



**MARKETING COMMUNICATION:** This is a marketing communication. Refer to the fund prospectus and KIID/KID before making any final investment decisions.  
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# Disciplined value investing in Emerging Markets

Artemis SmartGARP GEM Equity Fund

Raheel Altaf



# The SmartGARP investment team



**Philip Wolstencroft**  
Fund Manager



**Peter Saacke**  
Fund Manager



**Raheel Altaf**  
Fund Manager



**Aalok Sathe**  
Analyst

	UK Equity	European Equity	Global Equity	Global Emerging Markets Equity
Fund performance p.a. <sup>1</sup>	<b>11.0%</b>	<b>7.3%</b>	<b>10.3%</b>	<b>6.5%</b>
Benchmark <sup>2</sup>	7.7%	6.4%	7.4%	4.5%
Since	June 2010	March 2001	December 2003	April 2015

**Shared investment beliefs. Evidence based investing.**

**Disciplined approach to screening for favourable financial characteristics, with a focus on maximising total return.**

Past performance is not a guide to the future. Source: Artemis/Lipper Limited, class I accumulation GBP as at 31 March 2023. 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. <sup>1</sup>Performance data from start of fund manager tenure. <sup>2</sup>Artemis SmartGARP UK Equity Fund benchmark: FTSE All-Share TR; Artemis SmartGARP European Equity Fund benchmark: FTSE World Europe ex UK TR; Artemis SmartGARP Global Equity Fund benchmark: MSCI World NR until close on the 31 December 2010, MSCI AC World NR since; Artemis SmartGARP Global Emerging Markets Equity Fund benchmark: MSCI Emerging Markets.

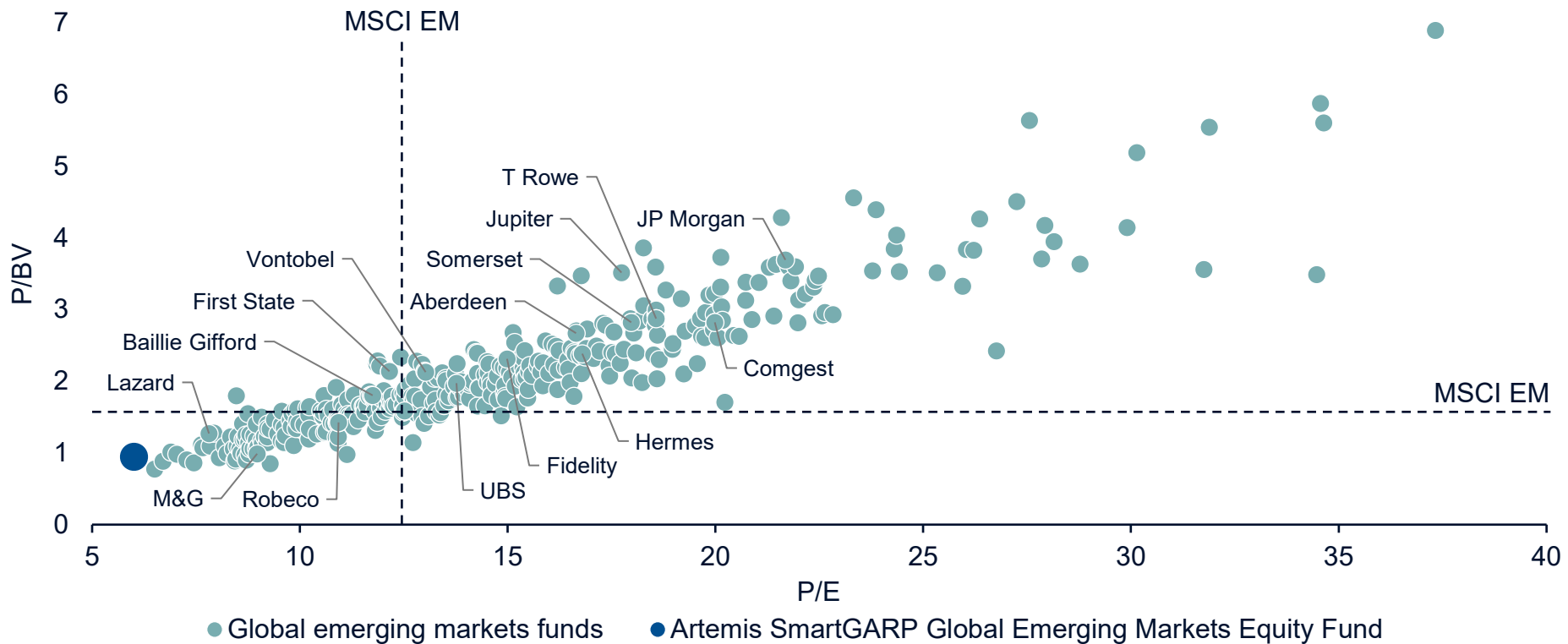
# Performance



	YTD	1 year	3 years p.a.	5 years p.a.	Since launch p.a. <sup>1</sup>
Artemis SmartGARP Global Emerging Markets Equity Fund	2.5%	0.7%	13.1%	3.7%	6.5%
MSCI EM	1.1%	-4.9%	7.9%	1.6%	4.5%
Quartile	2	1	1	1	1

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# Artemis GEM – significant value bias to peers



Source: Copley Fund Research as at 31 March 2023. Trailing 12m P/E and P/BV.

# Overview – Artemis SmartGARP GEM Equity Fund

- SmartGARP investment process – combining fundamental inputs with fund manager judgement
- Positioning – highly contrarian, high active share, strong bias towards value stocks
- Outlook – sharply improving fundamental growth of holdings presents opportunity

## Financial characteristics

	12m forward P/E	ROE <sup>1</sup>	Dividend yield
Fund	6.2x	14.6%	6.0%
Benchmark	12.0x	13.4%	3.0%
Relative	-48%	1.2%	96%

## Key exposures<sup>2</sup>

Countries	Sectors
China, Brazil, Korea, Turkey	Financials, Energy, Food & Bev
India, Taiwan, Saudi Arabia	Semiconductors, Materials

## Key features<sup>3</sup>

Active share	Typical limits	Current positions
Typically >80%	Sectors ±10% Countries ±6%	89 Typically 80-120

Source: Artemis, Bloomberg, MSCI as at 31 March 2023. The fund is the Artemis SmartGARP Global Emerging Markets Equity Fund. The benchmark is MSCI Emerging Markets.

