



Profiting from the highs –
and lows – of Pan-Europe

Not as good as it was ...

Paul Casson

Select Conference, June 2018



Why the Artemis Pan-European Absolute Return Fund?

Lower volatility

The fund has historically limited its losses relative to the European stock market during times of volatility, as the chart demonstrates.

- Volatility since inception: 6.07%*

Low correlation to markets

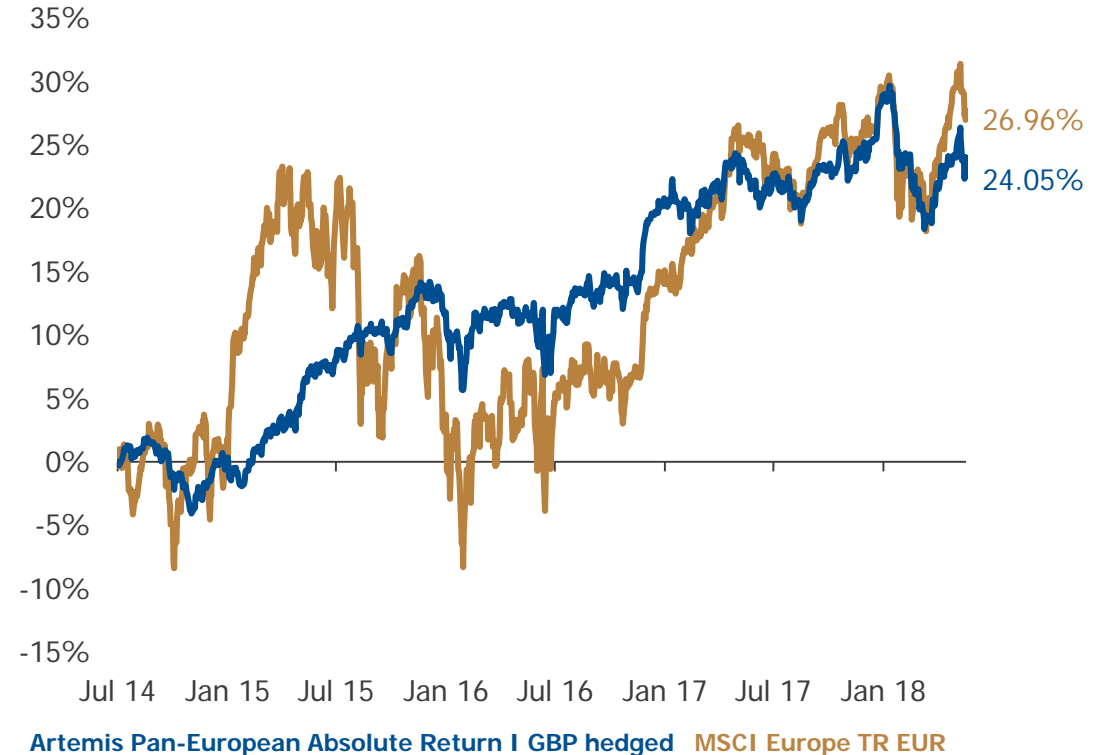
The strategy has historically maintained a low correlation between the fund and both equity and bond markets.

- MSCI Europe LC: 0.34*
- Bloomberg Barclays Global Aggregate Bond Hedged to GBP: -0.36*

Artemis' investment approach

Paul Casson has the flexibility and freedom to maintain his individual style of managing this strategy.

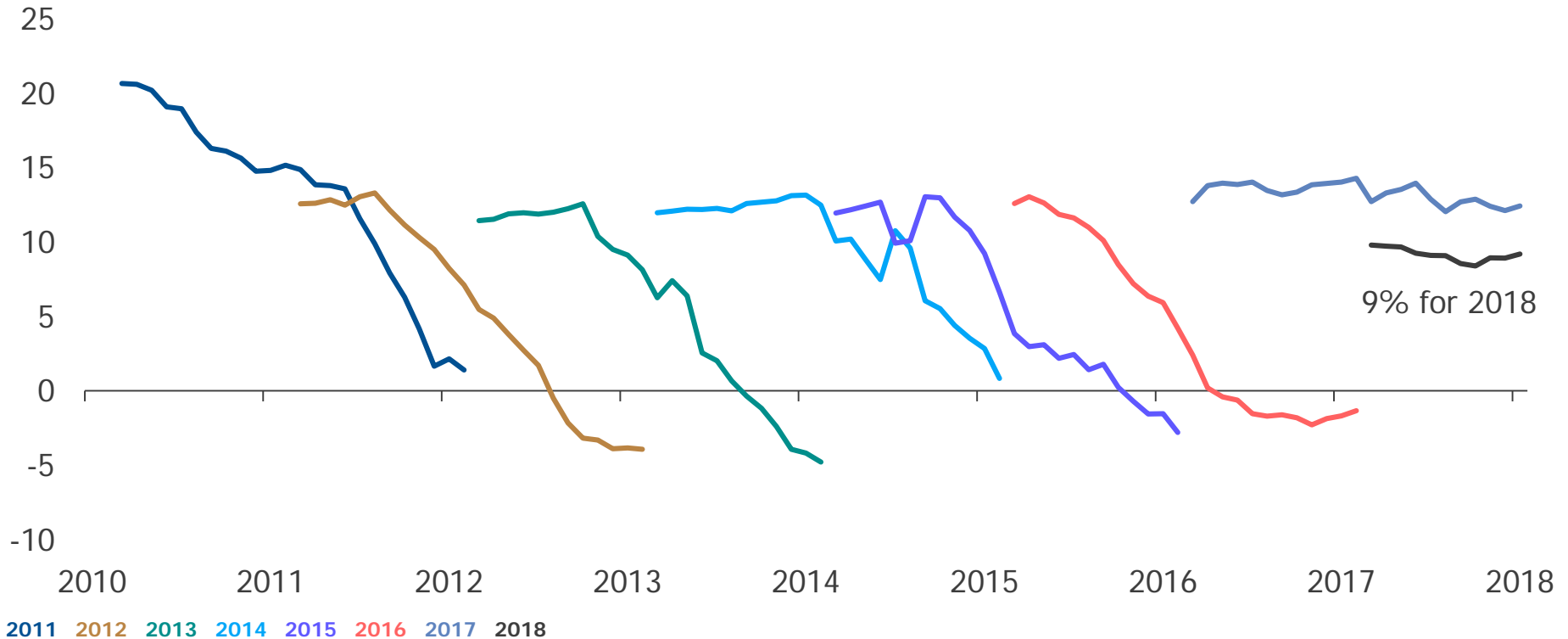
Performance**



*Source: Artemis as at 31 May 2018. **Source: Lipper Limited, mid to mid, in sterling with dividends reinvested from 14 July 2014 to 31 May 2018. Returns are net of all fees.

