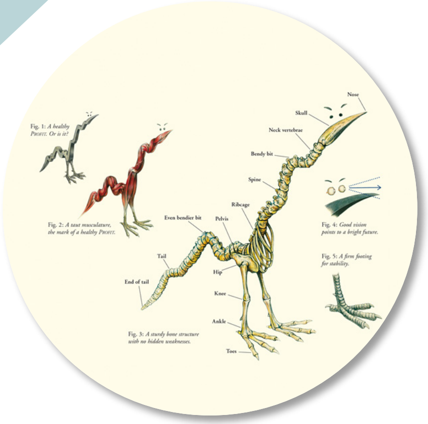
Artemis UK Smaller Companies

Reasons why

Core UK small cap fund with a different approach: long term, valuation discipline, cash flow focus



Reasons to be pessimistic on UK are being ticked off one by one

Periods of depressed sentiment usually followed by high returns

Value has outperformed in the small cap sector – QE period was anomalous

Performance – outperformed in 7 of the last 10 years

	1 year	3 years	5 years	10 years
Artemis UK Smaller Companies	+9.1%	+7.4%	+12.5%	+118.9%
Position in sector[1]	10/40	3/40	9/38	6/33
Quartile[1]	1	1	1	1

Past performance is not a guide to the future. Source: Artemis, Lipper Limited, class I accumulation units in GBP to 31 January 2025. 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 be in a currency or have charges or a hedging approach different from those in the IA sector benchmark. [1]Sector is IA UK Smaller Companies.


Q&A

Appendix

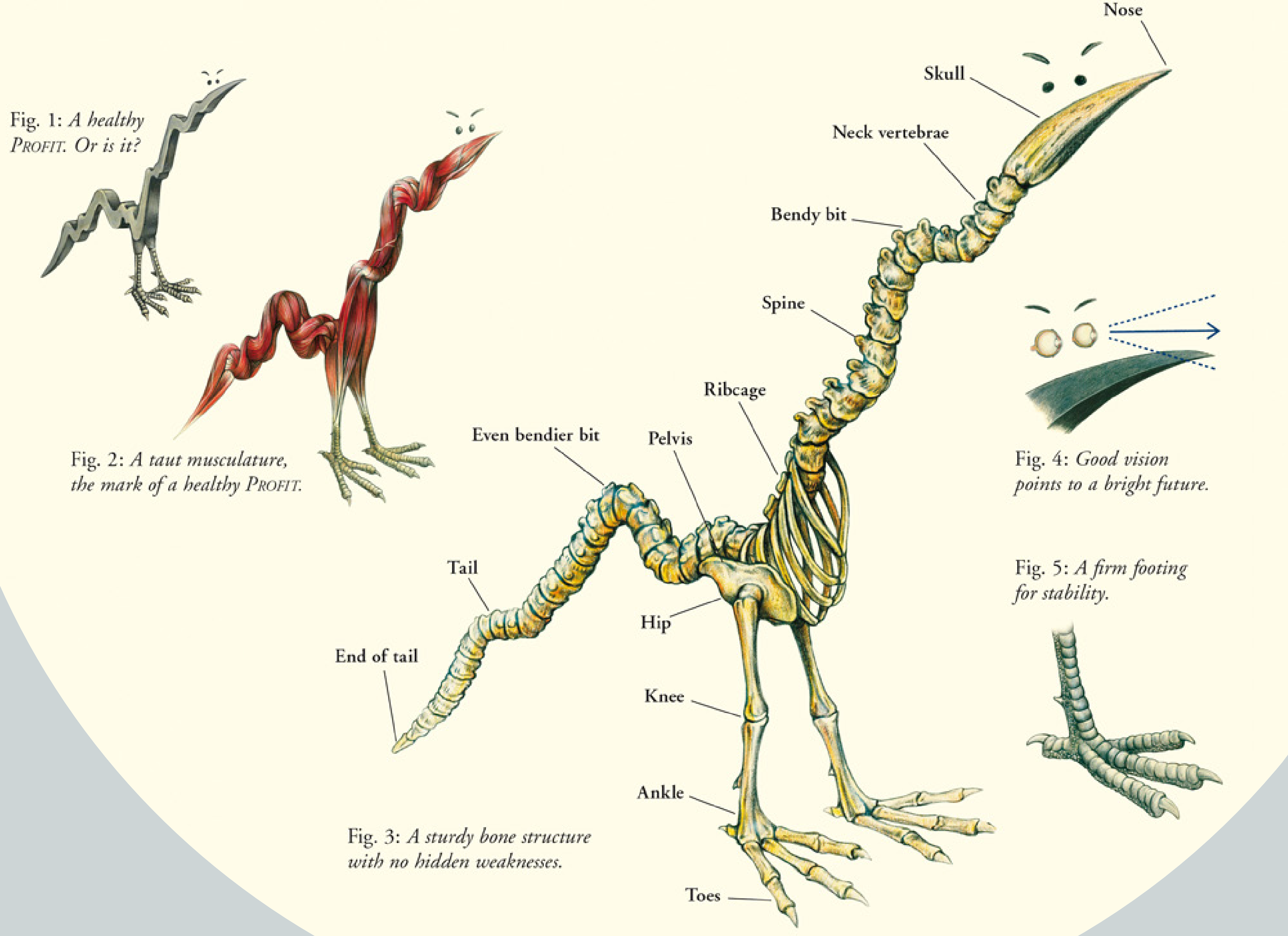
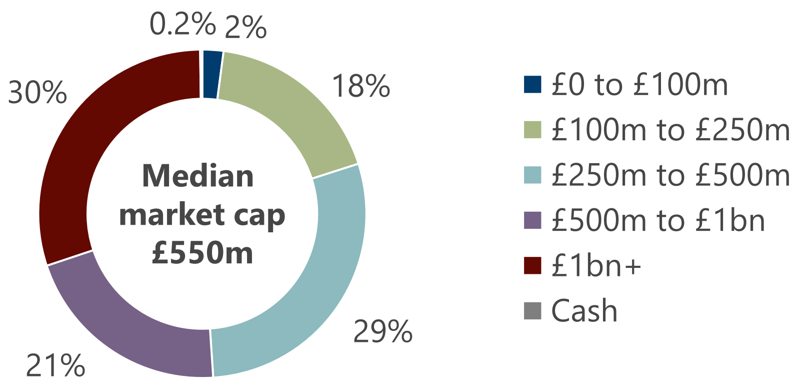