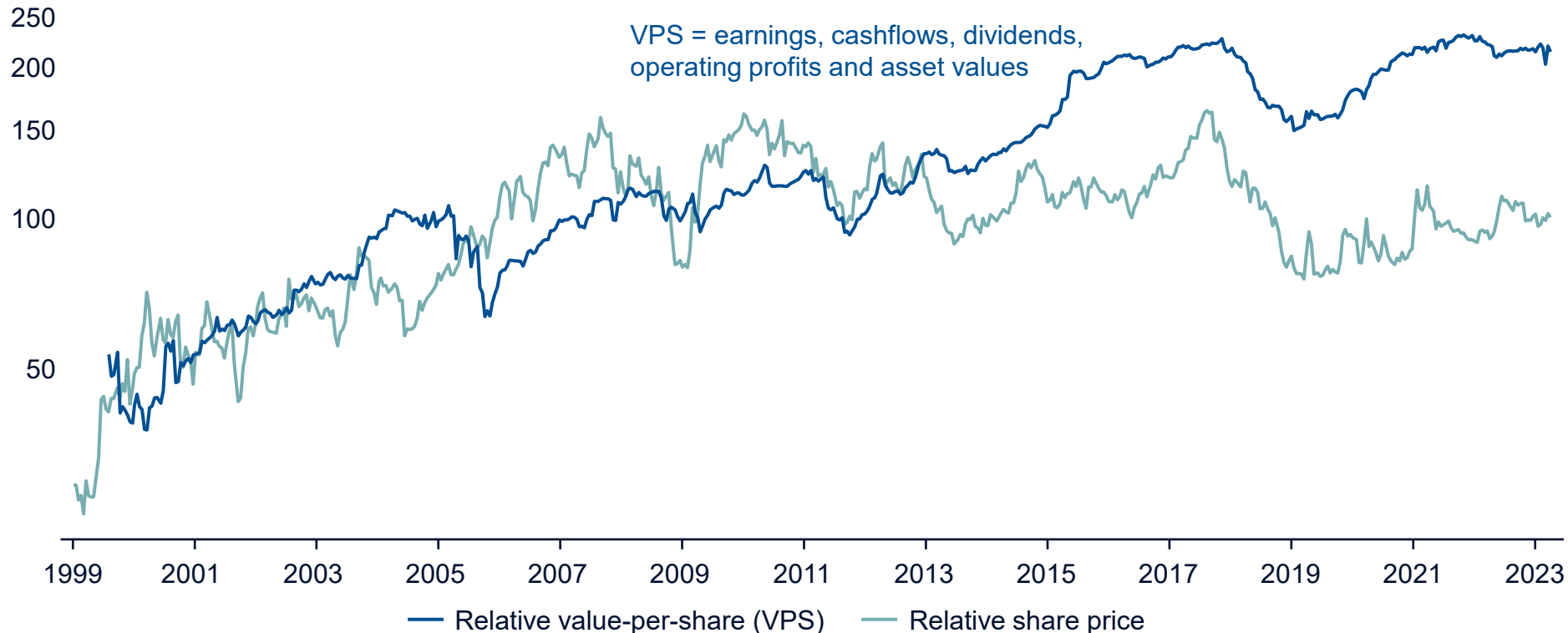
<sup>1</sup>ROE is a blend of 3-year trailing and 2-year forward. <sup>2</sup>Overweight positions are highlighted green and underweight positions are highlighted red. <sup>3</sup>This information reflects the current view of the fund managers and may change over time. For information about formal investment restrictions relevant to this fund please refer to the prospectus. The numbers are typical.

# Investment process



# Ultimately, share prices follow fundamentals

## Hon Hai



Source: FactSet, Artemis as at 4 April 2023. Image source: brandsoftheworld.com.

Note: value-per-share and share price relative to MSCI ACWI. Value-per-share (VPS) is a combined measure of earnings, cash flow, operating profits, dividends and asset value per share. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

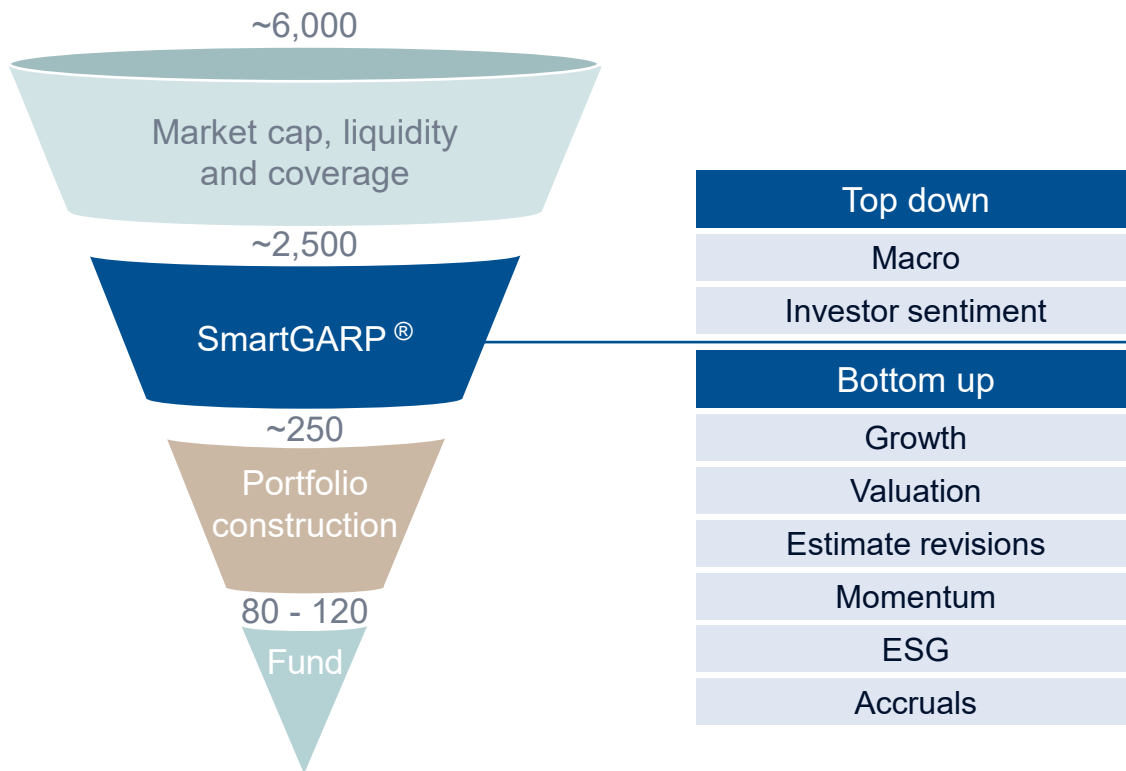
# A disciplined approach to stock picking

## SmartGARP® process

**Aim:** identify companies with superior fundamental growth

### How

- Quantitative stock screening tool refined over the last 30 years
- Bottom up and top down inputs
- Fundamental, behavioural and market trends
- Companies scored on eight investment factors
- Fund manager focuses attention on best opportunities