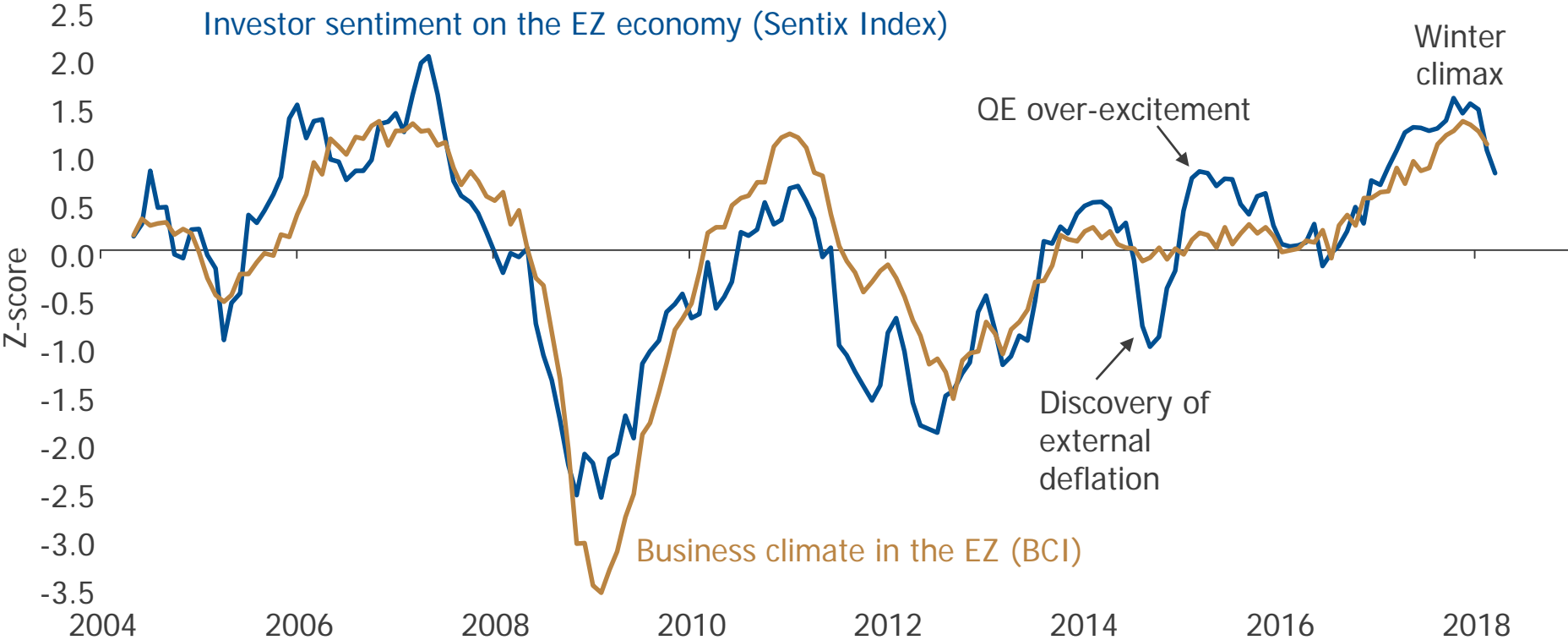
2018 EPS growth now tracking at c.9%

Trajectory of consensus year end EPS growth forecasts for MSCI Europe



Source: Barclays Research as at 18 January 2018.

Investor confidence and business climate in the Eurozone

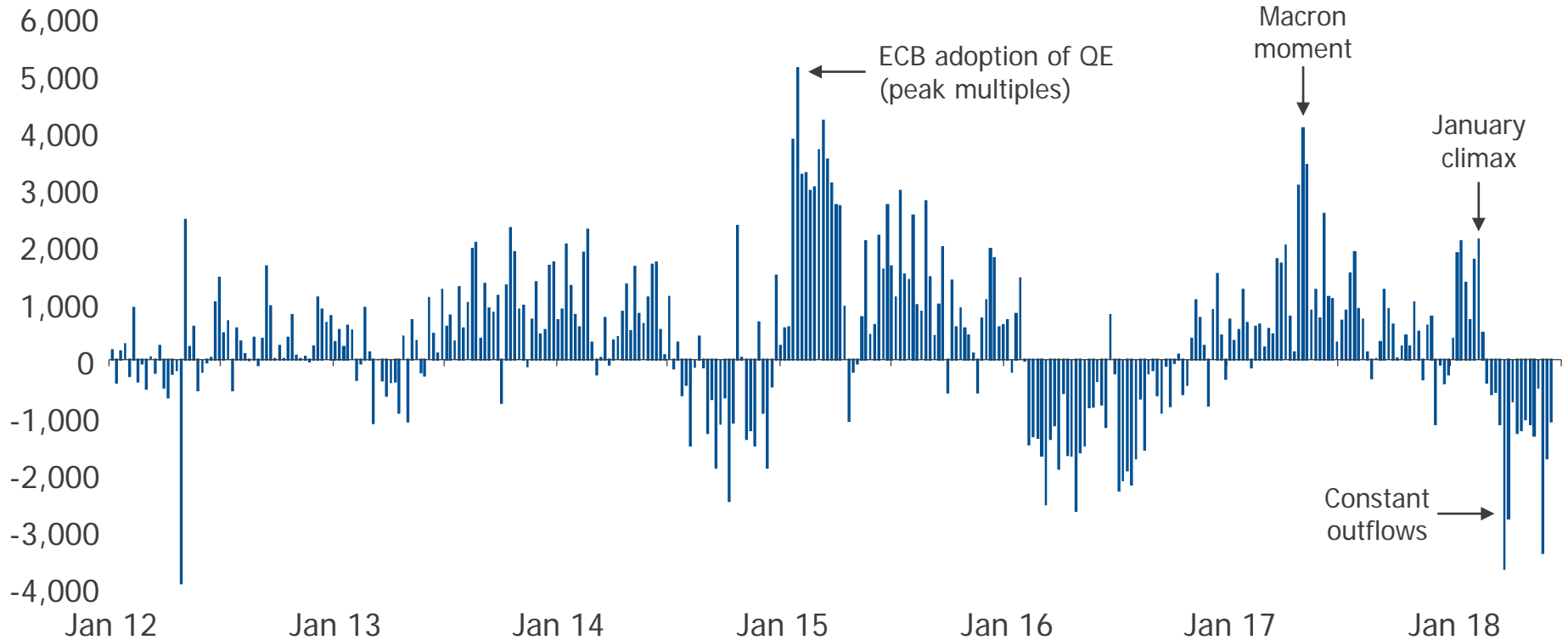


Source: Kepler Cheuvreux, 'The Strategic Frame' report No.9 as at 9 April 2018.