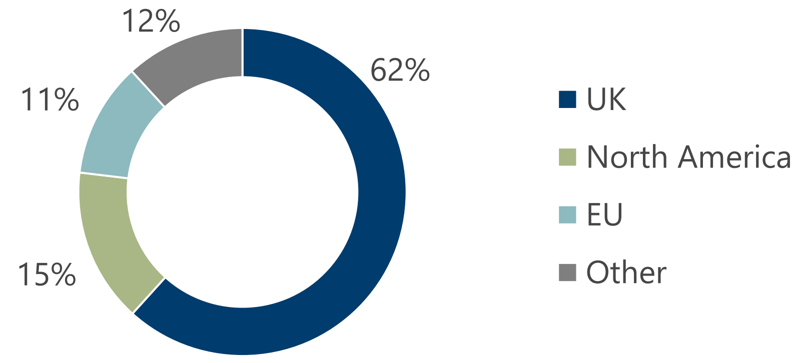
Fig. 1: *A healthy* PROFIT. *Or is it?*
Fig. 2: *A taut musculature, the mark of a healthy* PROFIT.
Nose
Skull
Neck vertebrae
Bendy bit
Spine
Ribcage
Even bendier bit
Pelvis
Tail
Hip
End of tail
Knee
Ankle
Toes
Fig. 3: *A sturdy bone structure with no hidden weaknesses.*
Fig. 4: *Good vision points to a bright future.*
Fig. 5: *A firm footing for stability.*