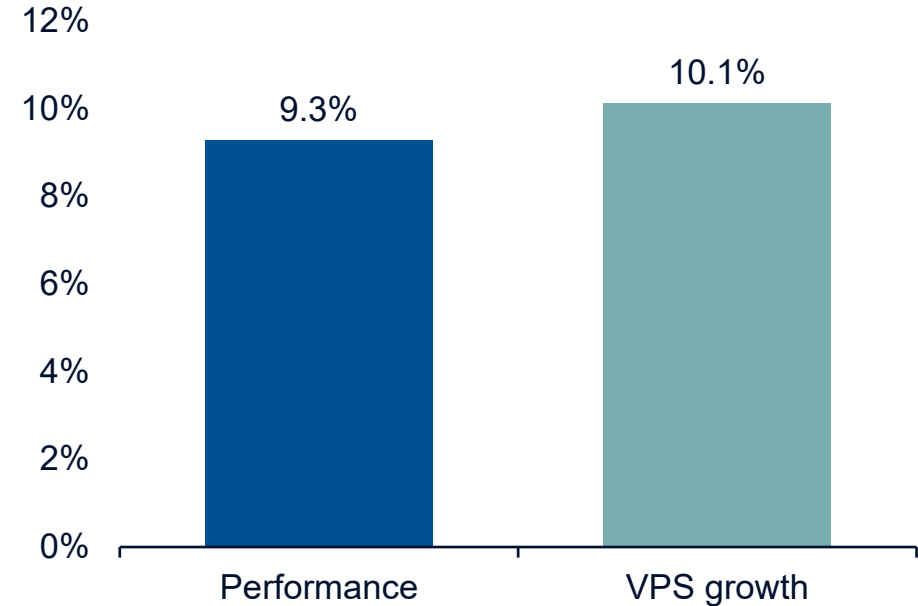
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# Estimate revisions – capturing fundamental trends

- Estimate revisions – analyst upgrades/downgrades to revenues, cash flows, earnings forecasts
- Systematically following these changes captures timely changes to fundamental outlooks for companies
- Where do we add value?
  - Earnings stability
  - Uncertainty in forecasts
  - Herding effects
- Identifying attractive fundamental value per share in companies delivers strong long term performance

## Estimate revisions – upgrades versus downgrades annualised (2003 - 2023)



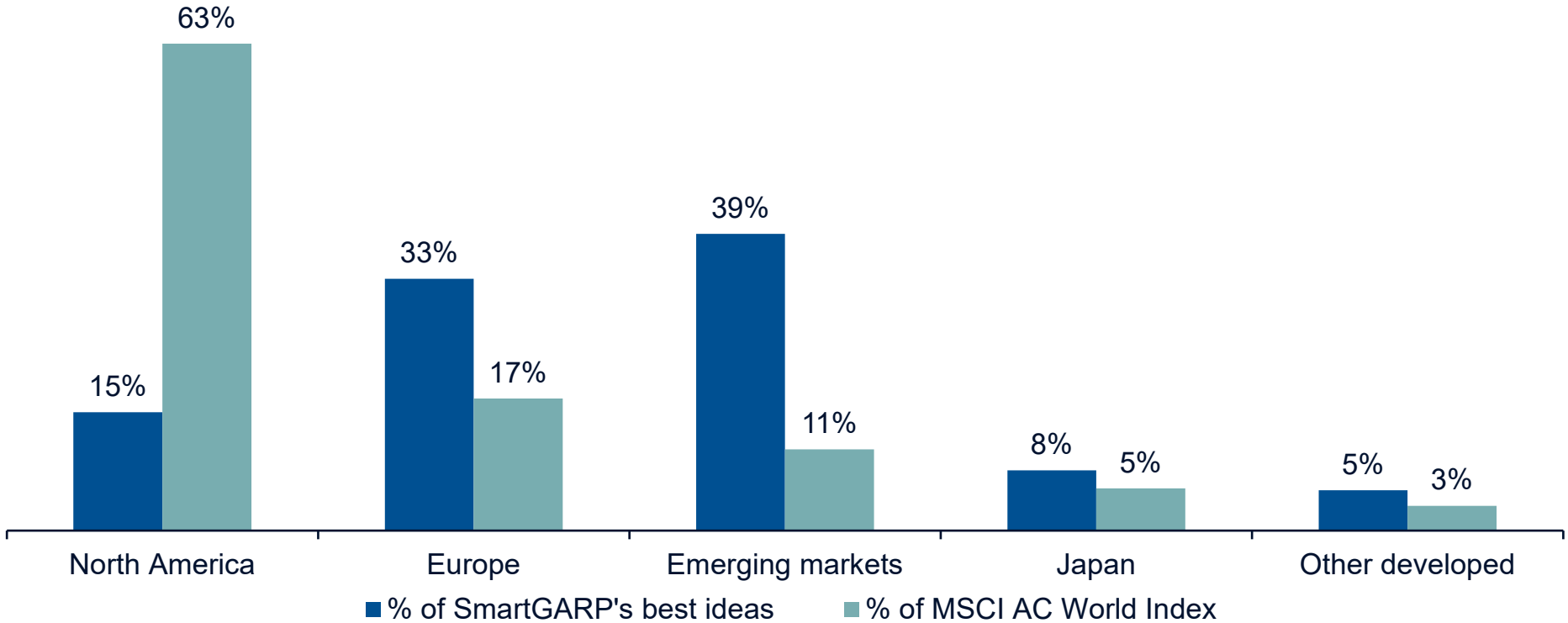
Source: Artemis, FactSet as at 31 March 2023. Performance refers to the return spread between lowest and highest quintile of stocks from the revisions factor in SmartGARP Global universe. Value-per-share (VPS) is a combined measure of the earnings, cash flow, operating profits, dividends and book value per share.

# Outlook



# EM fundamentals compared to other regions

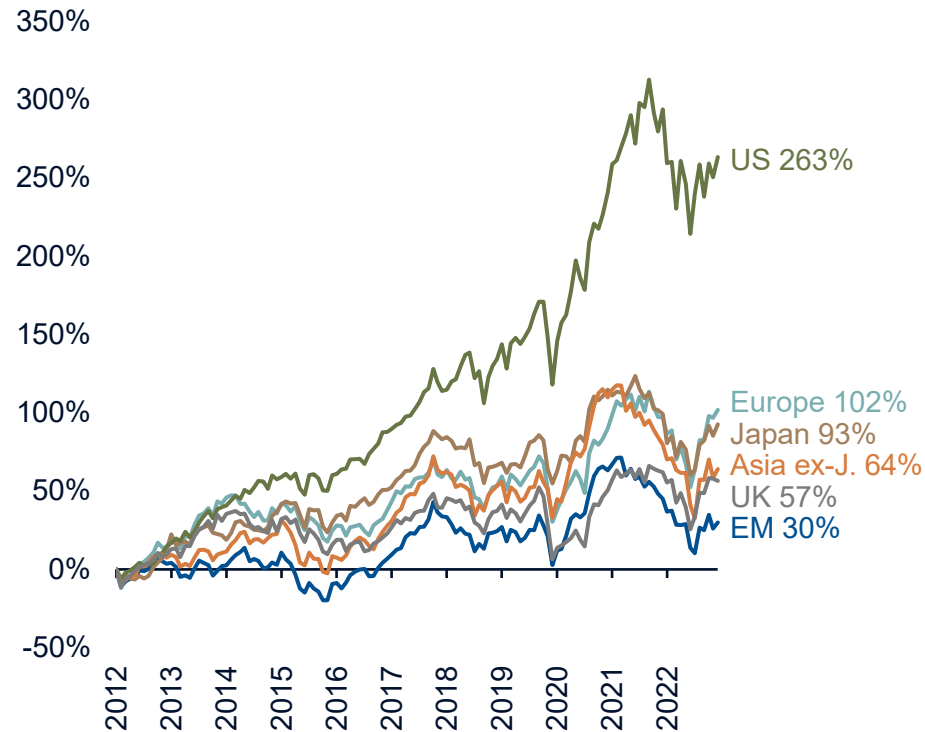
The SmartGARP perspective



Source: Artemis as at 31 March 2023.

