

**Pricing power,
resilient growth,
enduring returns**



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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Artemis Funds (Lux) – Leading Consumer Brands

Next Generation Forum – 18 January 2024

Swetha Ramachandran



Well-resourced investment team with wide-ranging expertise



Swetha Ramachandran
Lead Manager

Investment experience:
24 years

- GAM** 2012-2023
Portfolio Manager, Luxury Brands Fund
Consumer Analyst, European Equities
- ALLIANCE BERNSTEIN** 2008-2012
Consumer Analyst, Alliance Growth Equities
- CREDIT SUISSE** 2004-2008
Consumer Analyst
- VIGEO** 2003-2004
ESG Analyst
- GOLDMAN SACHS** 1999-2002
Asian transportation analyst
- SORBONNE** 2003
Magistère in French
- LSE** 1999
BSc Economics

CO-MANAGERS



Alex Stanić
Co-Manager

Investment experience:
28 years



Natasha Ebtehadj
Co-Manager

Investment experience:
17 years

ANALYSTS



Bobby Powar
Analyst

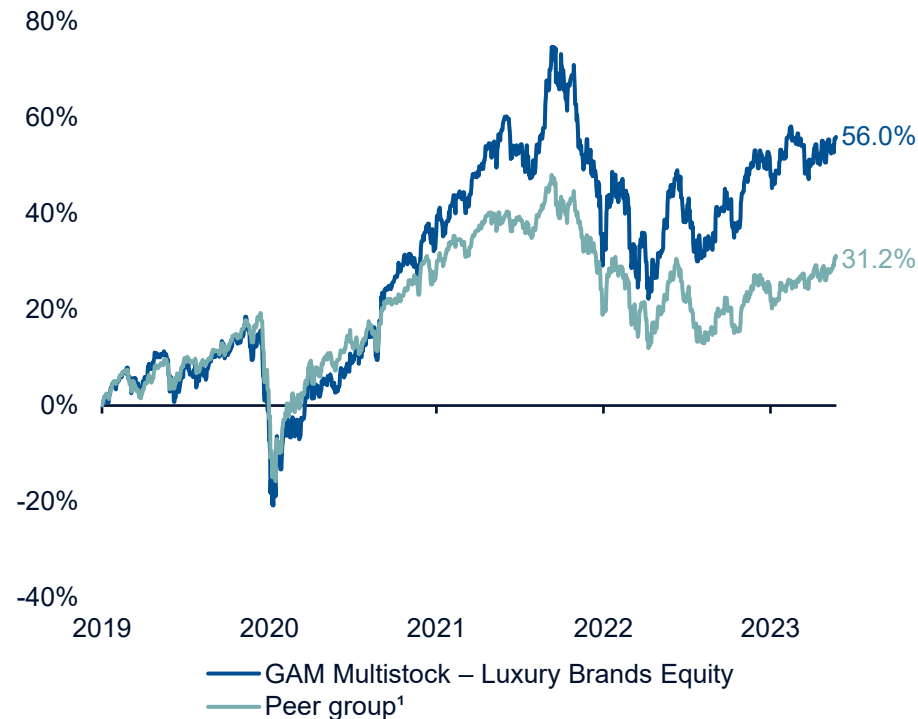
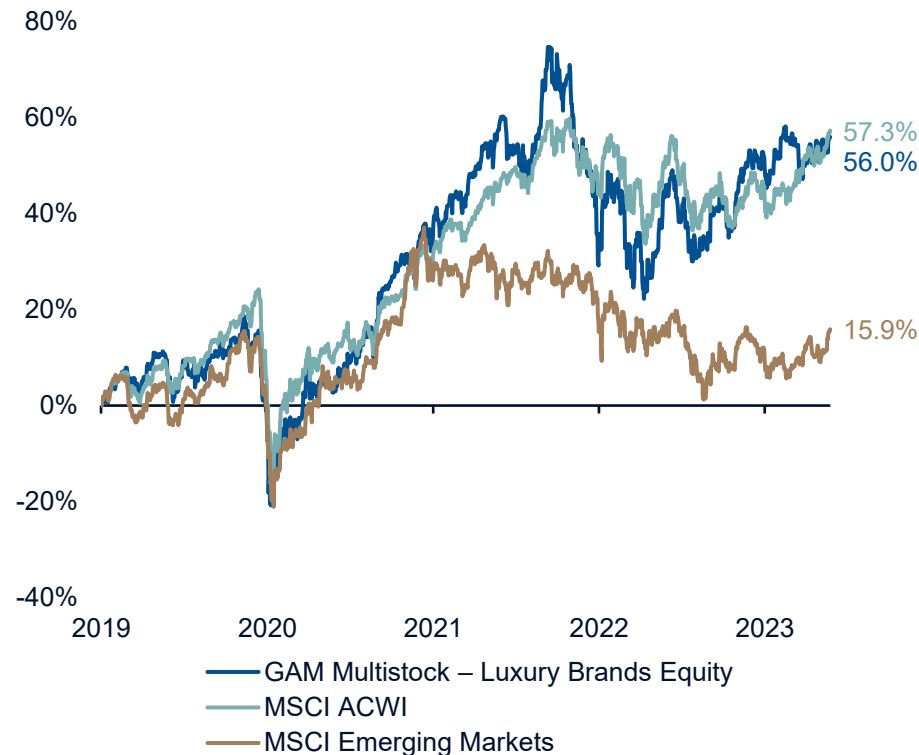
Investment experience:
5 years



May Laghzaoui
Analyst

Investment experience:
2 years

Fund manager's historic track record: Swetha Ramachandran



Past performance is not a guide to the future. Source: Lipper Limited, class C accumulation shares in EUR from 10 March 2019 to 31 July 2023. ¹Peer group is Morningstar EAA Fund Consumer Goods & Services Sector Average. All figures show total returns with dividends and/or income reinvested, net of all charges. Swetha Ramachandran managed GAM Multistock – Luxury Brands Equity from 10 March 2019 to 31 July 2023.

Artemis Funds (Lux) – Leading Consumer Brands

Aim: To access emerging consumer growth at a developed cost of capital and governance

Investment objective

- To increase the value of shareholders' investments primarily through capital growth over a five year period

Investment philosophy

- Unearthing the most rewarding investments requires rigorous **fundamental research** and **bottom-up stock selection**
- We are **benchmark-agnostic**, so have the freedom to invest only in the best opportunities across **multiple diversified consumer sectors**
- We operate a concentrated portfolio via a strict **competition for capital**

Fund launch	1 December 2023	Style	Quality growth
Asset class	Fundamental Active Equity	Typical holdings	25-35
Region	Global	Market-cap	All Cap
Benchmark	MSCI ACWI	Expected fund turnover	c.15-20% p.a.

We aim to target long horizon capital appreciation from the best 'leading consumer brands'

Source: Artemis.