Artemis UK Smaller Companies Fund – positioning

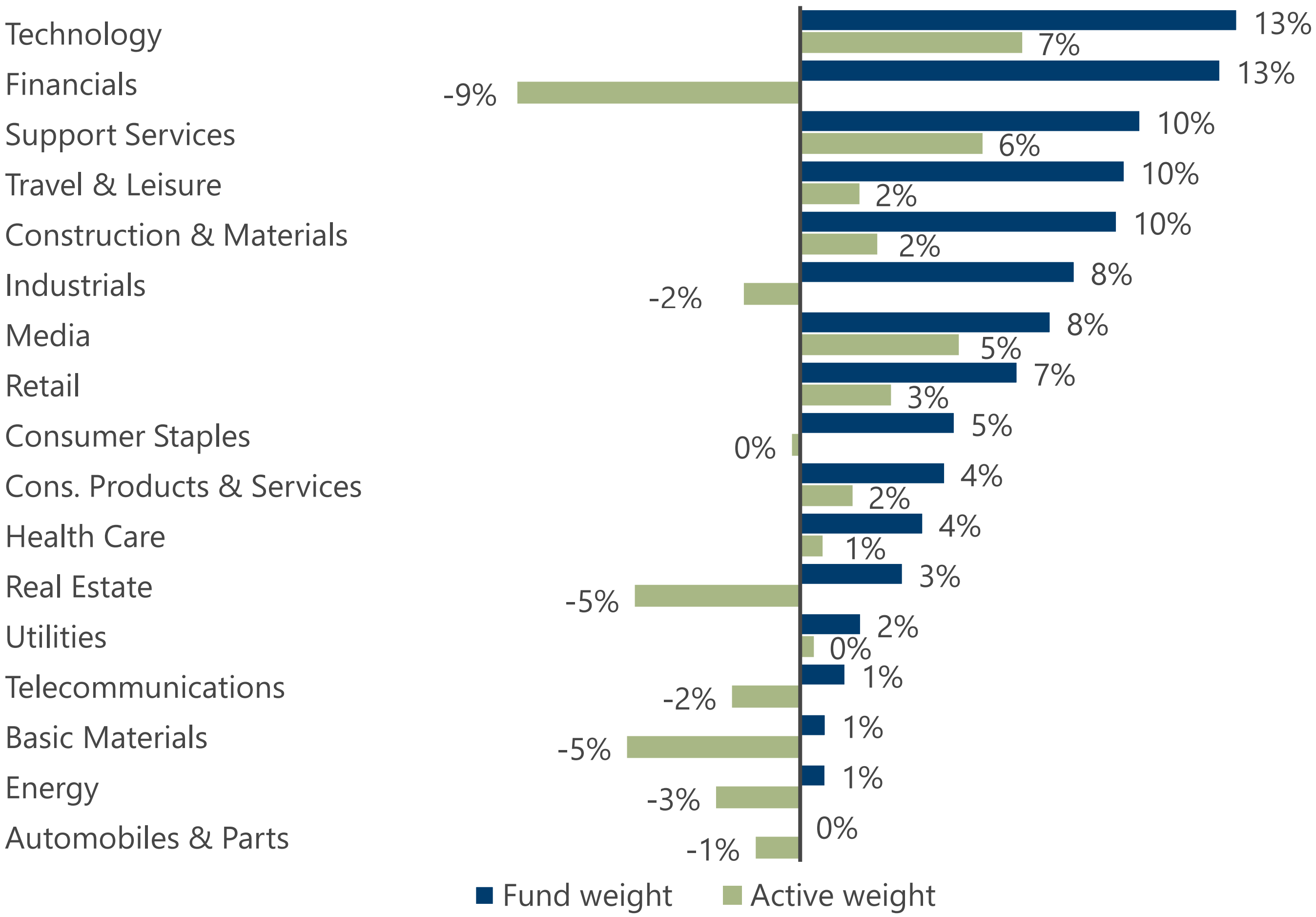
Market cap breakdown



Geographic revenue exposure



Sector breakdown



Source: Artemis as at 31 December 2024.
Note: Sector breakdown (absolute and relative to Deutsche Numis Smaller Companies (-InvTrust) TR).

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Attribution 2024

Fund: 9.3%	Benchmark: 9.5%	Peer group average: 6.3%	2nd quartile (13/40)

What's working…

	Return	Contribution
Beeks Financial Cloud	157.3	1.7
On The Beach	33.7	0.8
Britvic	42.8	0.7
Alpha	25.5	0.6
Close Brothers	-72.8	0.6
Keller	54.8	0.6
John Wood	-65.2	0.6
Bakkavor	74.4	0.6
LBG Media	45.3	0.5
Moonpig	24.4	0.4

…and what's not

	Return	Contribution
Next 15	-56.4	-1.1
Zegona Communications	106.4	-1.0
Mony	-34.2	-0.7
Videndum	-62.0	-0.7
Plus500	59.9	-0.6
Secure Trust Bank	-50.2	-0.6
Vanquis Banking	-68.5	-0.6
TT Electronics	-35.5	-0.5
Just Group	76.0	-0.5
RWS	-30.7	-0.5

- Generally **resilient trading**, upgrades at **Keller** and **Bakkavor**
- **Buybacks** (On The Beach, Alpha, Moonpig) and continued **M&A** (Britvic) continue to be supportive
- Potentially **transformational contract win** at **Beeks Financial** with major exchange
- Stock specific**: Next 15** (contract loss), **Videndum** (recovery post writers strike) and **MONY** (car insurance premiums)
- Customer complaints/Motor Finance impacted **Vanquis** and **Secure Trust Bank**