# Is there an opportunity in EM?

## 11-year cumulative return



## Shiller P/E – EM versus S&P 500



Source: Bloomberg as at 31 March 2023. Indices are: MSCI for EM, Asia ex-Japan and Europe, S&P 500 for US and Topix for Japan.

# Market outlook

## Top-down concerns dominating sentiment

### Main themes

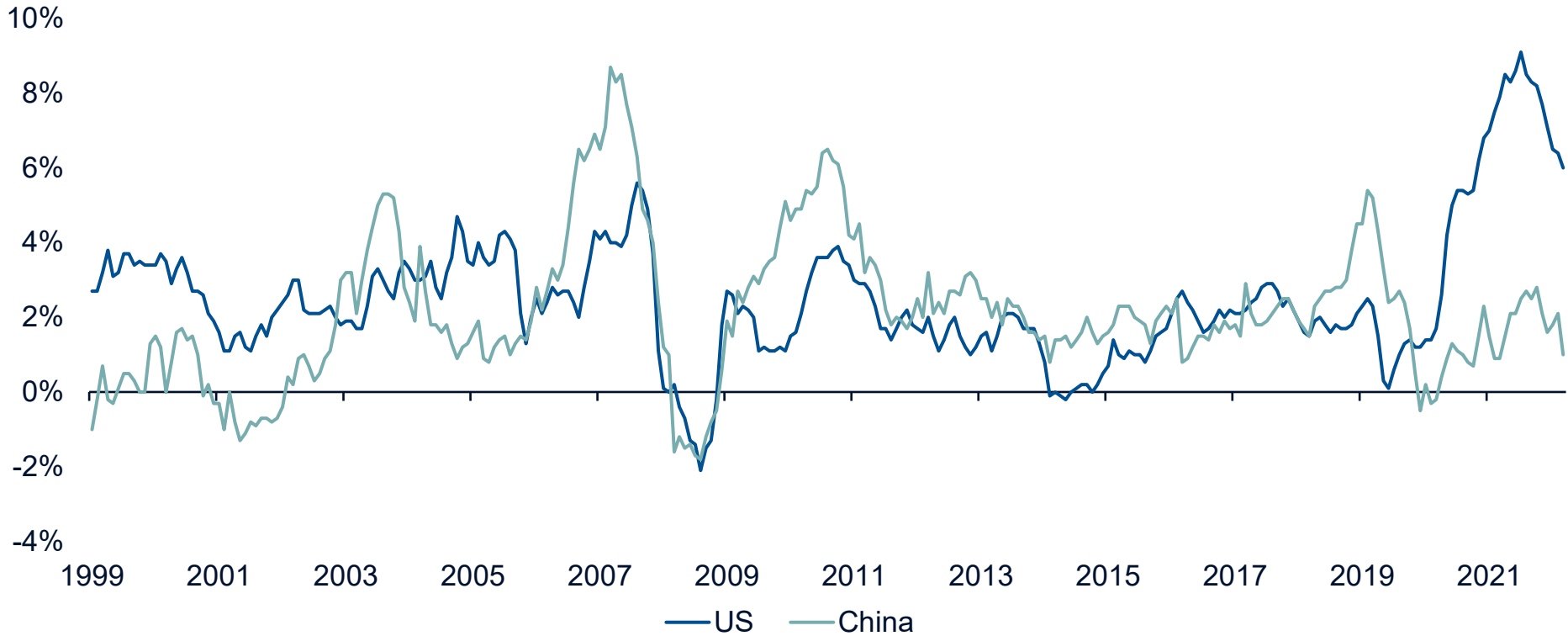


## Bottom-up

### Main themes

- Relative valuation
  - EM equities cheap within global equities
- Earnings – improving from lows
- Global supply chains shifts
- Dispersion – still at extreme levels versus history