Note: the above 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.

Why invest in Leading Consumer Brands?



What do we regard as a leading consumer brand?

Leading consumer brands are typically those for which demand increases in a nonlinear fashion as income increases – outlays become a greater proportion of overall spending

STAYING POWER



AIM

- Higher exposure to mass affluent (and above) consumer
- Wide moats durable franchise
- Provenance, heritage
- Consumer loyalty

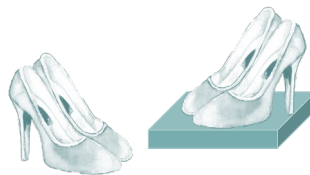
BARRIERS TO ENTRY



COMMIT

to investing over 90% of the fund across the consumer discretionary and staples subsectors

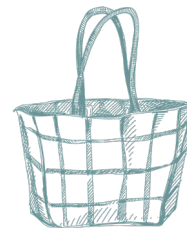
PRICING POWER



AVOID

diluting proposition of the theme by investing in non-consumer facing areas of the market like education, software

HIGH RETURN ON INVESTED CAPITAL



“We are not luxury. We are high-quality, based on exceptional artisanal work.”

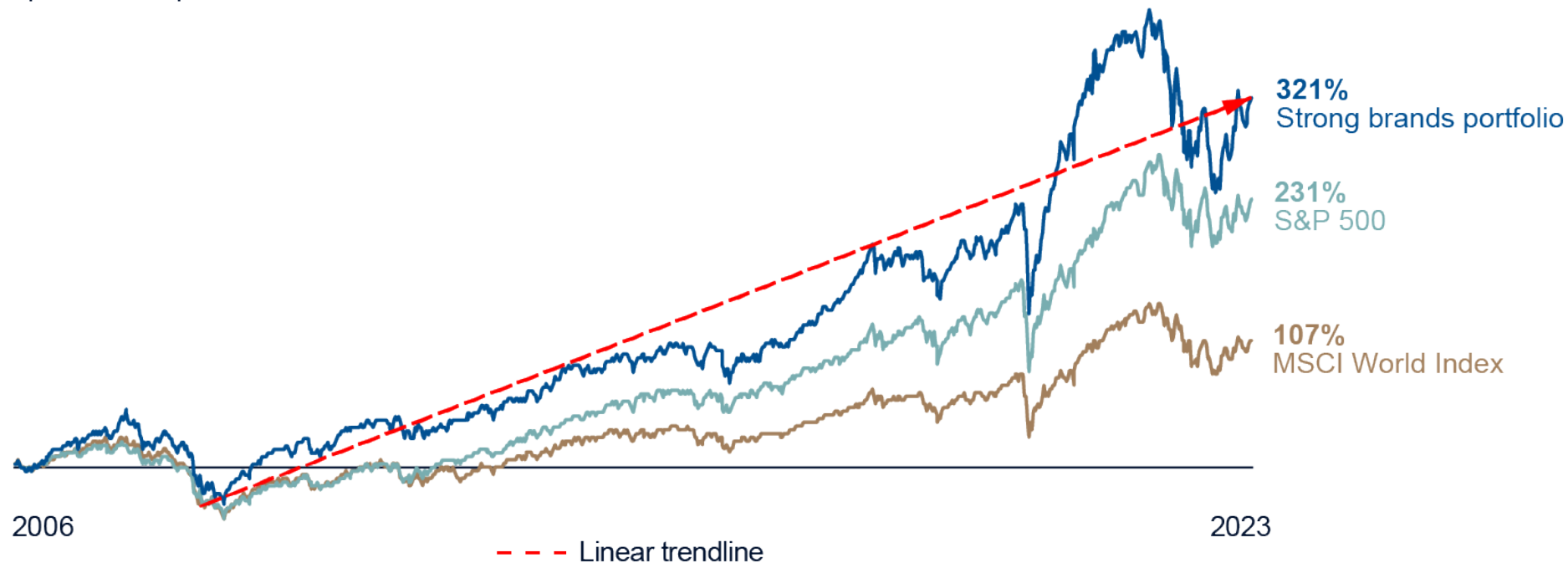
Patrick Thomas,
Former CEO, Hermès

Profiting from a changing world by investing in leading consumer brands

Brand power is strongly positively correlated to share price performance

Kantar BrandZ portfolio vs S&P 500 vs MSCI World

April 2006 – April 2023



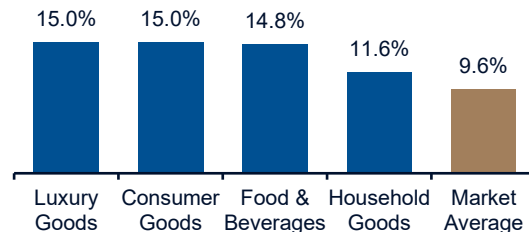
Source: Kantar BrandZ 2023 Most Valuable Global Brands.

Virtuous circle: Brand investment fuels growth driving profitability

PRICING POWER

- Provenance, heritage, innovation
- Brand investment
- Inelastic demand

EBIT margins by sector¹



PROFITABILITY

- High gross margins
- Scale
- Digital growth = accretive

CASH CONVERSION

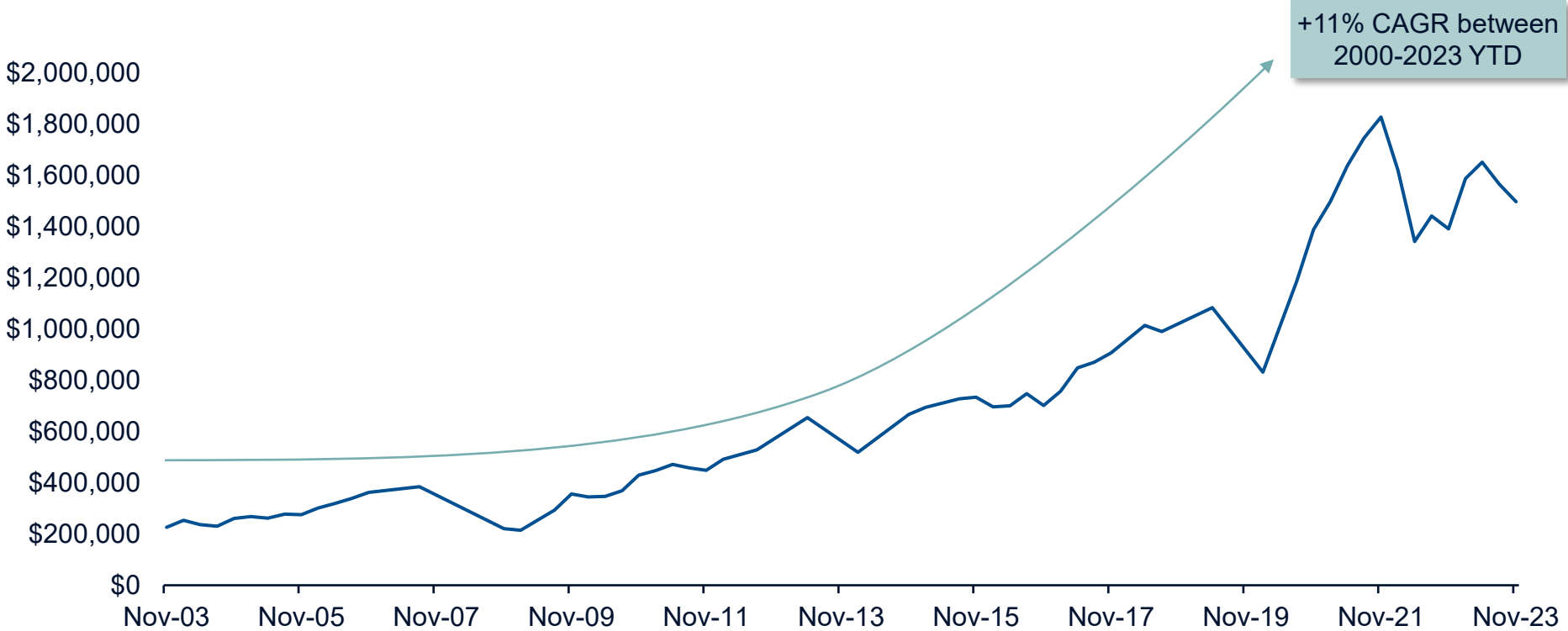
- Organic growth
- M&A
- Low/no financial gearing