Weekly flows into European Equity ETPs

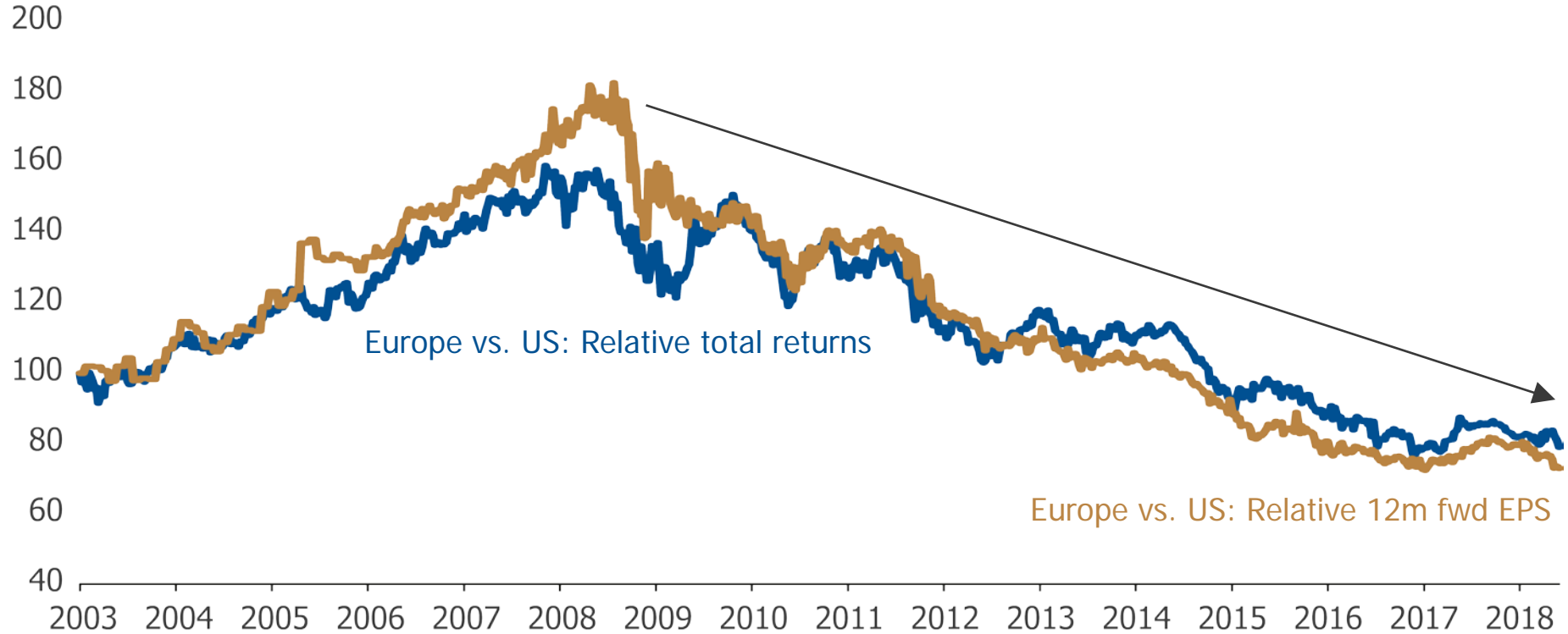
Flows into European Equity ETPs (US\$bn)



Source: Kepler Cheuvreux, 'The Strategic Frame' report at 18 June 2018.

The fault again, lies squarely in the hands of the earnings

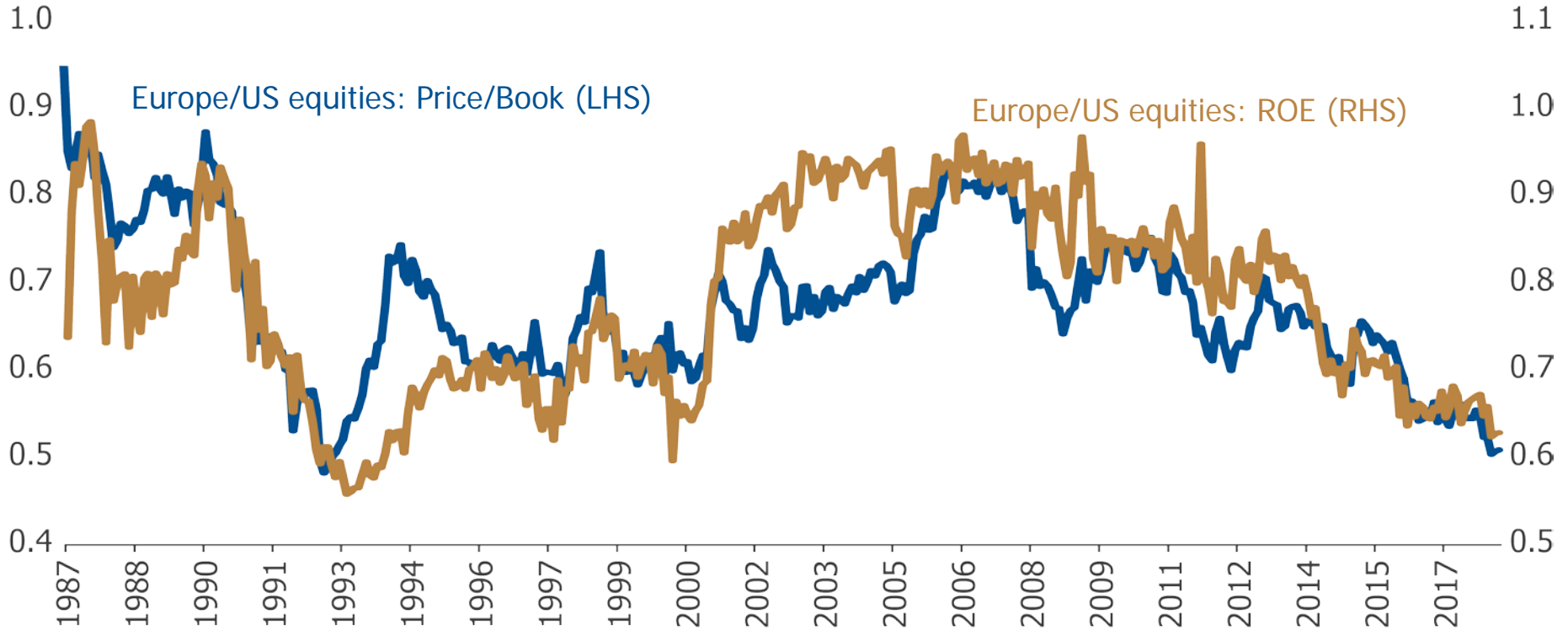
For Europe to outperform, earnings need to beat the US in common currency terms



Source: Exane BNP Paribas, 'ROE, ROE, ROE your boat, gently away from the US' strategy report as at 5 June 2018.