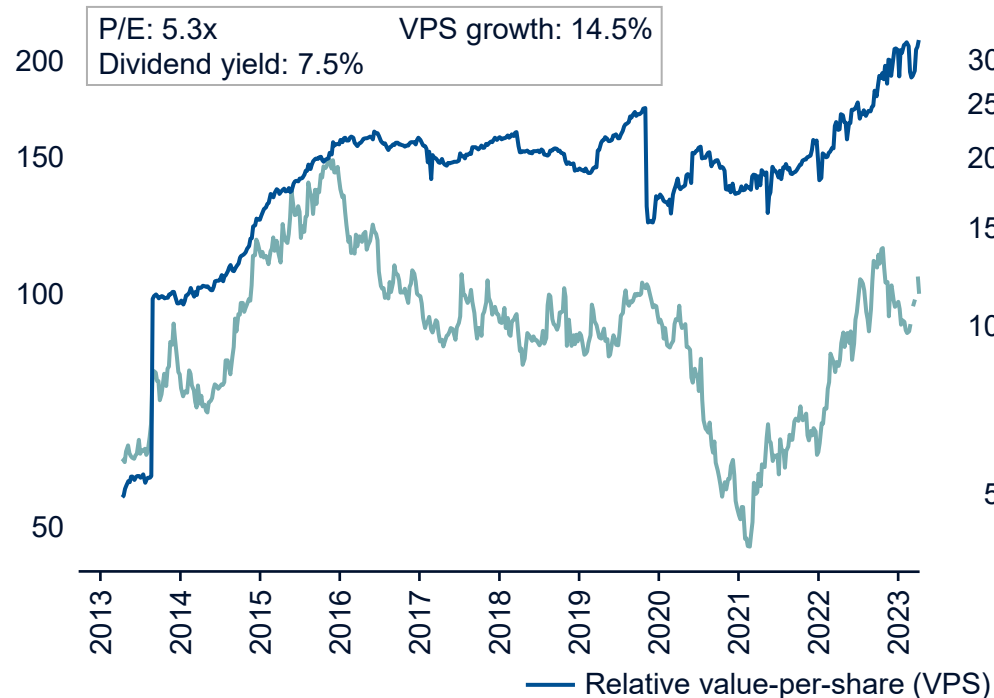
# Inflation – US versus China



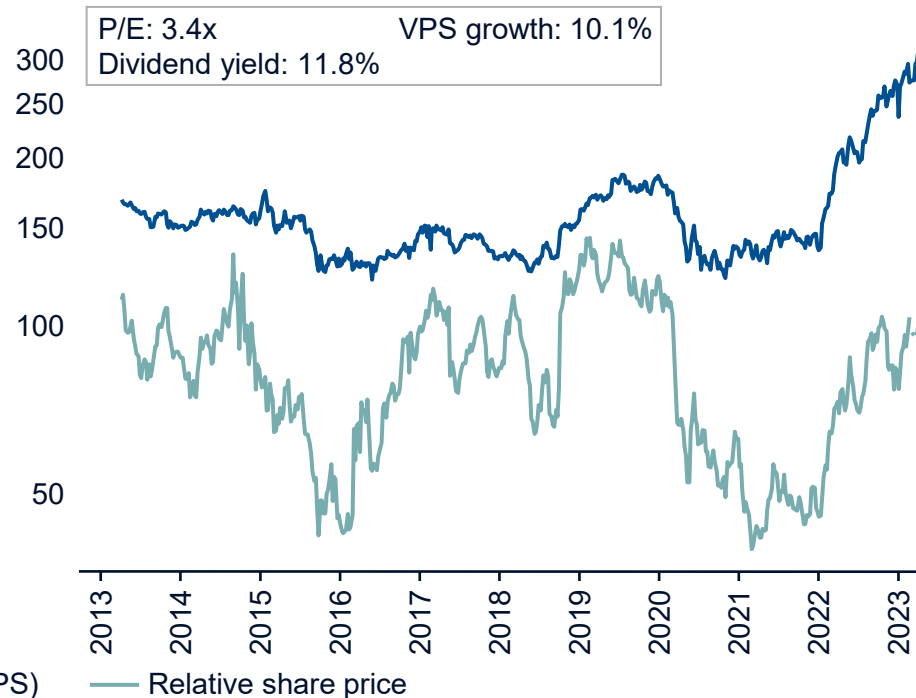
Source: Bloomberg as at 28 February 2023.

# Deep value in EM

## China reopening



## Commodity demand



Source: FactSet, Artemis as at 4 April 2023. Image source: brandsoftheworld.com.

Note: value-per-share and share price relative to MSCI Emerging Markets Index. Value-per-share (VPS) is a combined measure of earnings, cash flow, operating profits, dividends and asset value per share. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

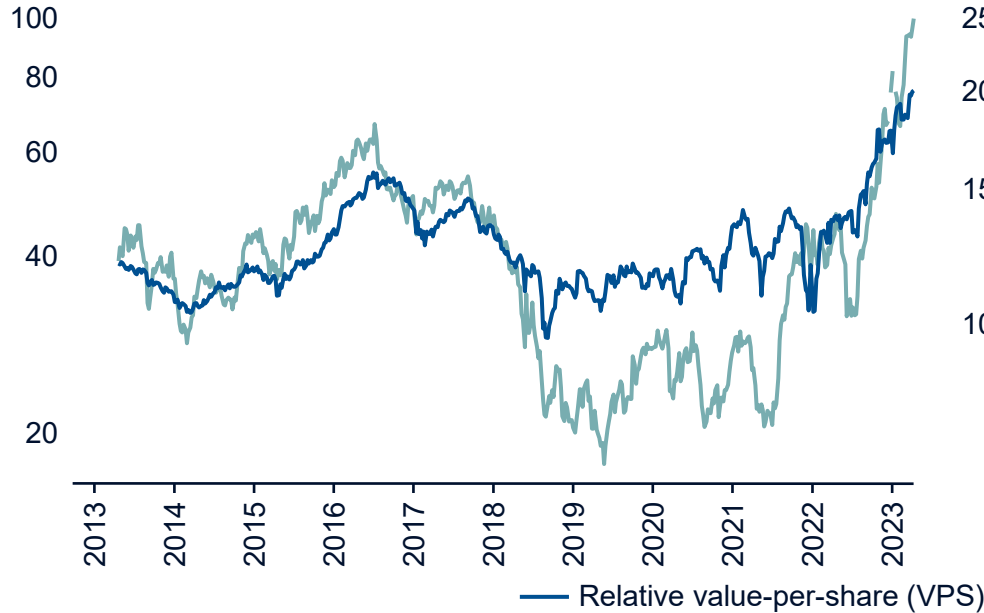
# Growth in EM

## Strong domestic growth

### TOFAŞ

P/E: 9.8x  
Dividend yield: 4.9%

VPS growth: 36.3%



## Asia recovery

### HYUNDAI GLOVIS

P/E: 5.2x  
Dividend yield: 3.6%

VPS growth: 17.9%



Source: FactSet, Artemis as at 12 April 2023. Image source: brandsoftheworld.com.

Note: value-per-share and share price relative to MSCI Emerging Markets Index. Value-per-share (VPS) is a combined measure of earnings, cash flow, operating profits, dividends and asset value per share. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