Source: Market Map, UBS research (as at 2022).

Note: ¹entire market includes; Luxury Goods, Consumer Goods, Food & Beverages, Household Goods, Consumer Services, Utilities, General Industrials, Insurance, Telecommunication Services, Automobiles & Auto Parts, Healthcare, Chemicals, Construction Materials, Commercial & Professional Services, Basic Materials, Technology Equipment, Energy IG, Metals & Mining, Media, Transportation, Forestry & Paper Products, Software & Services, Pharmaceuticals & Biotechnology and Technology.

Consistent demand growth mirrored in market value of stocks

Market cap of 15 leading consumer brands (USD million), over the last 20 years



Source: Bloomberg as at 17 November 2023. Note: we have selected 15 brands that have a continuous market cap history for the last 20Y to ensure a fair basis for comparison. The selected companies from our investment universe are as follows and span a range of sub-sectors across the leading consumer brands universe: Accor, adidas, Brown-Forman, Campari, Diageo, EssilorLuxottica, Estée Lauder, Inditex, L'Oréal, LVMH, Marriott, Nike, Pernod-Ricard, Richemont, TJX.

Former fund delivered annualised returns of 11% p.a. over tenure

Company fundamentals of M-HSD revenue growth, 1-2pp of margin, 3-4pp of dividend + buyback should deliver low DD EPS growth = low DD annualised returns



Source: Bloomberg as at 31 July 2023.

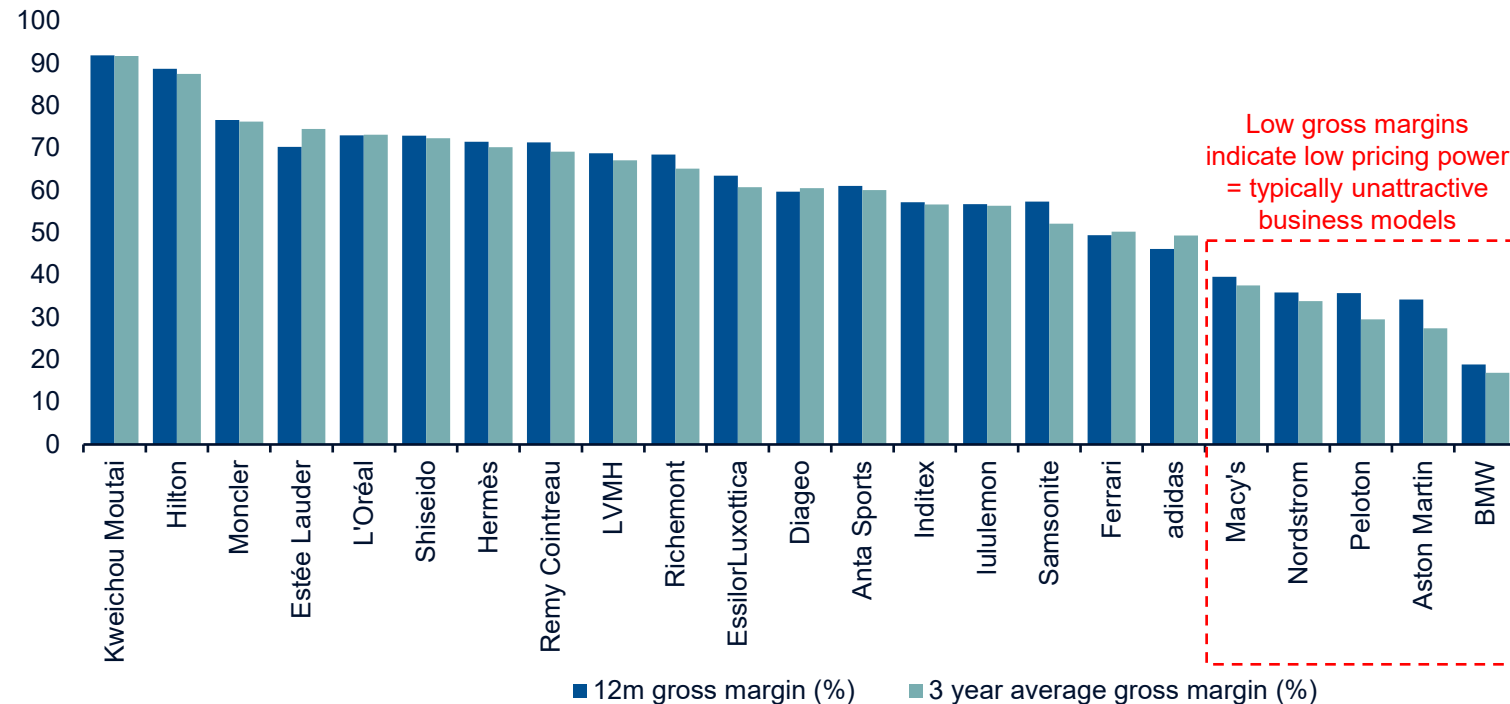
Our process



How do we identify leading consumer brands?

Brand desirability and strength is key to pricing power – and high and stable gross margins

Gross margins across leading consumer brands



"You know you've got a strong brand when you don't have to hold a prayer meeting to take pricing."

CEO, Levi Strauss

"A brand is a license to tax your dreams and emotions."

Bernstein analysts

Source: Bloomberg/Artemis as at 17 November 2023.

Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Strategy focuses on value creators

1

We believe...

The most consistent method by which to achieve above average returns is to rely on the **compounding effect of high ROIC leading consumer brands companies.**

2

...therefore we target value creators – businesses that exhibit a return on invested capital (ROIC) above their cost of capital.

3

...and we purchase companies at a **discount to intrinsic value.**



ROIC > WACC

Note: ROIC: Return On Invested Capital. WACC: Weighted Average Cost of Capital.

Investment process overview

Identify areas of the market with premium, consumer-facing brands exposed to the high-end mass-affluent consumer

UNIVERSE
150-200 stocks

Identify investment themes

- Leading brands exposed to the high-end mass-affluent consumer
- Screen for growth/profitability, return on capital and FCF generation to identify winning brands

60-80 stocks

Analyse companies

- Fundamentals, company visits, expert meetings, industry research
- Financial modelling and valuation: DCF, supplemented by relative multiples.
- Screen for ESG controversies – plan to engage with companies if flagged

FINAL LIST
25-35 stocks

Construct portfolio/manage risk

- 'Quality Growth Compounders' at core of the fund, offering 50% valuation upside over 3 years on average
- Robust risk management supported by independent oversight

Initial screen of potential investments – sample worksheet

	5D P%	Price/52 wk Hi %	Beta 6m	Beta 2yr	ROIC	5yr av ROIC	ROE	WACC	ROIC- WACC Spread	ND/ EQ	ND/ EBITDA	FCF yield	Best PE +1	BEST EV/EBITD A +1	G DY ANN %	Sales g this yr/ last yr	3-5 yr EPS G
Ferrari	0.4	-9.8	1.03	1.04	22.4	20.6	44.9	11.7	10.69	54.7	0.7	2.24	40.0	22.4	0.59	10.0	16.0
Hilton	1.0	-0.1	0.94	0.99	19.2	8.8		9.5	9.73		3.6	3.82	26.3	17.0	0.33	6.7	17.0
Hermès	-5.2	-8.4	1.36	1.17	28.7	23.8	34.1	10.7	18.00	-58.5	-1.2	2.03	44.7	28.0	0.69	10.9	15.1
EssilorLuxottica	-0.3	-4.3	0.94	1.00	4.6	3.3	6.9	8.7	-4.03	26.9	1.6	4.06	24.1	12.9	1.79	2.9	9.1
Marriott International	1.4	-0.6	0.91	0.99	27.5	12.7		9.6	17.98	1883.3	2.7	3.49	23.3	15.8	0.92	4.4	17.4
Davide Campari-Milano	-1.8	-22.9	0.68	0.71	7.8	7.3	14.8	8.9	-1.16	48.0	2.3	-1.67	24.4	16.2	0.60	6.0	11.4
Moncler	-1.3	-19.7	1.15	1.09	16.3	19.0	17.1	12.9	3.42	0.7	0.4	3.89	22.9	12.5	2.02	6.8	8.5
Estée Lauder	0.0	-49.1	1.28	1.00	4.2	13.4	14.6	9.6	-5.34	95.8	4.1	1.60	34.8	19.1	1.83	-9.3	13.9
Accor	0.0	-2.2	0.97	1.11	7.0	-1.1	10.9	8.4	-1.36	30.2	1.7	3.10	16.7	10.5	2.05	-7.8	23.7
Nike	-0.5	-18.1	0.92	1.10	18.6	22.3	36.0	10.9	7.69	10.5	0.5	2.69	25.1	19.7	1.38	0.1	14.6
Pernod Ricard	-4.9	-29.9	0.91	0.80	8.4	6.1	14.7	7.2	1.22	61.3	2.8	3.40	15.5	12.2	3.07	-1.1	8.7
L'Oréal	-1.1	-3.6	1.04	0.98	16.3	13.5	23.1	9.1	7.17	11.1	0.5	2.40	33.5	22.7	1.35	5.7	10.1
Compagnie Financière Richemont	-2.7	-27.5	1.52	1.45	11.8	7.5	21.5	9.7	2.13	-14.0	-0.3	5.27	17.0	10.6	2.16	2.5	10.9
Lululemon	-0.7	-1.9	1.19	1.23	21.9	25.6	44.2	12.1	9.72	-2.7	0.0	2.03	35.7	21.9		14.8	17.0
LVMH	-2.8	-20.1	1.47	1.25	16.2	13.2	29.5	10.6	5.59	42.9	1.0	3.11	21.7	13.1	1.73	5.1	13.3
Inditex	0.3	-1.4	1.01	1.01	22.5	17.0	31.6	11.7	10.83	-27.2	-0.6		21.2	11.0	2.03	8.7	15.5
Hugo Boss	-2.5	-12.8	1.15	1.08	14.4	9.5	22.6	9.8	4.56	64.9	1.5	0.05	14.1	6.5	1.51	9.1	20.5
TJX Companies	2.4	-0.3	0.80	0.87	21.3	21.3	58.1	9.2	12.06	114.2	1.3	4.34	22.9	16.0	1.41	11.2	6.4
Deckers	-4.0	-8.0	0.89	0.82	30.8	25.1	37.0	9.5	21.38	-41.6	-0.7	4.45	24.5	17.7		6.2	17.9
Puma	-6.8	-25.5	1.09	1.17	10.9	12.0	10.8	11.2	-0.23	42.3			16.1	7.6	1.64	2.9	19.8
Adidas	-6.9	-8.9	1.25	1.27	-0.4	12.6	-1.3	11.7	-12.12	92.0	4.1	4.16	41.0	15.3	0.39	-3.9	59.8
Vail Resorts	-4.4	-20.2	1.10	0.98	8.0	7.8	29.0	9.0	-0.98	187.0	3.1	4.68	20.2	10.5	3.88	7.0	19.7
Prada	-1.0	-30.8	0.75	0.91	11.2	5.7	19.3	10.0	1.22	44.91	1.17	6.39	18.4	8.07	2.17		17.8
Technogym	1.9	-1.1	0.72	0.88	15.8	19.1	22.1	10.9	4.89	-35.1	-0.6	6.07	20.3	10.5	2.73		
Samsonite	-1.0	-9.7	0.63	0.81	17.1	0.6	44.0	7.5	9.66	162.25	1.88	7.14	10.1	6.96		21.3	
Ralph Lauren	-1.1	-2.8	0.97	1.08	10.2	7.3	24.6	9.4	0.81	54.2	1.5	5.64	13.7	9.3	2.09	1.8	10.4
On Holding	-4.8	-28.0	1.63	1.60	5.8		6.4	13.8	-7.99	-25.1	-1.9	-2.10	32.4	19.1		23.2	39.9
Brunello Cucinelli	-0.3	-7.6	0.87	0.99	11.6	8.5	26.6	11.4	0.18	145.6	1.9	2.63	45.1	18.1	0.74	8.5	17.0
Watches Of Switzerland	-4.3	-35.5	1.53	1.64		7.2		11.9		84.0			11.3	7.5		12.5	10.9
Anta Sports	-0.9	-41.4	1.10	1.21	14.5	19.3	21.7	15.4	-0.86	-23.19	-1.14	8.69	16.1	8.9	2.10	16.9	19.2
Coty	-3.0	-10.3	1.20	1.05	3.6	-4.8	0.7	9.0	-5.42	101.6	3.9	4.26	21.9	12.8		9.5	5.9
Avolta	0.4	-26.9	1.25	1.36	4.0	-3.1	3.6	5.3	-1.29	592.4	3.4	41.97	15.3	5.3	2.12	70.2	

Source: Bloomberg as at 3 January 2024.

