

# Artemis Global Select Fund update

Alex Stani and Natasha Ebtehadj, managers of the Artemis Global Select Fund, report on the fund over the quarter to 30 September 2024 and their views on the outlook.

**CAPITAL AT RISK. Please remember that past performance is not a guide to the future. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.**

Source for all information: Artemis as at 30 September 2024, unless otherwise stated.

The fund's objective is to grow capital over a five-year period. The Artemis Global Select Fund fell by 3.7% in the quarter, underperforming its benchmarks the MSCI All Country World index<sup>1</sup>, which returned 0.5%, and its Investment Association Global sector<sup>2</sup> average, which returned 0.2%.

**For full five-year discrete performance, please see below. Please remember that past performance is not a guide to the future.**

After a relatively calm July, August began with a severe sell-off in the global stockmarket as investors appeared to have second thoughts about whether potential profits from artificial intelligence (AI) were enough to justify the lofty valuations of the giant technology companies. The broader stockmarket was quick to recover, though, and there was better news in September with a 0.5 percentage point interest rate cut from the US's central bank, the Federal Reserve (interest rate cuts are generally positive for shares as they make competing assets such as cash and government bonds look less attractive), falling energy prices (which tend to reduce business costs) and a host of economic stimulus measures announced by the Chinese government. Growing tensions in the Middle East remain a cause for concern, however.

## Negatives

**Samsung** was the biggest detractor from performance during the quarter. This was due to a lengthy slowdown in the semiconductor cycle and manufacturing issues with certain products. Although the company remains on a cheap valuation, we sold out.

The fund's performance was also hindered by positions in other tech-related names: **Amazon** and **Synopsys**. However, we believe any issues these companies face are likely to be temporary in nature.

Amazon continues to take market share in online retailing and is increasing the

profitability of its US and international arms. Its cloud computing division alone generates revenues of more than \$100 billion per annum and is growing at 18% a year with expected profit margins in the mid-30s<sup>3</sup>. Yet the company is now on its cheapest valuation versus expected profits in a decade<sup>4</sup>.

As a critical supplier of tools and services to the semiconductor supply chain, Synopsys is benefiting from the move towards larger and more complex chips, while the market seems to have overlooked the value of its merger with Ansys. We added to our position.

Healthcare, where we are overweight (a higher-than-average position), also held us back. Shares in **Novo Nordisk** fell after a US Senate hearing into the pricing of its Ozempic and Wegovy treatments. Meanwhile, some weakness in a competitor led investors to shy away from insurance provider **Elevance Health**, but we believe its low valuation offsets the risk.

## Positives

A couple of the Chinese companies we hold – travel website **Trip.com** and delivery platform **Meituan** – reacted well to the stimulus measures mentioned above.

**MTU Aero Engines**, a German aeroplane-engine supplier and service company, continued to recover from the supply-chain issues that caused its shares to fall earlier this year. The long-term outlook remains attractive: with supply of new engines restricted, existing aircraft are being used for longer, helping to drive demand for the servicing side of MTU's business.

**Constellation Energy** signed a deal with Microsoft and saw good demand from long-term datacentre contracts. Looking ahead, the company's nuclear fleet still has room to increase non-carbon power generation.

## Purchases

We added a couple of positions – **Anta Sports** and **Tencent** – following a research trip to China.

Since 2020, Anta has been converting its wholesale-led growth strategy towards retail customers. This has pushed up sales growth and profit margins.

We expect low double-digit annualised sales growth at Anta over the next five-or-so years, led by ongoing store expansion and faster growth at its smaller brands. Yet its shares trade at 20% below their five-year average<sup>5</sup>.

Tech giant Tencent operates a 'super app' that is both the number one online gaming and social media platform in China. Despite the difficult economic environment, it has continued to increase sales and push profit margins higher. We feel Tencent looks cheap versus comparable global companies.

We also added **SMC**, a Japanese industrial company, which is the dominant player in its market and has high profit margins. When the shares fell due to issues that are temporary in nature, we thought it was a good time to buy in.

## Sales

In terms of sales, we sold out of Google-owner **Alphabet** on strong share price performance before the August slump, then gradually took profits from **Apple** as the

quarter wore on.

It was a similar story for **Texas Instruments**. The semiconductor manufacturer has moved to a high valuation versus history and its competitors, meaning there are better opportunities elsewhere in companies that are benefiting from the same long-term themes but that are going through a short-term slowdown.

Geographically, the fund is overweight (a higher-than-average position) Europe and emerging markets (China, India, Mexico and Brazil). It is now underweight (a lower-than-average position) in the US, in contrast to being overweight at the start of the year.

## Outlook

The set-up going into 2025 should give stockmarkets reason to cheer. Most central banks appear to be willing to support their economies with interest rate cuts, as fears of slowing economic growth have overtaken fears of inflation.

The stimulus package announced by China could also provide support. However, here we will be watching for the size and extent of fiscal measures (such as tax cuts or increased government spending) rather than what happens with monetary policy (adjusting the money supply via measures such as raising or lowering interest rates). The average Chinese household is sitting on far higher savings than before the pandemic and has paid off its mortgage and other outstanding debt<sup>6</sup>. Unleashing some of this spending power will be key to seeing a more sustainable economic growth trajectory going forward.

For central banks to remain supportive and the global growth picture to remain benign, inflation will need to remain under control. With escalating tensions in the Middle East affecting the oil price and governments set to use more growth-oriented policies globally, we are not yet out of the woods on this front.

But it is important to remember that the economy and the stockmarket are not the same. Markets are expecting the information technology and healthcare sectors to deliver the bulk of profit growth next year. So, while a supportive economic environment is helpful, performance will largely depend on company and industry specifics.

Annualised performance 12 months to 30 September	2024	2023	2022	2021	2020
Artemis Global Select Fund, class I accumulation GBP	13.9%	5.7%	-8.8%	20.2%	11.2%
MSCI AC World NR GBP	19.9%	10.5%	-4.2%	22.2%	5.3%
IA Global NR	16.4%	7.5%	-8.8%	23.8%	7.4%

Past performance is not a guide to the future. Source: Artemis/Lipper Limited, class I accumulation units to 30 September 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. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. Our benchmark index is the MSCI AC World NR.

<sup>1</sup>MSCI All Country World NR: A widely-used indicator of the performance of global stockmarkets, in which the fund invests. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark

<sup>2</sup>IA Global NR: A group of other asset managers' funds that invest in similar asset types as this fund, collated by the Investment Association. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark

<sup>3</sup>Amazon company accounts

<sup>4</sup>Amazon company accounts/Bloomberg

<sup>5</sup>Anta Sports/Bloomberg

<sup>6</sup>Source: J.P. Morgan Economic Research as at January 2023. 2McKinsey 'China consumption: Start of a new era' report as at 23 November 2023

## Natasha Ebtehadj

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Manages:  
'Global select' strategy

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Natasha is a fund manager in Artemis'  
'global select' team.

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- **Market volatility risk:** The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- **Currency risk:** The fund's assets may be priced in currencies other than the fund base currency. Changes in currency exchange rates can therefore affect the fund's value.
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