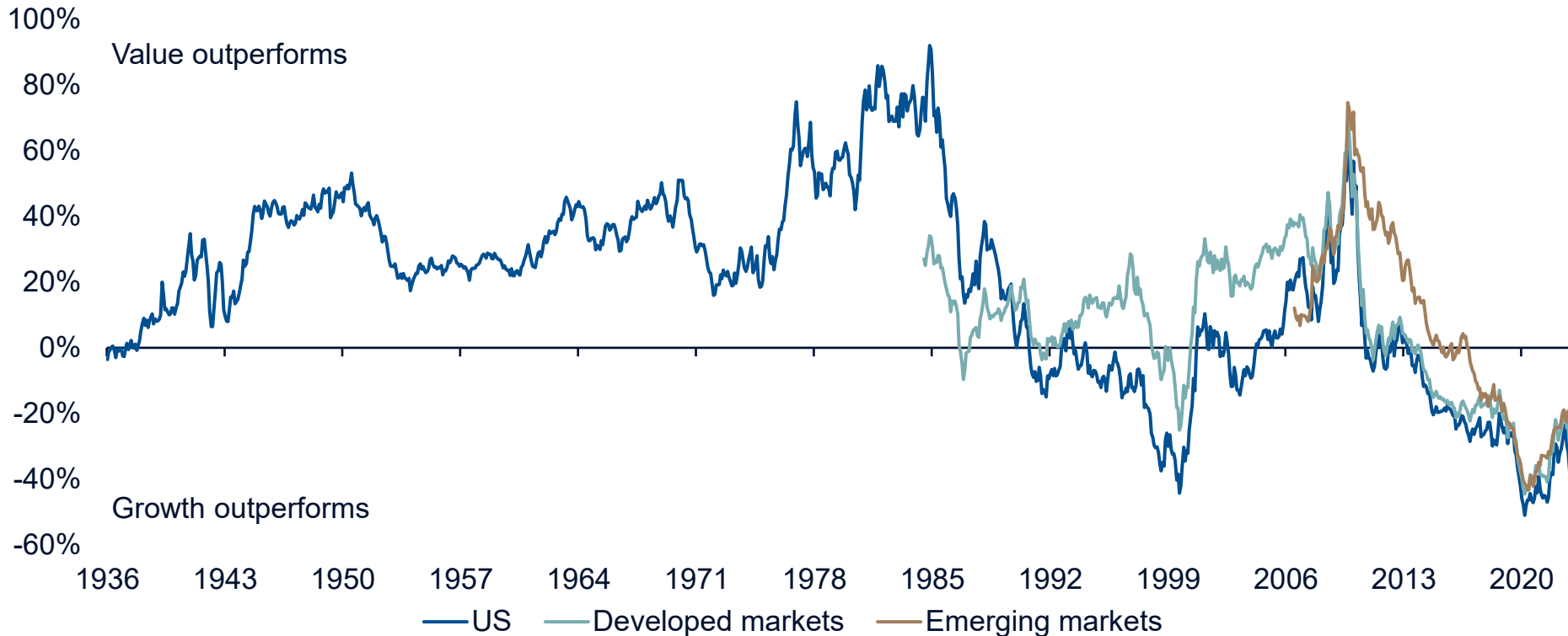


# Value bias at extreme



# Growth domination is starting to reverse...

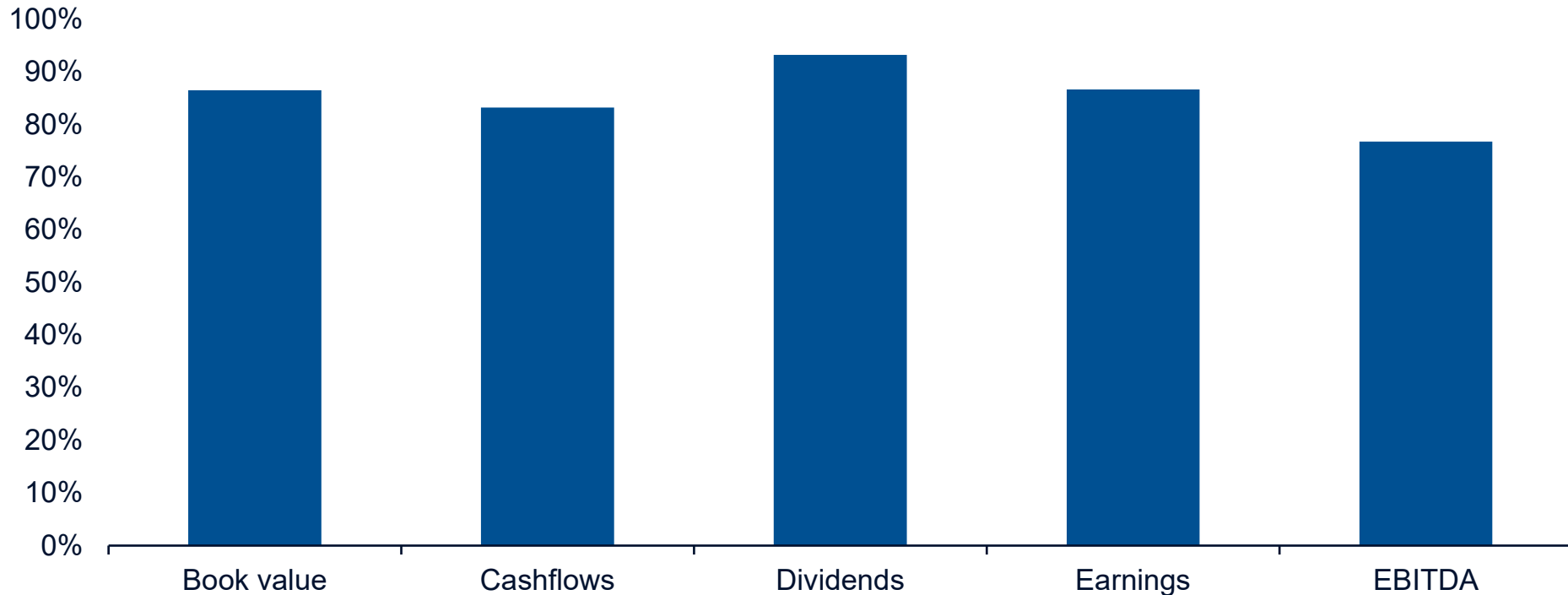
## Relative performance of value versus growth



Source: Artemis, Fama French data library, MSCI as at 31 March 2023.

# EM value stocks remain cheap versus history

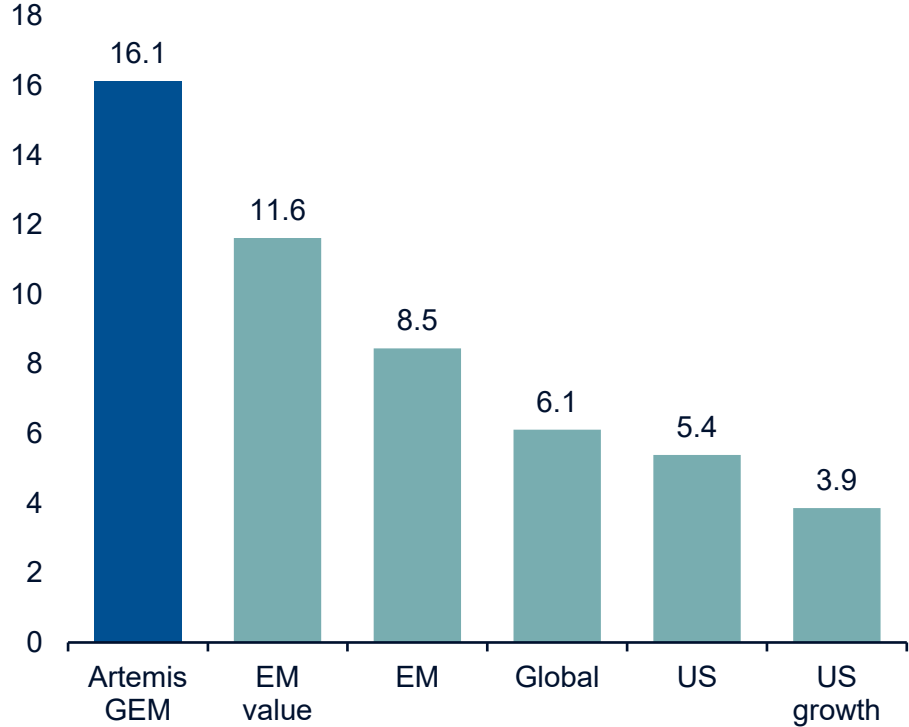
## Valuation dispersion versus history – emerging markets