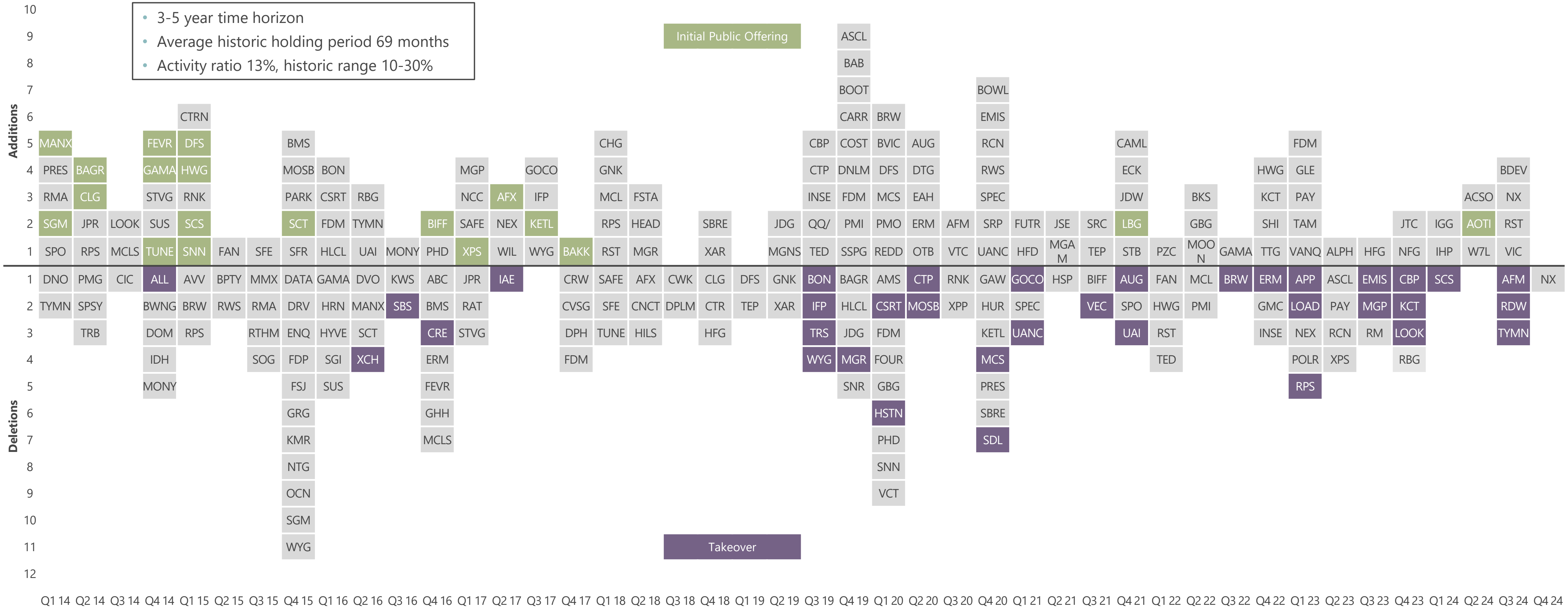
Past performance is not a guide to the future. Source: Artemis, Lipper Limited, class I accumulation units in GBP as at 31 December 2024. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. This class may be in a currency or have charges or a hedging approach different from those in the IA sector benchmark. Sector is IA UK Smaller Companies. Benchmark is Deutsche Numis Smaller Companies (-InvTrust) TR.
Note: benchmark stocks not held shown in light grey. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Long-term investment horizon

Seeking opportunities where others fear lack of short-term catalysts

New holdings and complete sales

- 3-5 year time horizon
- Average historic holding period 69 months
- Activity ratio 13%, historic range 10-30%



Source: Artemis as at 31 December 2024.

Activity

Top purchases (last 6 months)

	%
Restore	+1.4
Victorian Plumbing	+1.4
Accesso Technology	+1.1
Next 15	+1.1
Barratt Redrow	+1.1
Serco	+0.9
SSP	+0.9
Chemring	+0.9
RWS	+0.8
Mony	+0.8