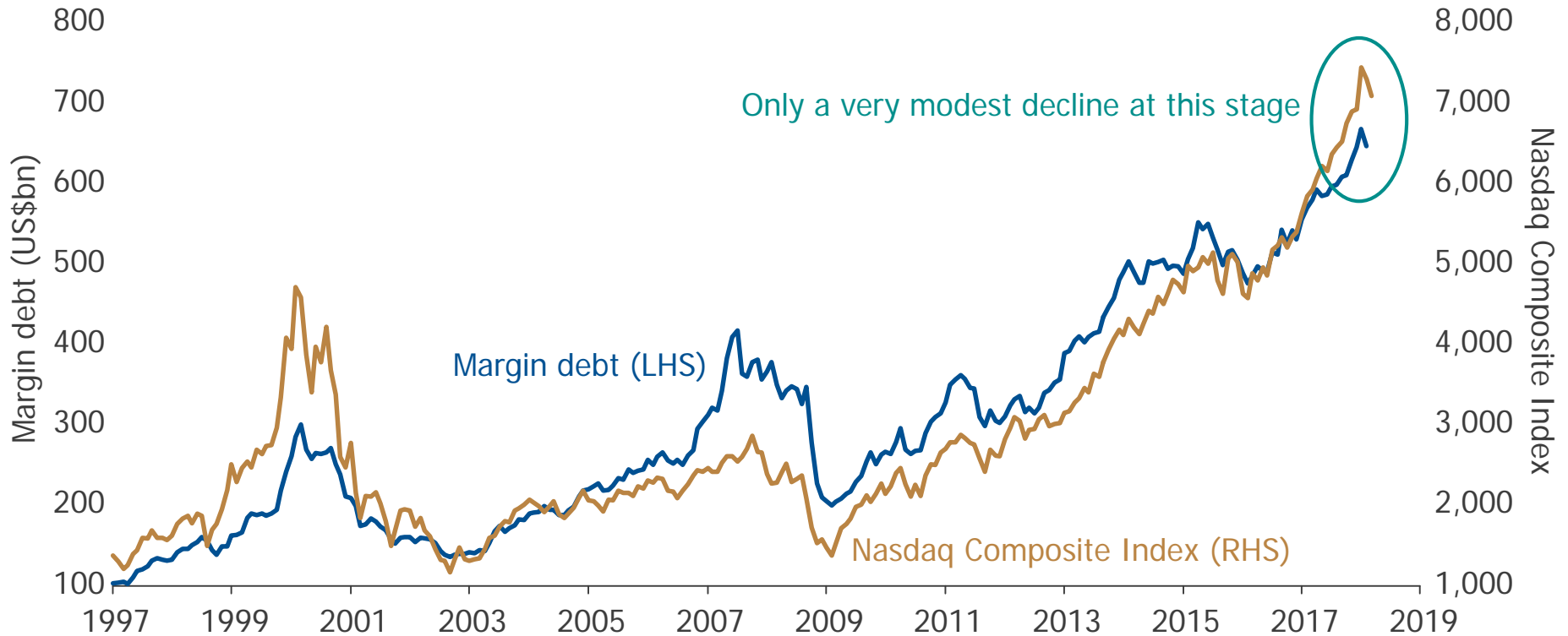
If ROE Revolution materialises, discount to the US should narrow

European stocks appear 'cheap', because European ROEs are low



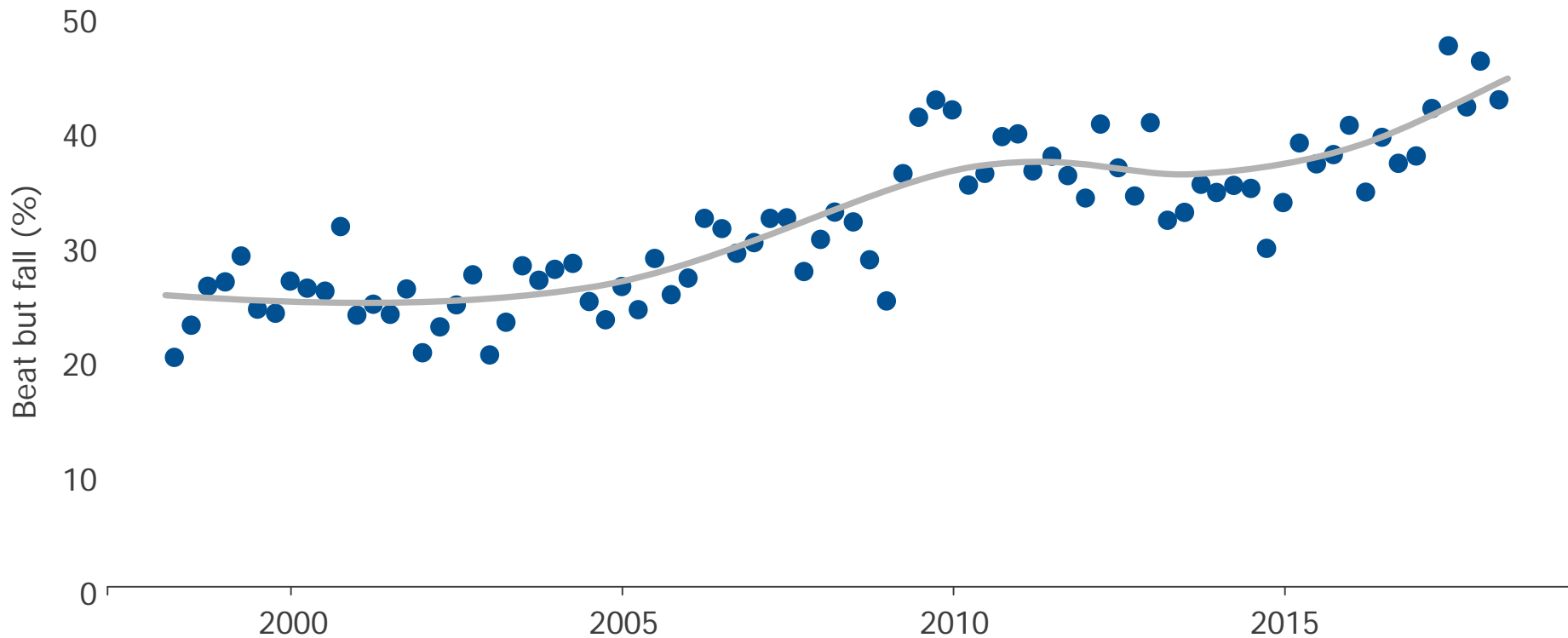
Source: Exane BNP Paribas, 'ROE, ROE, ROE your boat, gently away from the US' strategy report as at 5 June 2018.

Margin debt and the Nasdaq Composite Index



Source: Kepler Cheuvreux, 'The Strategic Frame' report No.9 as at 9 April 2018.