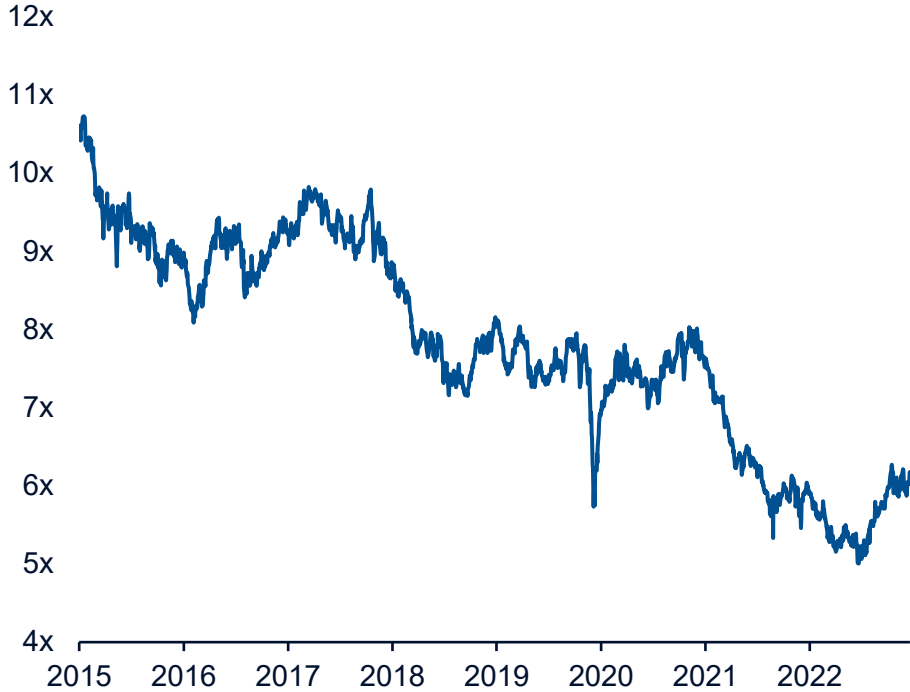
Source: FactSet, Artemis as at 6 April 2023. Valuation dispersion measures the difference in valuations between top versus bottom quintiles for emerging market stocks using book values, cashflows, dividends, earnings and operating profits. Current values are compared with a history going back to January 2001.

# Attractive versus other assets...

### Forward earnings yield %



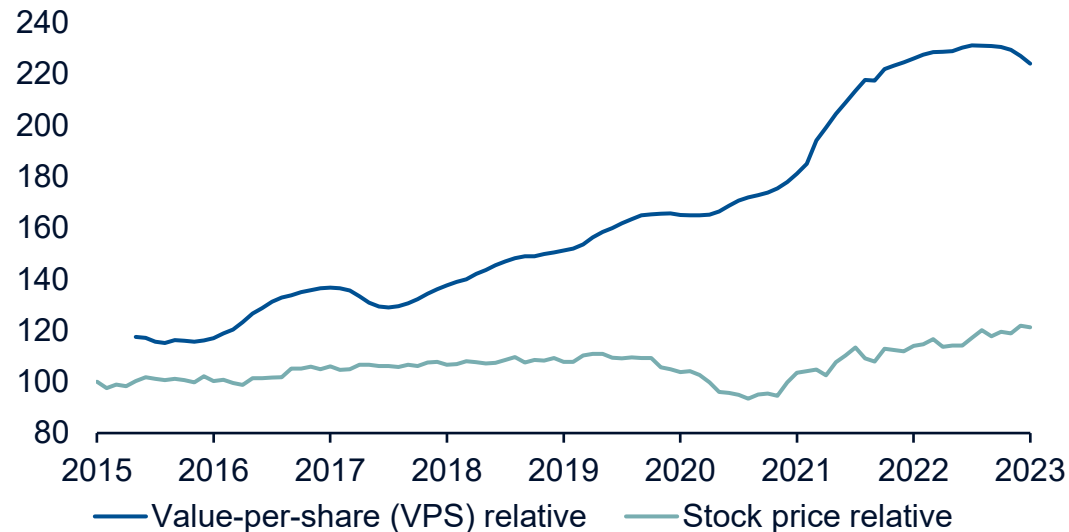
### Artemis GEM – forward P/E ratio



Source: Artemis, MSCI, Bloomberg as at 31 March 2023.

# ...and growth is accelerating upwards

## Price and value-per-share (VPS) relative<sup>1</sup>



- Value-per-share (VPS) – capturing trends in earnings, cash flows, dividends, operating profits and assets
- Fundamental growth accelerating relative to benchmark
- Gap between share prices and fundamentals remains extreme

## Per annum growth since launch of Artemis GEM fund

	Earnings	Dividends	EBITDA	Book value	Cash flow	FVPS <sup>2</sup>
Artemis GEM	15.9%	17.7%	14.1%	14.2%	14.1%	15.5%
EM	5.6%	6.2%	5.5%	4.4%	3.9%	5.2%

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# The other SmartGARP funds – a similar story

## Global



## Europe



## UK



Source: Artemis, FactSet as at 31 March 2023.

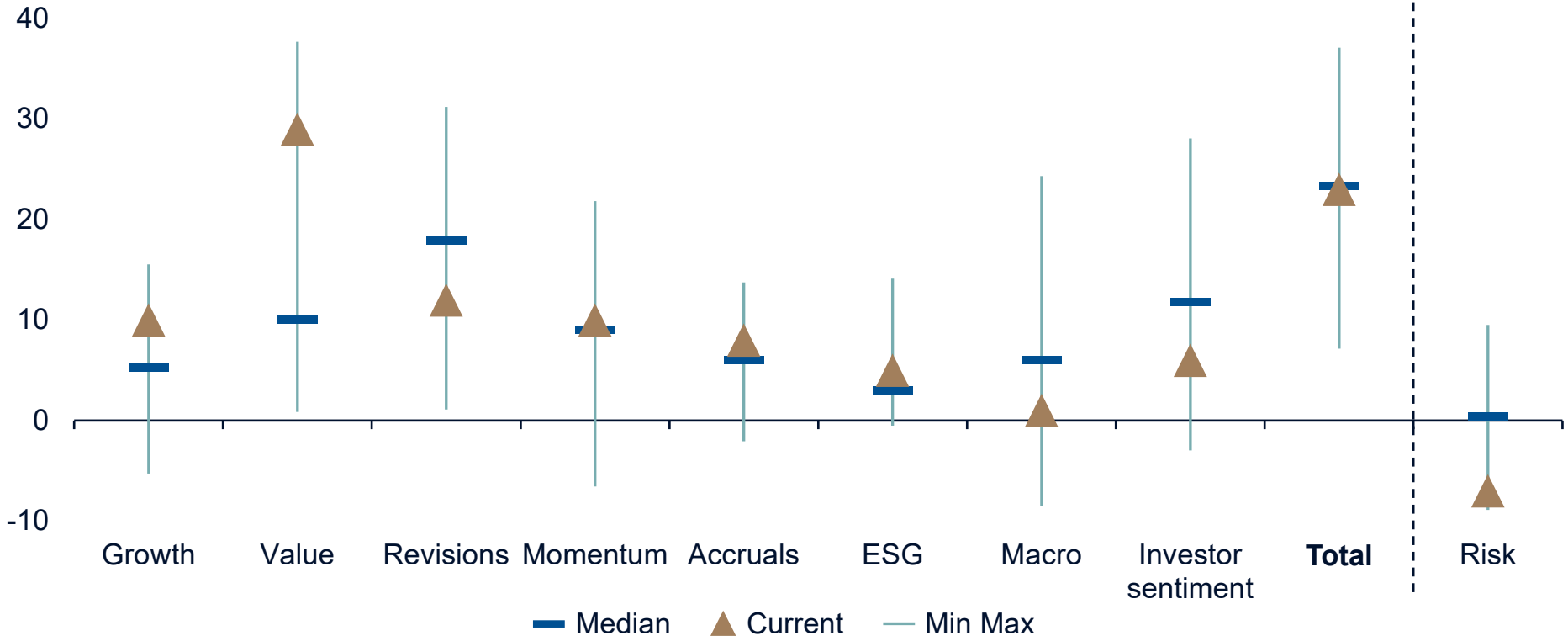
Note: value-per-share (VPS) is a combined measure of earnings, cash flow, operating profits, dividends and asset value per share.