Understanding fundamentals: Differentiated input into stock selection process

'Triangulation' and the expert network

Customers: Detail on consumer preferences, trends and brand heat



Competitors: Views on market and competitive positioning of industry players

Former employees: Consistency of management message, execution

Triangulation – forming a 360 degree view on companies

Research process – what do we know that the market doesn't

Stock example – Ferrari

- Supply-led business model drives **scarcity appeal**, record high waitlists and order books
- Mix shift towards **higher ASPs** has expanded margins significantly
- Forefront of EV transition – hybrid SF90 Stradale is most powerful model



In 2019 Ferrari remained a poorly understood stock

- We conducted a **field-trip in the US** and held **multiple meetings** with experts, including:
 - Former company marketing manager
 - VP of key competitor
 - COO of national loyalty club for top owners

“We will always sell one less Ferrari than the market wants.”

Enzo Ferrari

Our differentiated view vs the market (or ‘edge’):

- Ferrari has been poorly understood by autos analysts who compare it to its cheaply valued peers
- We view **Ferrari as a brand first** and a **car-maker second** – and have profited from the market’s persistent underestimation of the company’s **pricing power**



Source: Company data. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Research process – what do we know that the market doesn't

Stock example – Hilton

- Hilton doesn't own its hotels – it collects a fee across 20-30Y long contracts with its franchisees at an 80% EBITDA margin, leveraging the strength of its 18 brands
- Sensitivity to economy lower than to unit growth (within company's control) and to ability to continue winning share in a fragmented global hotel market
- Since 2016 (three years post-IPO), Hilton has delivered 17% CAGR share price growth p.a.

Hilton

- Former CFO at French competitor
- Former brand director at company
- Global sales head at US competitor
- Industry conferences

Our differentiated view vs the market (or 'edge'):

- Hilton is misunderstood as a real estate company when it is a service operator earning fees, with an asset-light footprint. The market has consistently undervalued its consistent delivery on unit growth as well as fee revenue



Source: Company data. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Thesis roadmap forms basis for position sizing, tracking, review

Global Equities stock review

Analyst: SR

Hilton (HLT US)

Recommendation: Buy

06/11/2023

Ticker:	HLT US						
Mkt. cap (US\$bn)	beta	Upside	Downside	Up/Down Ratio	Dividend yield	Beta (1Y/5Y)	MSCI rating
40.1	0.95	77%	-34%	2.03	0.40%	0.95/1.33	A
Rev. growth		ROIC		GPM	OPM	Share price	Net debt (cash)/EBITDA
NTM	5Y CAGR	1Y	5Y average				
9.3%	1.2%	25.6%	12.5%	88.6%	23.1%	\$ 157	3.58



Why is this company interesting?

- Hilton is a **service operator with compounding characteristics**, more than a 'hotel' company in the traditional sense – it doesn't own its hotels, rather it collects a fee across 20-30 year-long contracts with its franchisees at a c.80% EBITDA margin. Hilton's unique asset-light model and unit growth opportunity should allow it to sustainably grow earnings at a mid-teens rate with ROIC of 20% in its base business, steadily rising with unit growth.
- Embedded growth from unit pipeline and strong cost control should sustain free cash flow growth** even if RevPAR declines in a weaker economy, of which hotels have seen little sign to date, trading off occupancy (still c.2pp below pre-Covid) for ADRs (pricing). Substantial **capital return (6% of market cap in 23E)** via buybacks provides downside protection.
- US team (JDu)'s note on HLT accurately captures the appeal of HLT and its peers who operate capital-light, franchise revenue led models that are (1) **gaining share** in a fragmented market which is moving towards brands – structural shift; (2) **delivering growth at zero incremental operating and capital cost** – hence virtually 100% ROICs on growth; (3) **optionality from fee growth** – HLT has guided to fees rising more than RevPar (L-MSD) going forward, seems ambitious but 5% renewal of existing contracts every year at new rates + pricing by stronger brands within portfolio does support this. Plus **non-revPar fees** such as credit card co-branding offer LT optionality.
- Hilton stands out among peers for its **accelerating Net Unit Growth (NUG)**, which is a **bigger driver of future earnings growth than RevPAR** – even here, RevPAR growth is below previous cycle peaks; HLT has a c.5% share of the global lodging market but c.18% of the growth pipeline and benefits from constrained supply across the industry as a result of tighter financing which disproportionately impacts independent hotels than branded ones. **Spark brand launch + its exposure in upper midscale is what is helping it grow faster** than those focused at the very top (tough financing environment) or at the bottom (not as much pricing power, IRRs being revisited).

Why now? What could change positive view?

Why now? Shares have been a steady outperformer over the last 5Y relative to ACWI – annualized returns of c.18% p.a. vs 8% for benchmark. Can this continue? Yes – as long as NUG remains at 6% or thereabouts, HLT continues to offer a compelling return profile given high levels of durable earnings growth. Leisure travel weakness will follow unemployment rather than lead it. Would not recommend buying here if we believe macro set to sharply decelerate which would affect sentiment more than earnings – company's low sensitivity to RevPAR (1% change in RevPAR leads to 1% change in EBITDA vs say 10-15% for owners) and resilience due to high pipeline visibility stand out versus hotel owners. As a through the cycle compounder, I believe we could initiate a half position here (1-1.5%) with a view to adding opportunistically.

What to watch for? Investor worries centre around: (1) macro weakness and its impact on ADRs (Average Daily Rates – which affect RevPAR which is occupancy x ADR); (2) hotel financing and potential pipeline slowdown; (3) supply discipline coming off in time. HLT has lower leverage to RevPar than to unit growth – on which it is benefiting from a flight by owners to brands and there is no indication supply discipline is wavering – top 5 hotel operators are driving over 80% of pipeline of new rooms, with independents bearing the brunt of exits.

