

## Artemis Strategic Bond

## Sterling Strategic Bond

### Introduction

The Artemis Strategic Bond fund is unconstrained and 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 fund invested in corporate bonds as they believe the yield premium more than compensates for the additional risk assumed. A more experienced management team took over in September 2023 following the departure of the previous managers.



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

### Why RSMR Rate this Fund

- The management team is experienced and well regarded
- A disciplined investment process is applied to a flexible mandate across fixed interest markets
- The investment universe includes US\$ high yield which gives it a wide opportunity set

### Fund Process

The managers aim to achieve the best possible total return from investing within fixed income markets and to outperform their peer group, so there is no particular focus on income generation and there is no benchmark index. They are able to invest across the fixed income spectrum but in practice the fund has contained exposure predominantly to government bonds, investment grade corporate bonds and high yield bonds.

Returns are generated in four ways: firstly, by active asset allocation across the spectrum of the bond universe, secondly from duration decisions, thirdly through sector allocation, and finally from stock selection. The investment approach combines top-down analysis with bottom-up stock selection. The primary top-down considerations are the overall economic picture, the level and direction of interest rates and the level and direction of inflation. External strategists/consultants are often used to provide insight into markets. Stock selection is an important part of the process and the managers prefer companies that have a strong franchise but have relatively weak balance sheets, although without significant leverage, as they often provide extra yield. They are particularly interested in companies that are undergoing restructuring or are likely to be restructured. The Artemis equity income team provides important input into the Artemis Strategic Bond fund, providing an insight into the expectations of equity holders and the consequent implications for corporate bonds. Sell-side credit analysis provides general views on stocks and sectors and the analysts themselves are consulted for stock specific views. Once the underlying portfolio has been constructed, an overlay strategy is applied to control the fund's overall duration positioning. The duration positioning is not usually moved around significantly unless the managers have a particularly strong view. The fund does have the flexibility to allow large duration moves but it is highly unlikely ever to be negative duration. Currency exposure is monitored and normally hedged back into sterling although the managers exercise a small discretion in this regard to reduce risk.

### Evaluation

The fund has a large degree of flexibility but will mainly invest into credit with government bond exposure and an overlay strategy is used to control duration positioning. The management team have widened the investment universe to include US\$ high yield securities. Performance is likely to be reliant more on the relative performance of credit (investment grade and high yield versus government bonds) than some other funds in the sector, which can result in a higher volatility than the sector average, but overall long-term performance has been good.

### Application

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

### Our Opinion

The fund management team at Artemis expanded in 2023 bringing better resource in managing asset across an investment universe, which now includes US\$ high yield. The team builds on good past performance and this fund is a good core option for investors seeking option in this area.

#### Important Notice

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