Historical reaction to US earnings beats



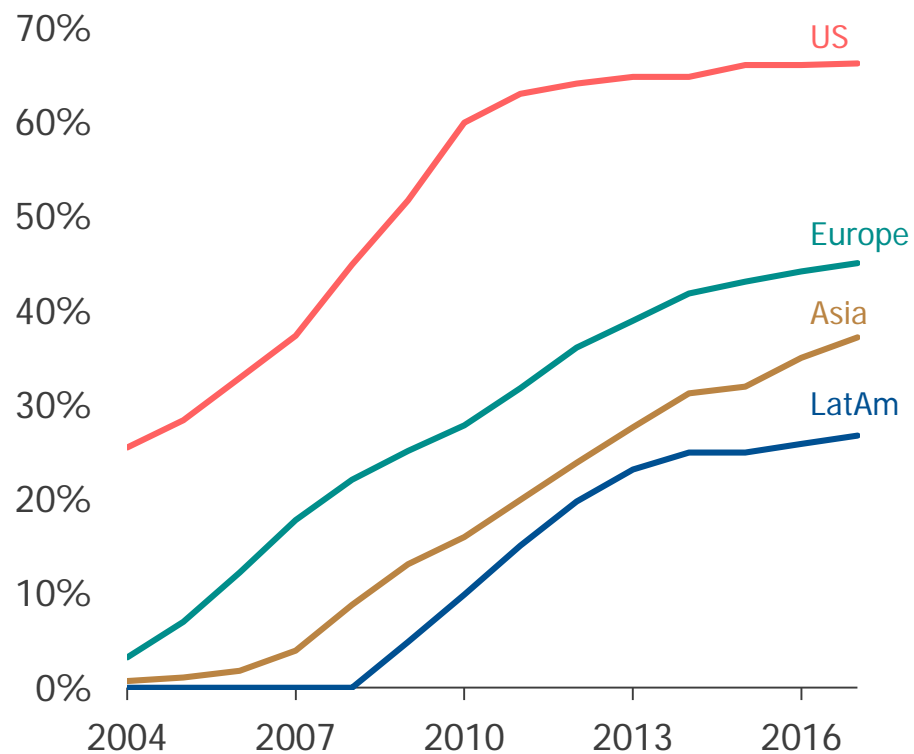
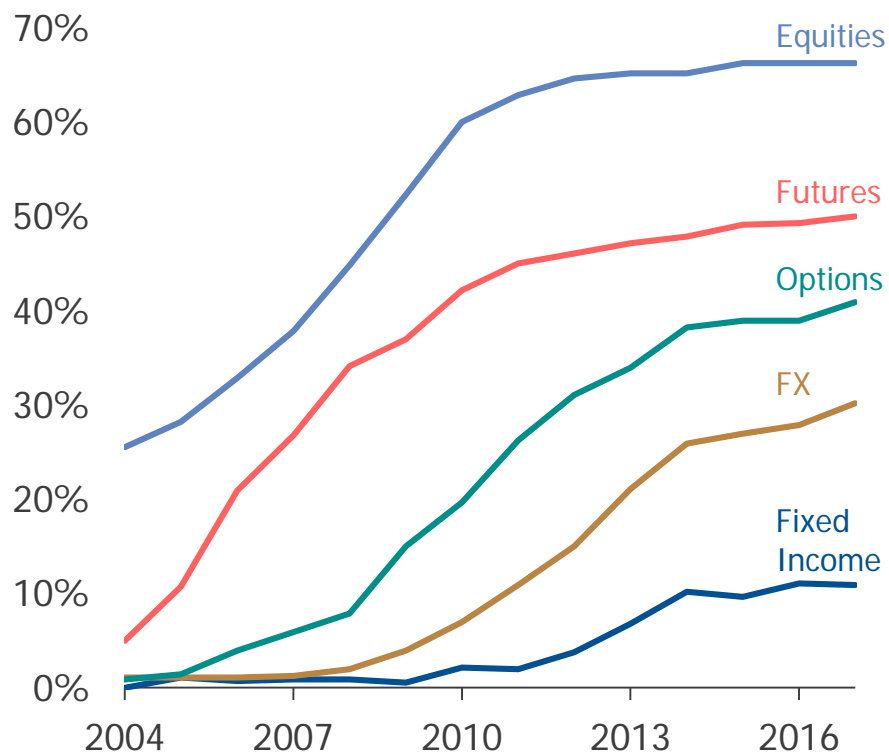
Source: Absolute Strategy Research, 'Quantity Strategy' report as at 2 May 2018.

Composite indicator of US wage inflation



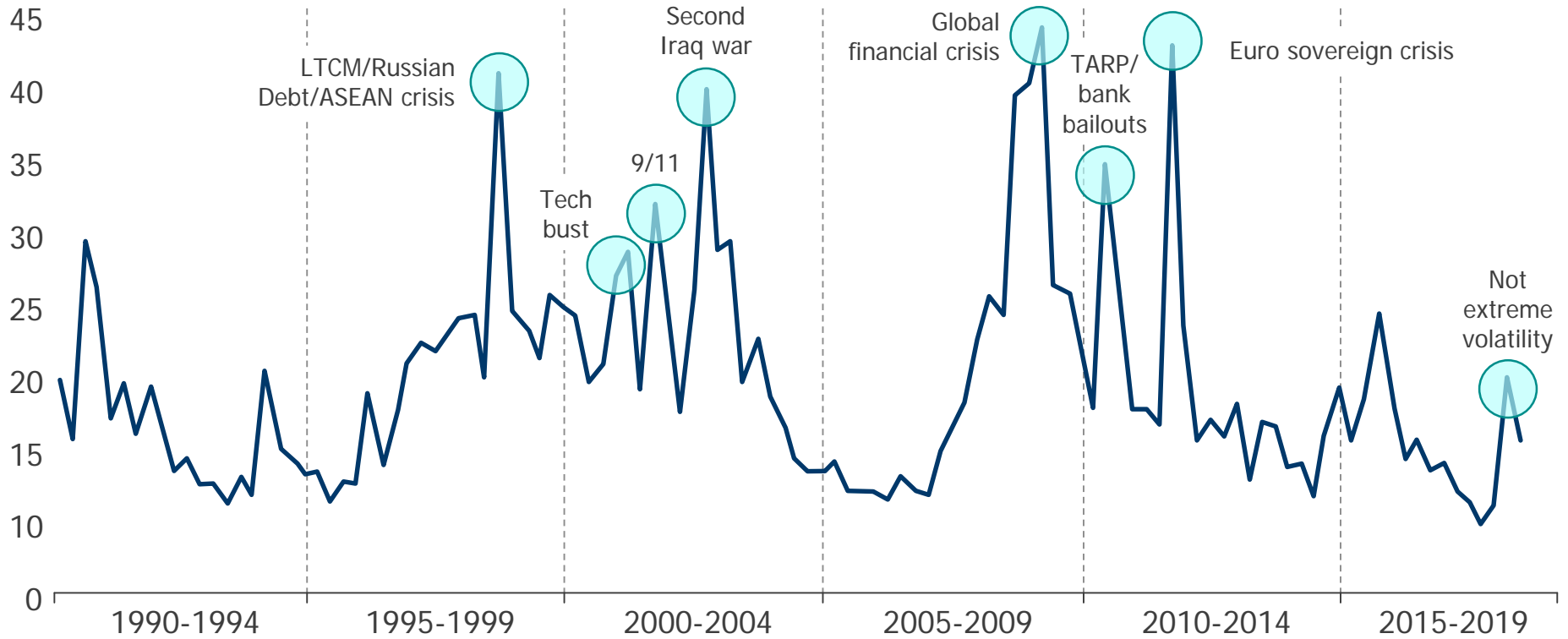
Source: Kepler Cheuvreux, 'The Strategic Frame' report No.9 as at 9 April 2018.

The market share of algorithmic trading has grown across asset classes and regions



Source: Goldman Sachs, 'Liquidity as the New Leverage: Will the Machines Amplify the Next Downturn?' report as at 22 May 2018.