What do recent results tell us about the industry? US and European hotel companies have all reported a sequential acceleration in Q3 vs Q2, in terms of RevPAR relative to. Most cited continuing robust leisure demand and an improvement in corporate demand, especially group demand, which is up DD joy. Middle East crisis contained to the region. Industry RevPAR data shows a good start to Q4 data even as cos remain conservative. Unit Growth for Q3 was in-line, pipelines were all sequentially higher, and companies maintained their FY NUG guidance (excepting Marriott which is affected by timing at its MGM acquisition), with several talking about an acceleration in 2024 (Accor, Marriott, Hilton).

Please see next pages for Process: Growth, Quality, Valuation

Source: Artemis as at 30 November 2023.

Long term earnings growth drives long term returns

Contributions to returns over different investment horizons (global equities, last 40 years)



Source: ASR Limited, LSEG Datastream as at 6 November 2023.

Leading consumer brands have de-rated meaningfully

Historic de-ratings of a similar magnitude have been followed by a sharp bounce back

MSCI World Textiles, Apparel and Luxury Index vs Forward EPS suggests de-rating in excess of earnings rebase

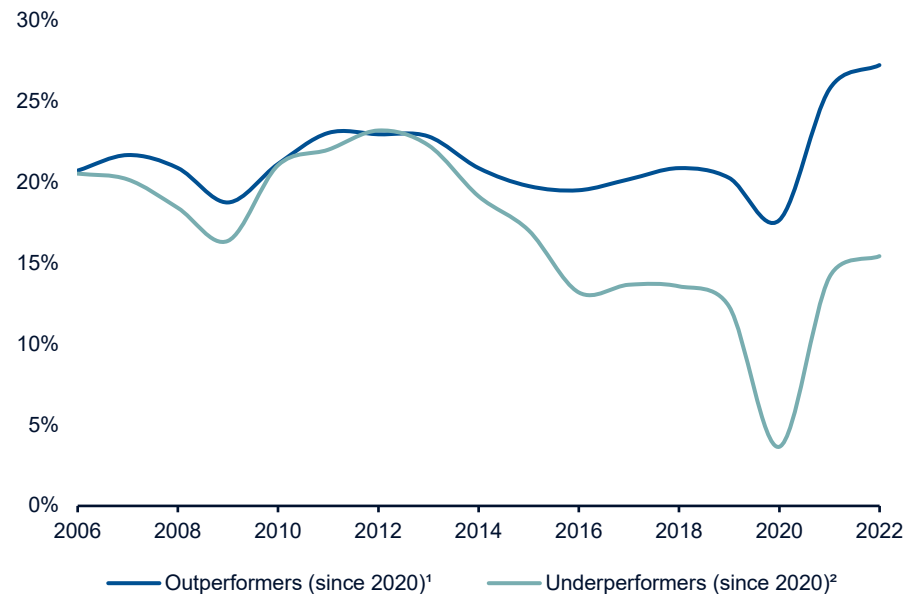


Source: Bloomberg as at 3 January 2024.

Are all leading brands stocks created equal?

Hyper-polarisation in subsectors persists...

EBIT margin



Share price performance (local currency) in the past 1 year³

Cosmetics/skincare		Fashion/leather		Travel	
Coty	+43%	Hermès	+32%	IHG	+30%
L'Oréal	+22%	LVMH	+2%	Accor	+29%
Shiseido	-27%	Burberry	-23%	Hilton	+22%
Wines and spirits		Watches/jewellery		Autos	
Campari	+3%	Richemont	-1%	Ferrari	+60%
Brown-Forman	-15%	Swatch	-4%	BMW	+16%
Diageo	-23%	Watches of Switzerland	-37%	Porsche	-14%
Sporting goods		Online		Home furnishings	
Deckers Outdoor	+76%	The RealReal	+46%	Williams Sonoma	+39%
adidas	+39%	Mytheresa	-76%	RH	-9%
lululemon	+20%	Farfetch	-82%		
Areas we don't plan to invest in					
Food		Technology		Restaurants	
Nestlé		Tesla		McDonalds	
P&G		Apple		Yum! Brands	
Unilever		Amazon		Chipotle Mexican Grill	

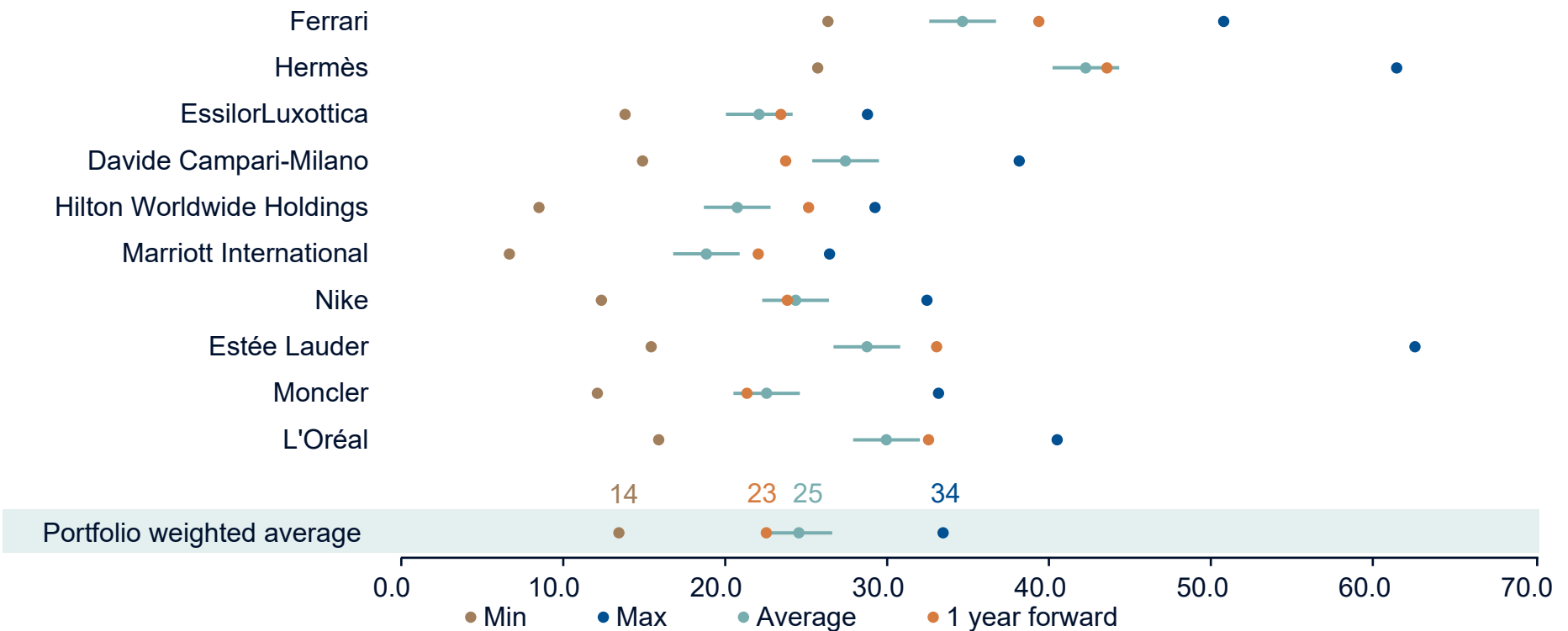
Bottom-up stock selection is key!

