

## Artemis Corporate Bond

## Sterling Corporate Bond

### Introduction

The Artemis Corporate Bond fund is an unconstrained vehicle which can cover the entire universe and is shifted strategically to take advantage of the different stages of the economic cycle. Overlaying this is a tactical strategy to capitalise on shorter term opportunities. The managers would usually expect to have a reasonably high percentage of the portfolio in investment grade corporate bonds, but they also have a limited ability to allocate across the entire fixed income universe.

[Click here to read the Artemis approach to ESG investing.](#)



### Why RSMR Rate this Fund

- The management team is experienced and well regarded
- The manager, Stephen Snowden has a good performance track record in this asset class
- A disciplined investment process applied to a flexible mandate across corporate bond and other fixed interest markets

### Fund Process

The manager believes that the corporate bond market is inefficient which can allow active managers with the flexibility to invest across the market to take advantage.

The investment process blends 'top down' macro-economic analysis with 'bottom up' fundamental evaluation of individual companies' bonds. The macro analysis involves building up a picture of the economic backdrop in which the companies operate. This includes the implications of monetary and fiscal policy for key indicators like inflation and interest rates. The political environment is also assessed, and this steers the manager into which sectors and areas of the economy could benefit and by extension be supportive to bondholders.

This macro-economic research is combined with 'bottom up' analysis of bond-issuing companies, and an active asset allocation to construct a diversified portfolio of corporate bonds. The manager looks at relative valuations to assess how the bonds look relative to government issues and how the yields compare to other bonds from the same company, companies in the same sector or bonds in different sectors. This determines which bonds are attractively priced and offer the most compelling opportunities to generate returns.

Active stock selection is an important part of the investment process. The perfect companies are the ones that can materially grow profits to improve their financial stability over a long period of time. Having identified potential bonds to buy, the managers undertake a credit assessment of each individual company. The manager also spends time meeting company management to assess both their quality and their strategy for the business. It's important for him to dig deeper into the company strategy to understand what they're trying to achieve, its implications and to ensure that it isn't likely to disadvantage bondholders.

The team looks to achieves diversification by owning bonds issued by a range of different companies. The number of bonds held in the portfolio can be anywhere between 75 and 150 at any one time. Some of these bonds may be more illiquid than others, which could make them more difficult to sell.

At least 80% of the fund is invested in investment grade bonds (those with a credit rating of BBB or above) that are issued in sterling or hedged back to sterling from other currencies. The fund may also invest in derivatives and high yield bonds which can add risk.

The manager believes environmental, social and governance (ESG) considerations have become issues investors and companies can't ignore, and that in the future, companies that encounter issues and perform poorly in these areas are likely to be viewed negatively by more and more investors. Such companies therefore have the potential to be value traps – investments that are cheap for a reason, and so further analysis assessing ESG factors are incorporated into the investment process.

### Evaluation

The fund has a degree of flexibility but will mainly invest in investment grade bonds (those with a credit rating of BBB or above) with government bond exposure and an overlay strategy used to control duration positioning which can be +/- 2 years over the benchmark.

### Application

This is a good core option for investors seeking exposure to corporate bonds.

### Our Opinion

The fund management team at Artemis has built a great reputation for managing fixed interest securities and a major reason for this is Stephen Snowden's leadership. Snowden has good track record of outperforming his peers over the long term at his previous houses and Artemis has provided

him and his team a good home to continue managing corporate bonds. The investment process is well defined but flexible enough to take advantage of opportunities as they arise.



### **Important Notice**

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