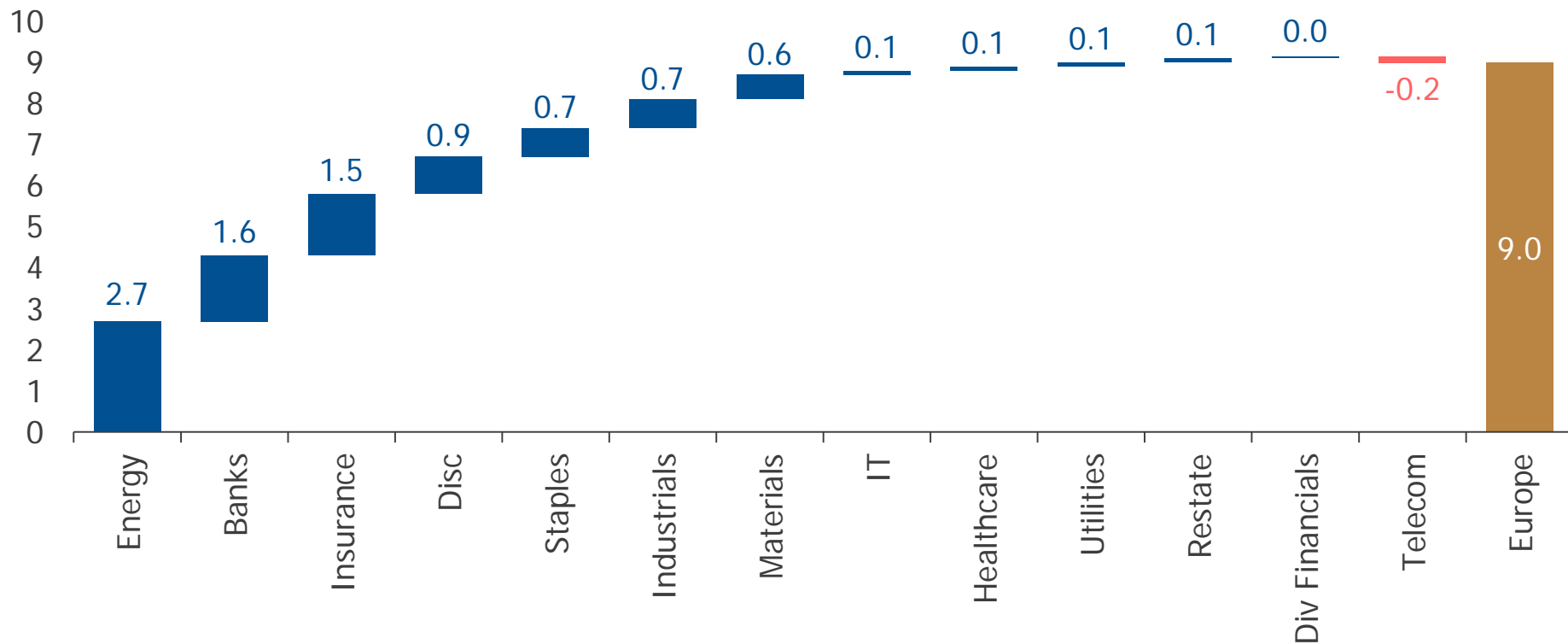
VIX volatility history



Source: Bloomberg as at 1 May 2018.

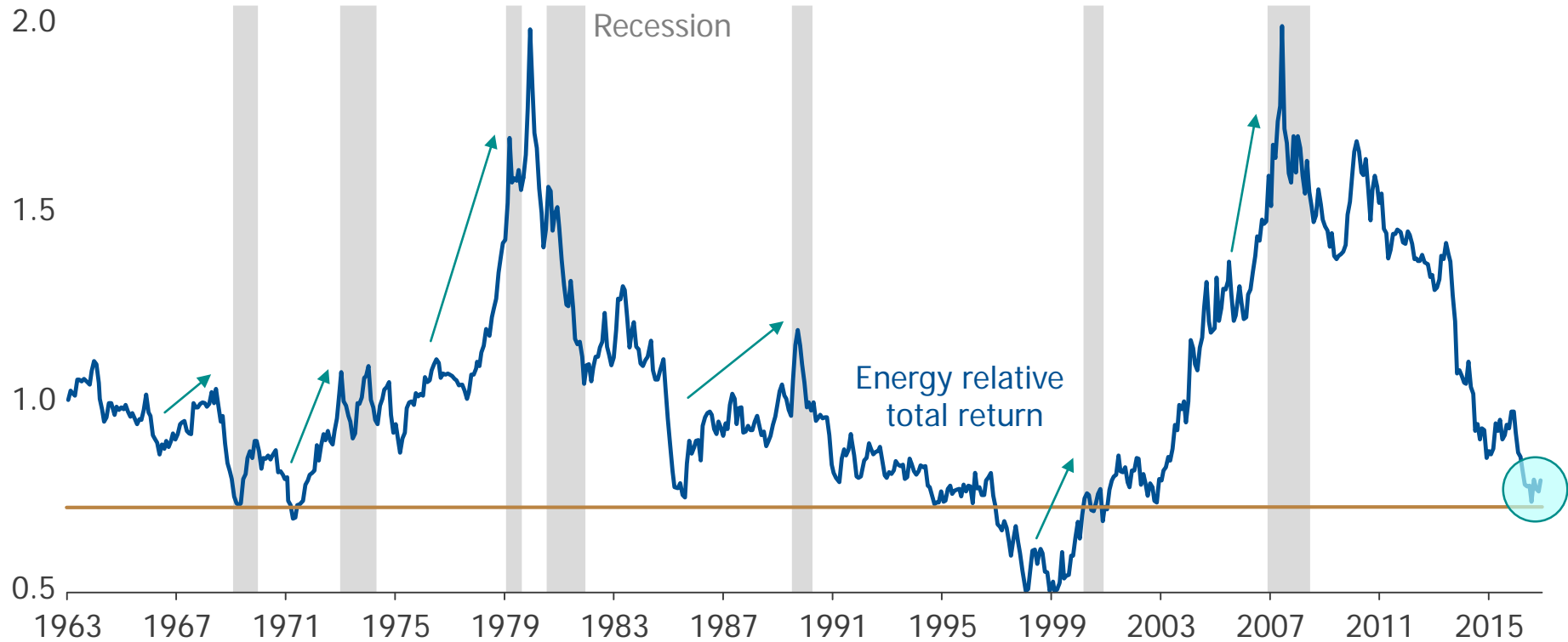
Banks, Energy, Insurance drive 2018 EPS growth

Sector contribution to FY1 European EPS growth



Source: Exane BNP Paribas, 'ROE, ROE, ROE your boat, gently away from the US' strategy report as at 5 June 2018.