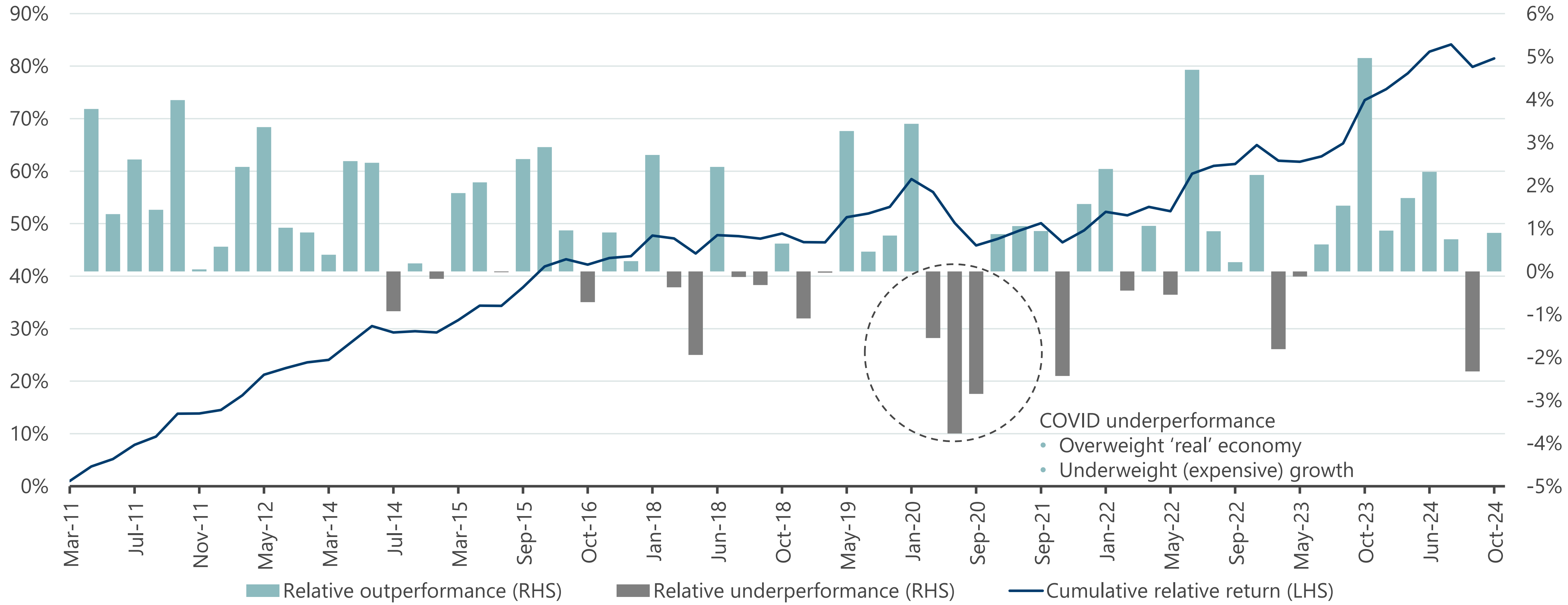
Top sales (last 6 months)

	%
Britvic	-1.1
Redrow	-1.1
Alpha Financial Markets	-1.1
On The Beach	-0.5
Morgan Sindall	-0.3
Tyman	-0.3
Beeks Financial Cloud	-0.2
JTC	-0.2
Carr's	-0.1
MyCelx Technologies	0.0

Source: Artemis as at 31 December 2024.
Note: Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Down months: 71% outperformed, 81% relative return

Cumulative and monthly fund relative returns in a downmarket



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Annual performance

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Artemis UK Smaller Companies	**19.0**	**12.9**	**30.1**	**-12.7**	**29.1**	**-16.6**	**30.0**	**-8.3**	**4.9**	**9.3**
Deutsche Numis Smaller Companies (-InvTrust) TR	10.6	11.1	19.5	-15.4	25.2	-4.3	21.9	-17.9	10.1	9.5
Excess versus Deutsche Numis	**8.4**	**1.8**	**10.6**	**2.7**	**4.0**	**-12.3**	**8.0**	**9.6**	**-5.3**	**-0.1**
FTSE All-Share TR	1.0	16.8	13.1	-9.5	19.2	-9.8	18.3	0.3	7.9	9.5
Excess versus FTSE All Share	18.1	-3.8	17.0	-3.2	10.0	-6.7	11.6	-8.6	-3.1	-0.1
IA UK Smaller Companies NR	14.7	8.5	26.7	-11.8	26.2	7.3	22.9	-25.7	0.0	6.3
IA UK Smaller Companies Percentile	35	24	37	53	46	98	13	5	19	33