Source: UBS research/Bloomberg as at 31 December 2022. ¹Includes LVMH, Hermès, Brunello Cucinelli, Prada and Richemont. ²Includes Burberry, Tod's, Ferragamo and Swatch.

³Bloomberg as at 17 November 2023. Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Portfolio valuation at c.10% discount to history

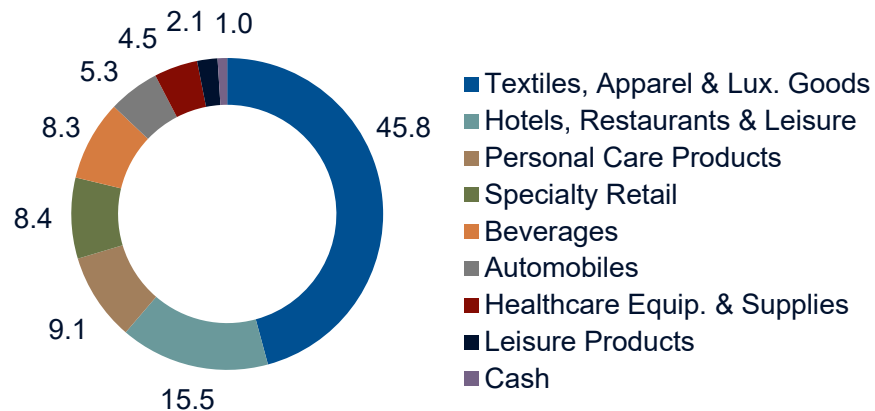
5 year P/E vs 1 year forward for top 10 positions



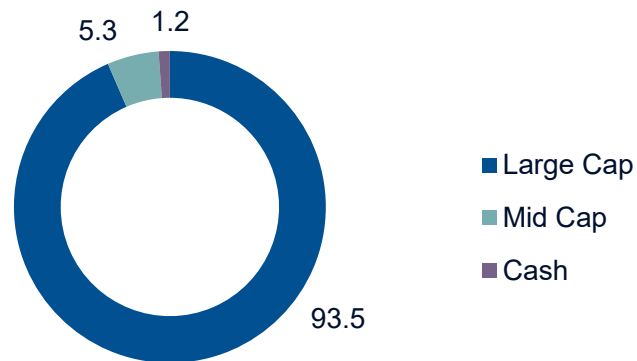
Source: Bloomberg as at 3 January 2024.
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Portfolio – sector, region and market cap breakdown

Sector allocation (%)



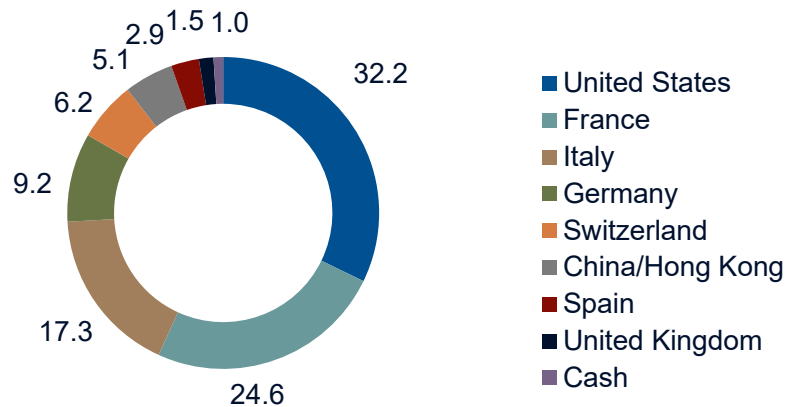
Market cap allocation (%)



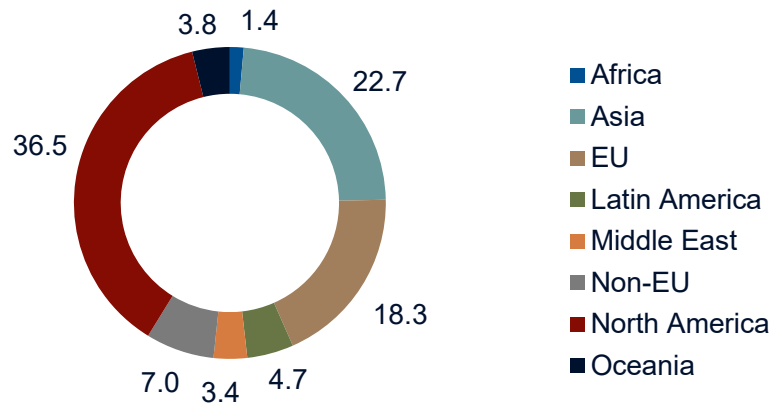
Source: Artemis, Factset as at 3 January 2024.
Note: figures may not add up due to rounding.

Investing in DM stocks for EM exposure

Regional allocation (%)



Revenue breakdown (%)



Source: Artemis, Factset as at 3 January 2024.
Note: figures may not add up due to rounding.

Portfolio characteristics

A true diversifier

	P/E (12m fwd)	12m revenue growth	Gross margin	RoE	Regional allocation	Sector allocation	MSCI ESG rating
Artemis Funds (Lux) – Leading Consumer Brands	23.0	22.0	57.4	16.4	>60% Europe	c.100% consumer staples & discretionary	AA
MSCI World (ACWI)	20.9	13.1	31.7	13.9	>60% USA	>20% IT; 10% financials	AA
MSCI EM	11.0	-0.4	28.9	12.2	>30% China; 15% Taiwan	>20% financials	BBB

Source: Artemis, Bloomberg, MSCI, as at 6 December 2023.

Artemis Funds (Lux) – Leading Consumer Brands

Why this fund?