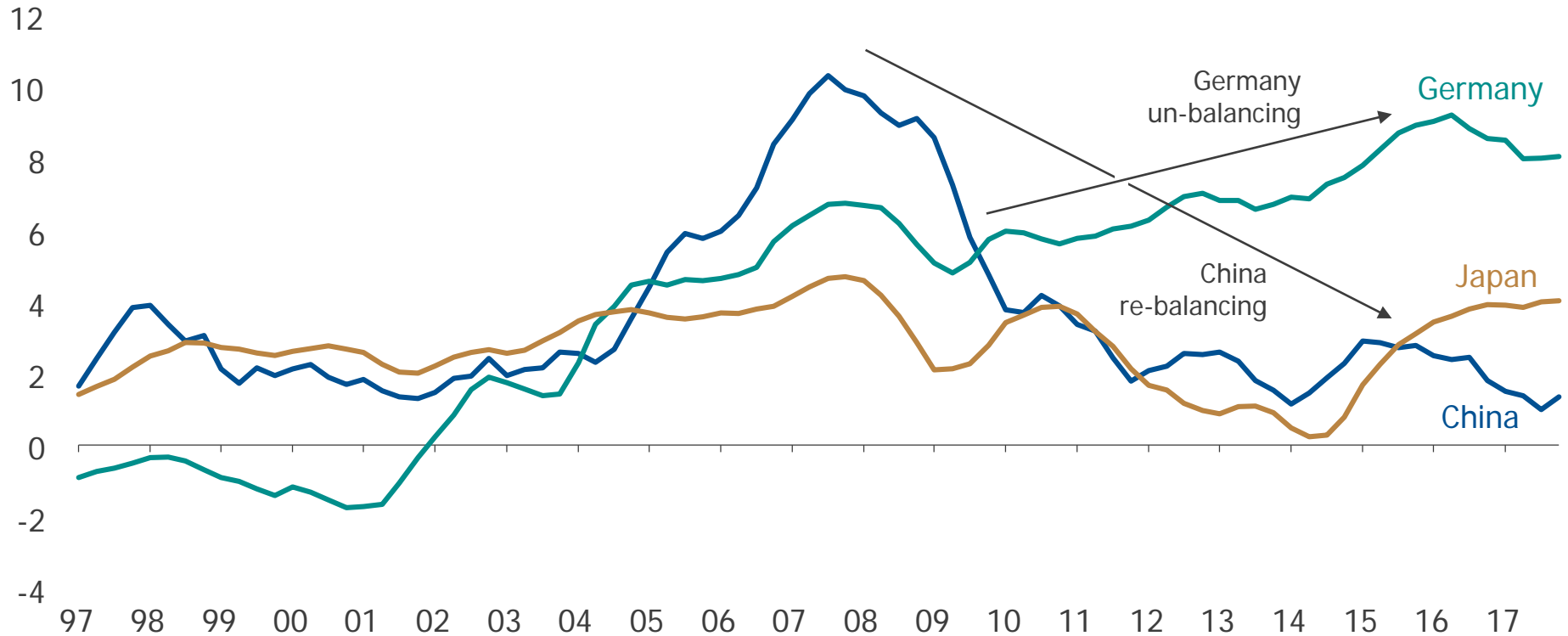
A late cycle energy catch up has occurred in each cycle since the early 1960s



Source: Morgan Stanley, 'US Equity Strategy' report as at 8 January 2018.

Current account balances for China, Germany and Japan

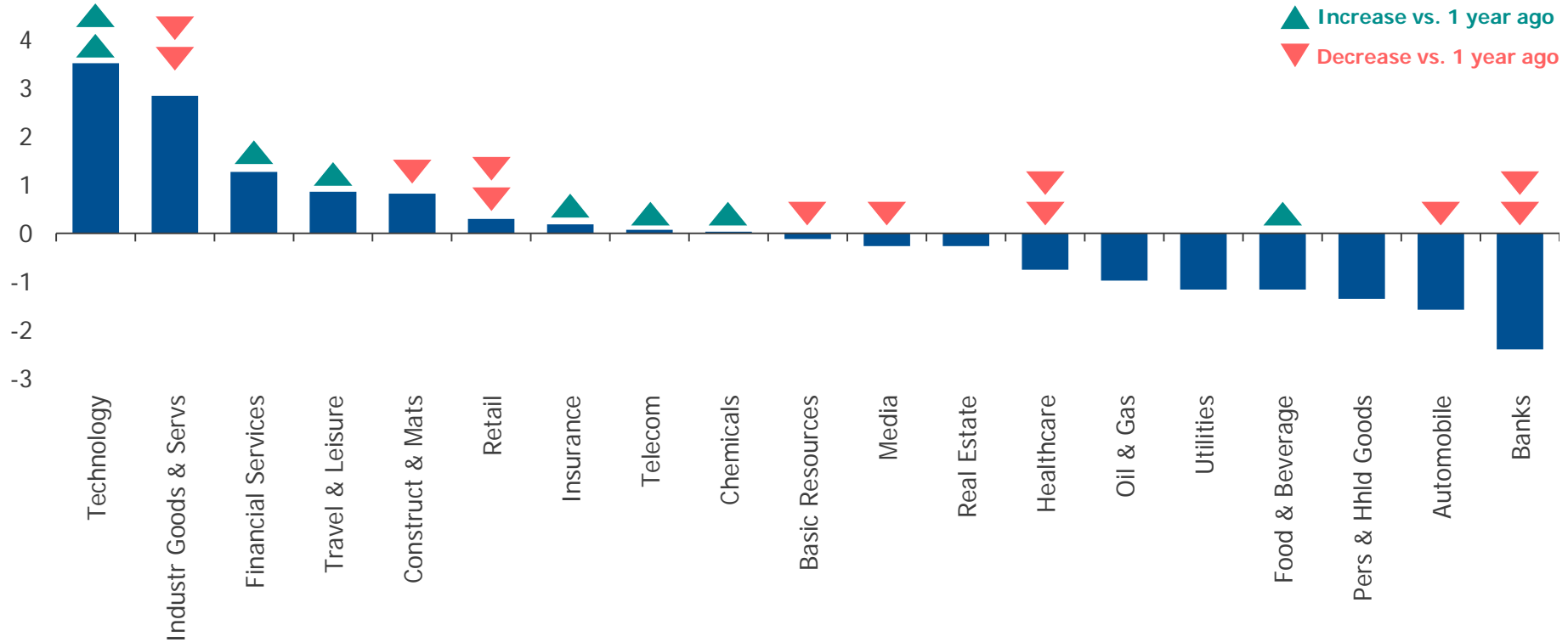
% of nominal GDP; Q4 sum



Source: Kepler Cheuvreux, 'The Strategic Frame' report as at 18 June 2018.