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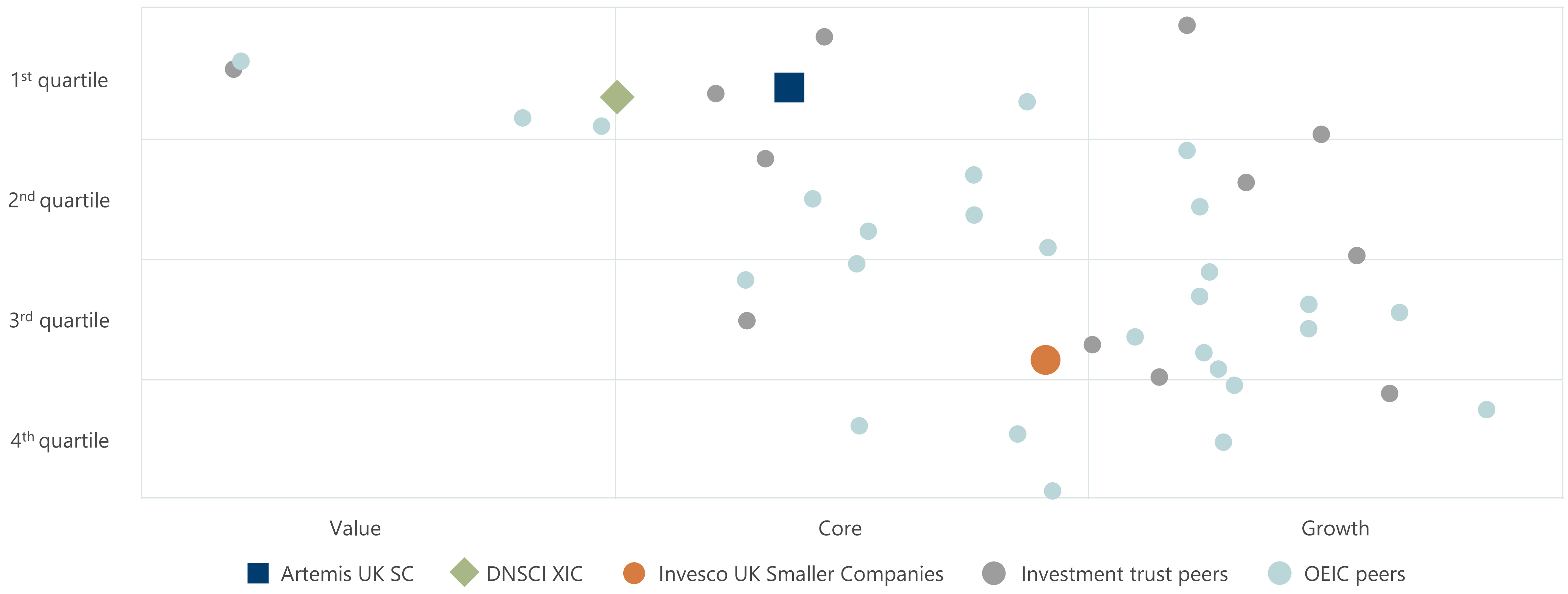
Small cap value shares have beaten growth over the long term

3 year performance percentile versus style



Source: Morningstar as at 31 December 2024.
Note: DNSCI XIC is the Deutsche Numis Smaller Companies (-InvTrust). Artemis UK SC is Artemis UK Smaller Companies. Peer group is IA UK Smaller Companies (>£50m assets).

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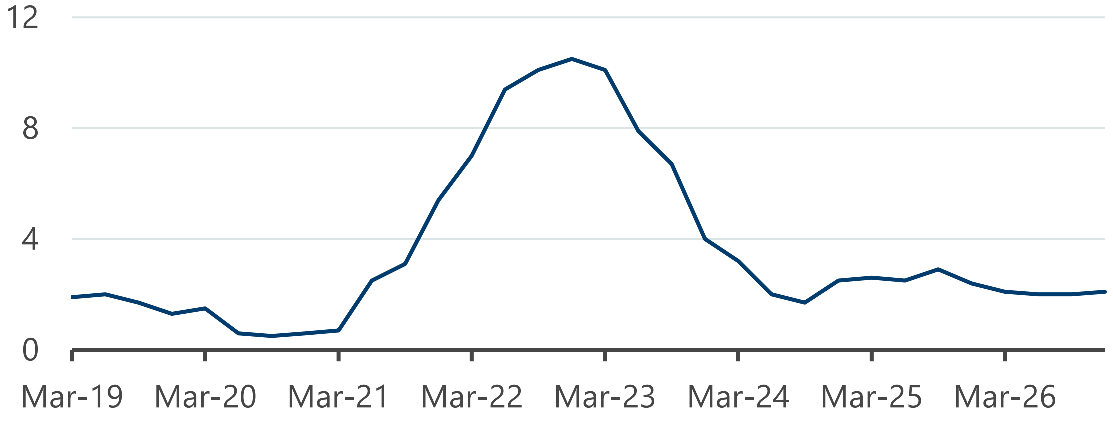
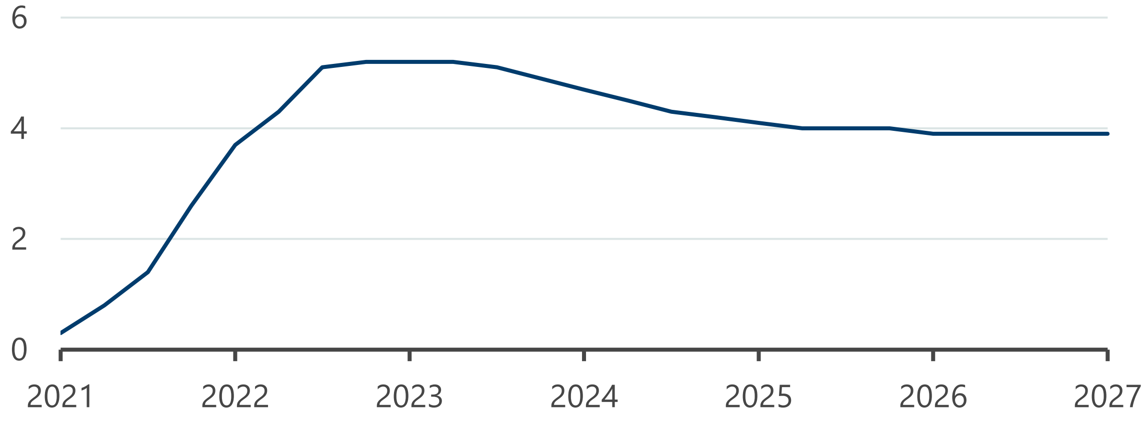
Macro charts