# Positioning



# Factor tilt history

## Style tilts versus MSCI EM (2004 - 2023)

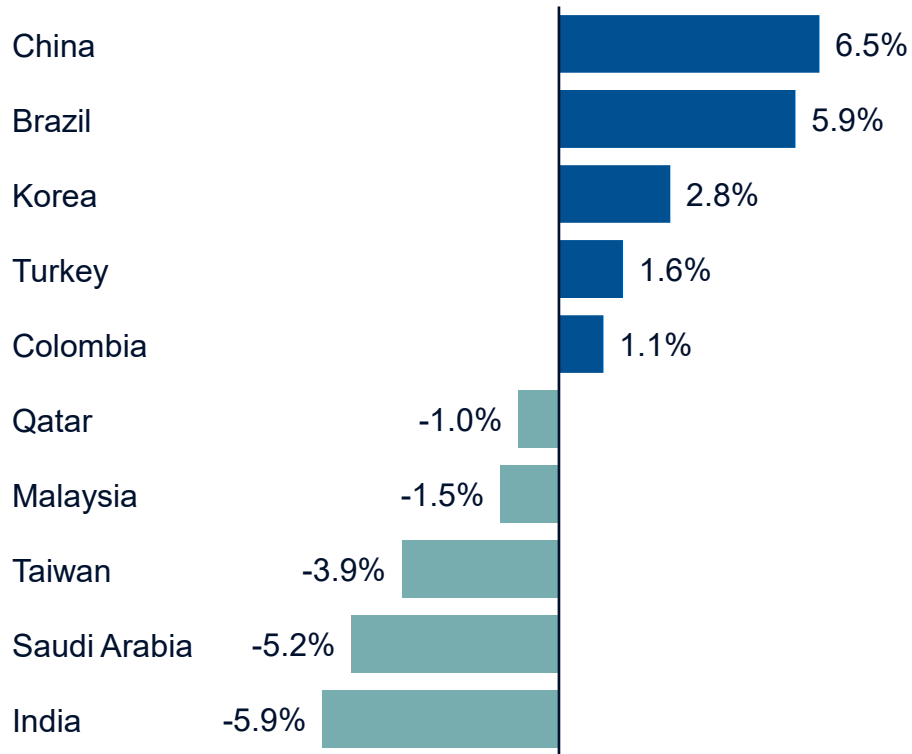


Source: Artemis, simulated portfolio from January 2004 to April 2015, then Artemis SmartGARP Global Emerging Markets Equity Fund to 31 March 2023. Weighted ranks are measured against the weighted rank of MSCI Emerging Markets Index.



# Country positioning

## Active weight



## Regional allocation

	Fund %	Index %	Active weight %
Eastern Europe	4.6	2.1	2.6
Latin America	15.6	8.4	7.2
Asia	72.4	79.0	-6.6
Africa & Middle East	5.8	10.5	-4.7
Frontier	0.0	0.0	0.0

Source: Artemis as at 31 March 2023.

# Sector positioning

## Top sector overweights











	Fund %	Index %	Active weight %
Insurance	9.8	2.7	7.1
Banks	20.8	15.2	5.6
Food Beverage & Tobacco	7.2	4.0	3.1
Capital Goods	5.4	3.9	1.5
Consumer Durables & Apparel	2.9	1.6	1.4

## Top sector underweights

	Fund %	Index %	Active weight %
Materials	3.8	8.6	-4.9
Semiconductors	5.8	9.6	-3.8
Consumer Services	0.0	2.9	-2.9
Media & Entertainment	4.9	7.5	-2.6
Software & Services	0.0	2.4	-2.4

Source: Artemis as at 31 March 2023.

# Top 10 relative holdings

		Relative %	Industry
	PICC Property & Casualty	2.7	Insurance
	Banco do Brasil	2.7	Banks
 Seguridade	BB Seguridade	2.2	Insurance
	China Mobile	2.1	Wireless Telecommunication Services
	Gerdau	2.1	Metals & Mining
	Gree Electric Appliances	2.0	Household Durables
	Bank of China	2.0	Banks
	Grupo Bimbo	2.0	Food Products
	ICBC	2.0	Banks
	China Construction Bank	1.9	Banks

Source: Artemis as at 31 March 2023. Image source: brandsoftheworld.com.

# Performance



# Performance



	2022	2021	2020	2019	2018	2017	2016	2015 <sup>1</sup>
Artemis SmartGARP Global Emerging Markets Equity Fund	-5.2%	15.8%	-0.4%	14.0%	-7.7%	26.0%	37.7%	-19.3%
MSCI EM	-10.0%	-1.6%	14.7%	13.9%	-9.3%	25.4%	32.6%	-19.6%
Quartile	1	1	4	3	1	2	1	3

	YTD	1 year	3 years p.a.	5 years p.a.	Since launch p.a.
Artemis SmartGARP Global Emerging Markets Equity Fund	2.5%	0.7%	13.1%	3.7%	6.5%
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Quartile	2	1	1	1	1

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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](http://www.artemisfunds.com).

The fund is a sub-fund of Artemis Investment Funds ICVC. For further information, visit [www.artemisfunds.com/oeic](http://www.artemisfunds.com/oeic).

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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.

Please note that on 8 February 2021 the name of the fund changed from Artemis Global Emerging Markets Fund to Artemis SmartGARP Global Emerging Markets Equity Fund.



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