European Banks remain the largest underweight of active managers

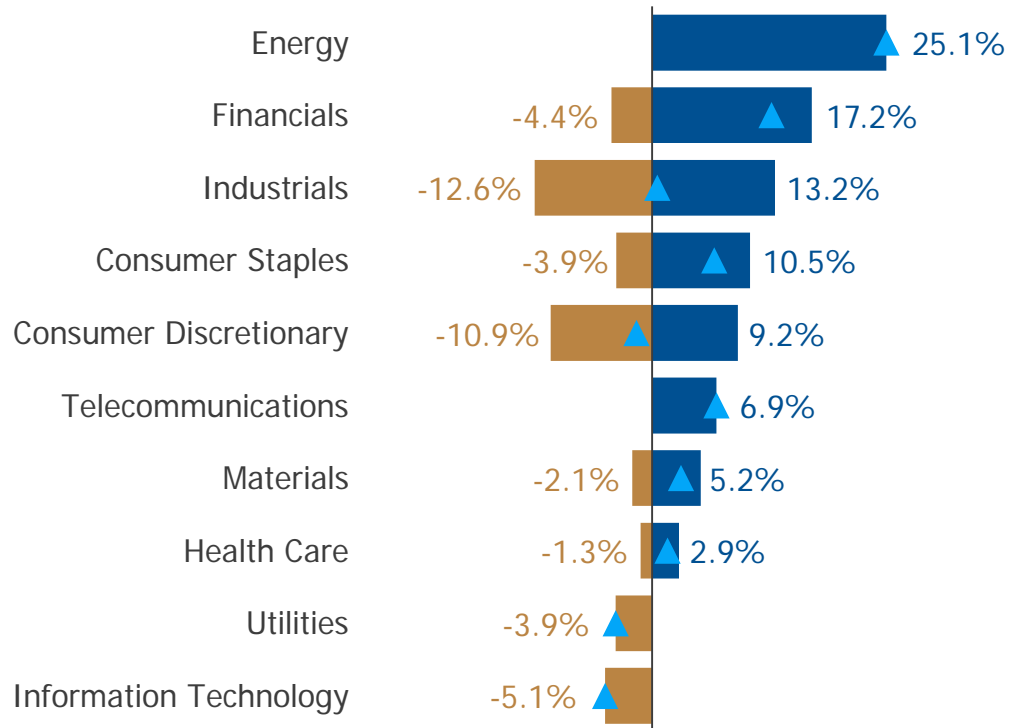
Average position of European funds vs. their respective benchmarks as of March 2018



Source: Goldman Sachs, 'Strategy Espresso: Mutual fund positioning: Banks a consensus short' report as at 23 May 2018.

Current fund positioning

Net sector exposure

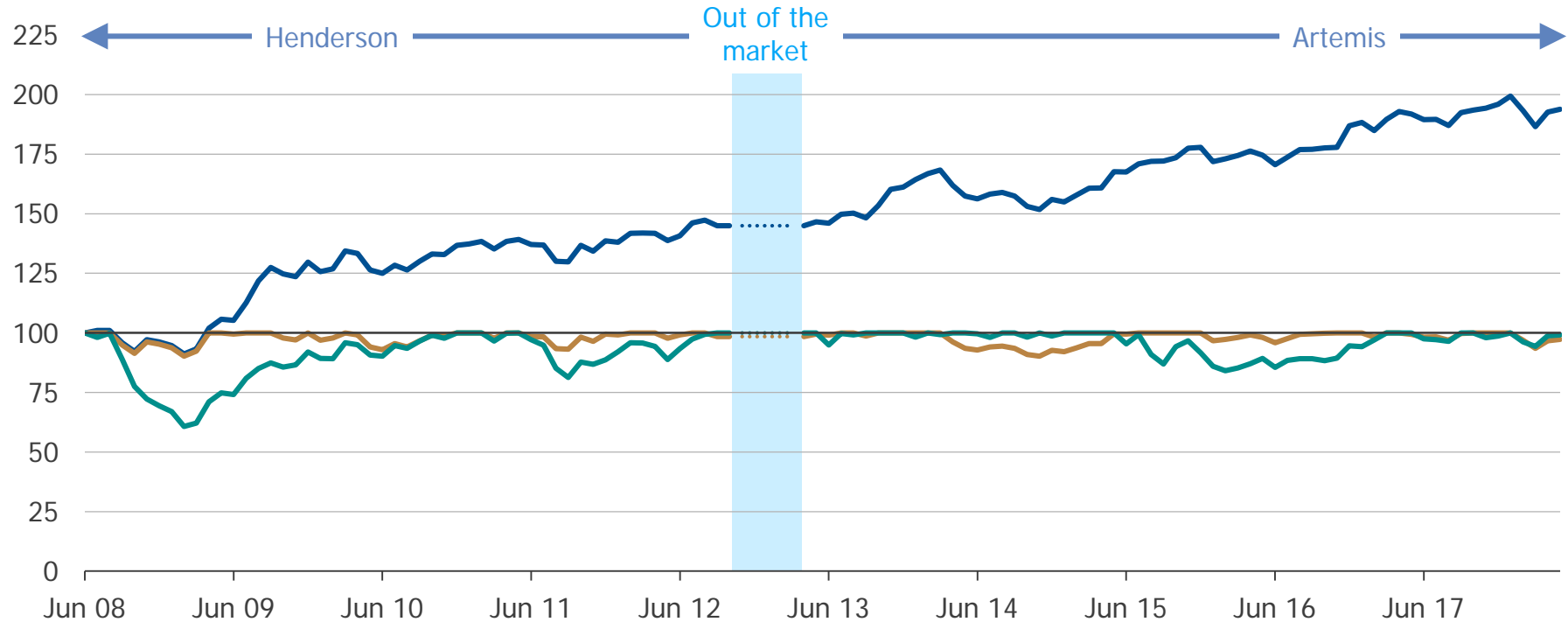


Short Long Net

Source: Artemis as at 31 May 2018.

- Big oil companies are following the path of recovery set by miners as cashflow improves dramatically. The next phase of performance comes from E&P and services, particularly as capex budgets are set higher for 2019 using higher and more stable oil prices
- Banks with recovery potential are most interesting on large discounts to book value. Short positions in France and asset managers
- We are finding more shorts in the Industrial and exporter segments of the market as economic indicators roll over in Europe and emerging markets come under pressure
- Slowly increasing short positions in selected Technology companies as share prices have moved far ahead of earnings revisions and we see signs of stress in semiconductor end markets

Paul Casson – Performance and drawdown track record



Paul Casson Return **Paul Casson drawdown** **MSCI Europe TR EUR drawdown**

Source: Lipper limited as at 31 May 2018. From July 2008 to October 2012 the performance is from the Henderson HF Pan-European Alpha Fund A2 in Euros. From April 2013 to July 2014 the performance is from the Artemis Pan-European Hedge Fund in Sterling. From August 2014 to 31 May 2018 the performance is from the Artemis Pan-European Absolute Return Fund in Sterling. All funds shown were managed by Paul Casson and base share classes are used. Dotted lines represent the 5 month period in which Paul Casson was not managing funds.

Important notice

Artemis Pan-European Absolute Return Fund

THIS INFORMATION IS FOR PROFESSIONAL ADVISERS ONLY and should not be relied upon by retail investors.

There is no guarantee that the fund will achieve a positive return over the longer term or any other time period and investors' capital is at risk.

The fund will use derivatives to meet its investment objective, to protect the value of the fund, to reduce costs and with the aim of profiting from falling prices.

The fund may hold large cash deposits.

The costs and benefits of currency hedging transactions will apply to hedged shares.

Artemis Fund Managers Limited is entitled to a performance fee per share.

The additional expenses of the fund are currently capped at 0.25%. This has the effect of capping the ongoing charge for the class I shares issued by the fund at 1% and for the class R shares at 1.75%. Artemis reserves the right to remove the cap without notice.

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 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.