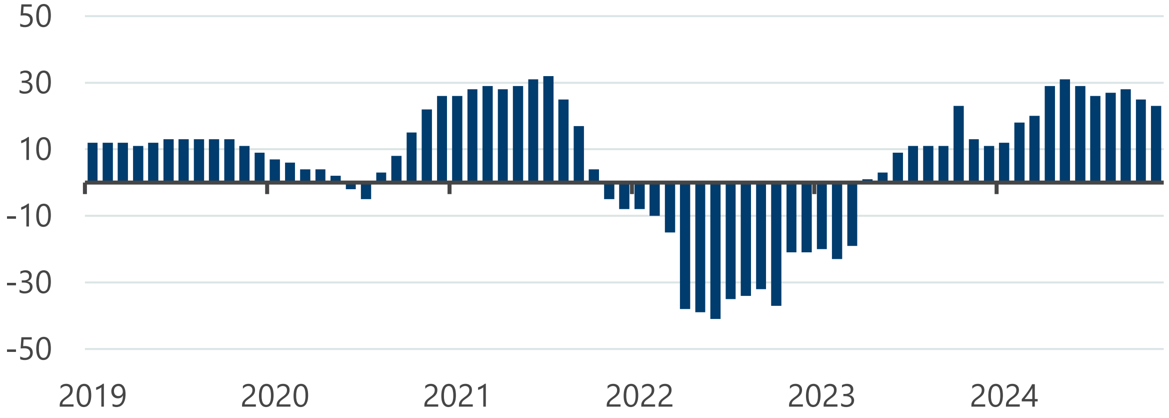
CPI inflation projections (% change on year earlier)[1]



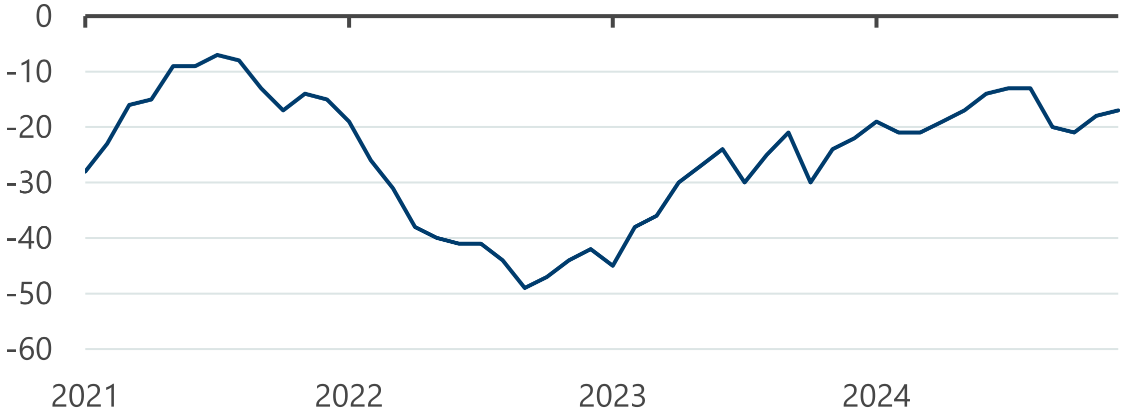
Market interest rate expectations (%)[1]



Year-on-year change in Asda income tracker (£)[2]



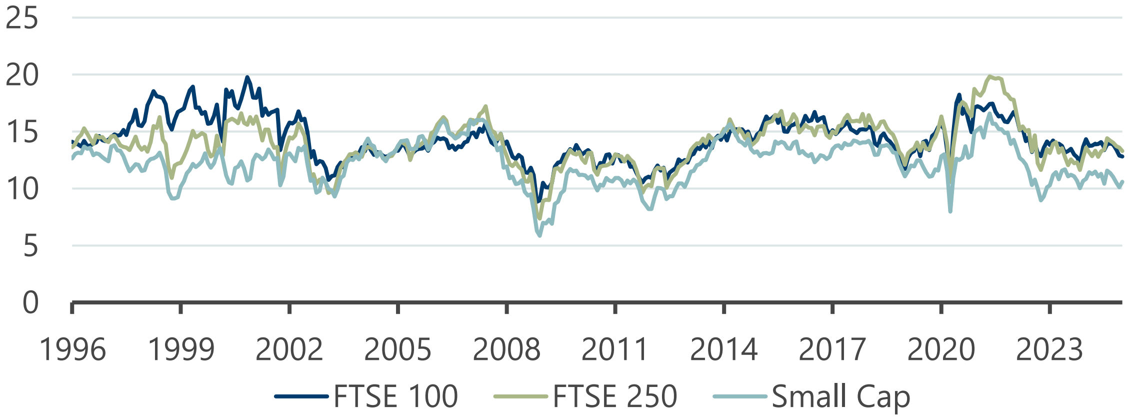
UK consumer confidence is recovering[1]



Source: [1]Lazarus as at 31 December 2024. [2]Asda as at 30 November 2024.

Attractive valuations

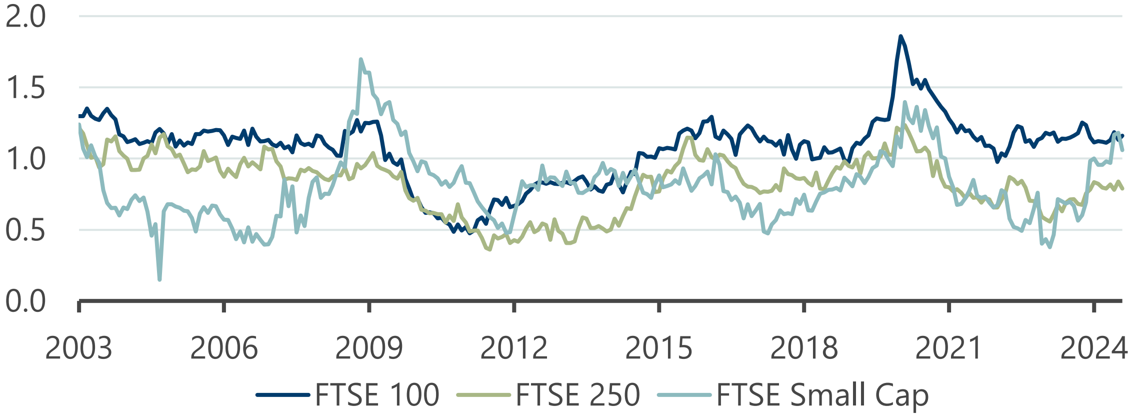
UK index median 12m forward P/E (x)[1]



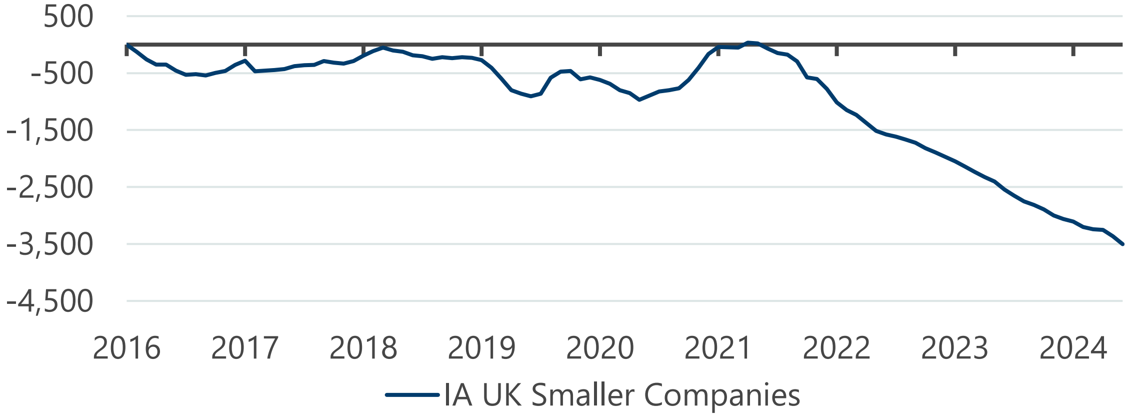
Fund valuation below historic average (x)[2]

Artemis UK Smaller Companies – 12m forward P/E (weighted median)

Leverage by index – median ND/EBITDA[1]



Cumulative fund flows from June 2016 (£m)[3]



Source: [1]Datastream, Liberum as at 31 December 2024. [2]Artemis as at 31 December 2024. [3]The Investment Association as at 31 October 2024.

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Important information

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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.

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