Strong sector experience and track record

- Multi-decade experience
- Multi-region expertise



Stock selection first: Deep dive fundamental research and valuation

- Fundamental, bottom-up stock picking
- Intrinsic cash-flow based valuation/return on capital



Thematic purity – flexibility to identifying winning subsectors

- Invest in consumer-facing brands; high active share
- Latitude to source widely from across leading brands



Constant renewal of hunting ground

- Monitor new emerging themes
- Primary research through meetings with industry experts

Appendix



Artemis Funds (Lux) – Leading Consumer Brands fund managers



Swetha Ramachandran

Lead Manager

24 years' investment experience

Joined Artemis 2023

- **GAM** 2012-2023
Portfolio Manager, Luxury Brands Fund
Consumer Analyst, European Equities
- **ALLIANCE BERNSTEIN** 2008-2012
Consumer Analyst, Alliance Growth Equities
- **CREDIT SUISSE** 2004-2008
Consumer Analyst
- **VIGEO** 2003-2004
ESG Analyst
- **GOLDMAN SACHS** 1999-2002
Asian transportation analyst
- **SORBONNE** 2003
Magistère in French
- **LSE** 1999
BSc Economics



Alex Stanić

Co-Manager/Analyst

28 years' investment experience

Joined Artemis 2023

- **JP MORGAN AM** 2015-2023
Senior Portfolio Manager, Global Equities
- **RIVER & MERCANTILE AM** 2009-2015
Global Equity Team Founder and Leader
- **NEWTON IM** 1998-2009
Global Equity Team Leader
- **CAZENOVE** 1995-1998
Research Analyst
- **UNIVERSITY OF EDINBURGH** 1995
MA in Economics and Social Geography



Natasha Ebtehadj

Co-Manager/Analyst

17 years' investment experience

Joined Artemis 2023

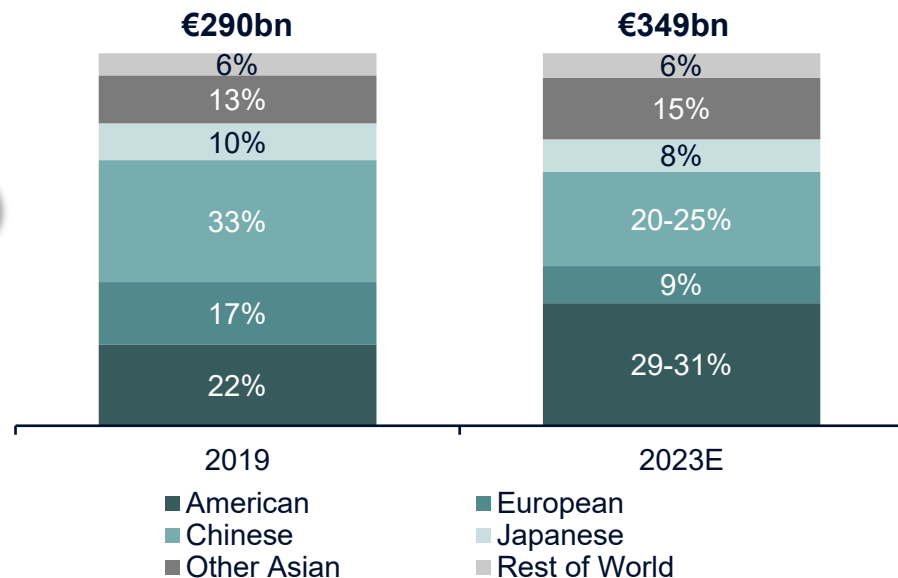
- **COLUMBIA THREADNEEDLE** 2008-2023
Portfolio Manager, Global and EAFE Equities
Portfolio Manager, Multi-Asset
Portfolio Manager, Asian Equities
- **MORGAN STANLEY** 2005-2006
Fixed Income Analyst
- **OXFORD UNIVERSITY** 2008
MPhil Modern Chinese Studies
- **WARWICK UNIVERSITY** 2005
BSc Economics, Politics & Int'l Studies

Myths about leading brands – group remains ill-understood



Personal luxury goods market (€bn)

By consumer nationality



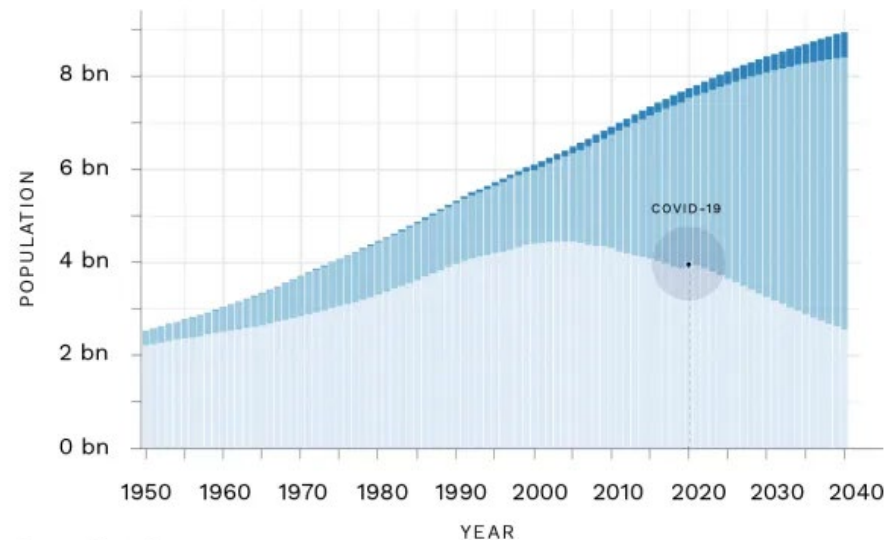
Leading consumer brands can be from anywhere; evolving consumer behaviour offers a long growth runway

Newly middle class consumers are driving adoption of leading brands

The emerging middle class will drive 85% of new consumer spend over the next decade

The unstoppable rise of the global middle class¹

Trillions USD

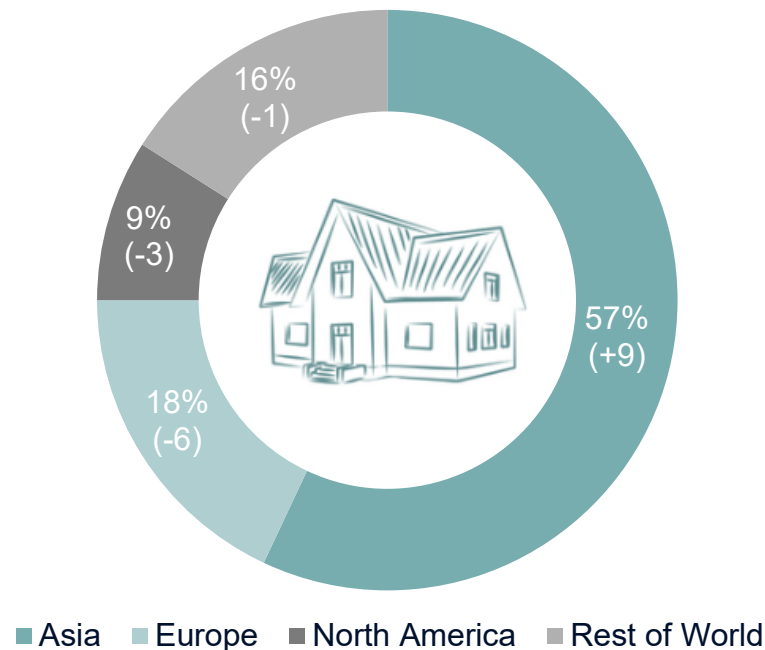


Spending Group



Global share of households with upper-middle income and above

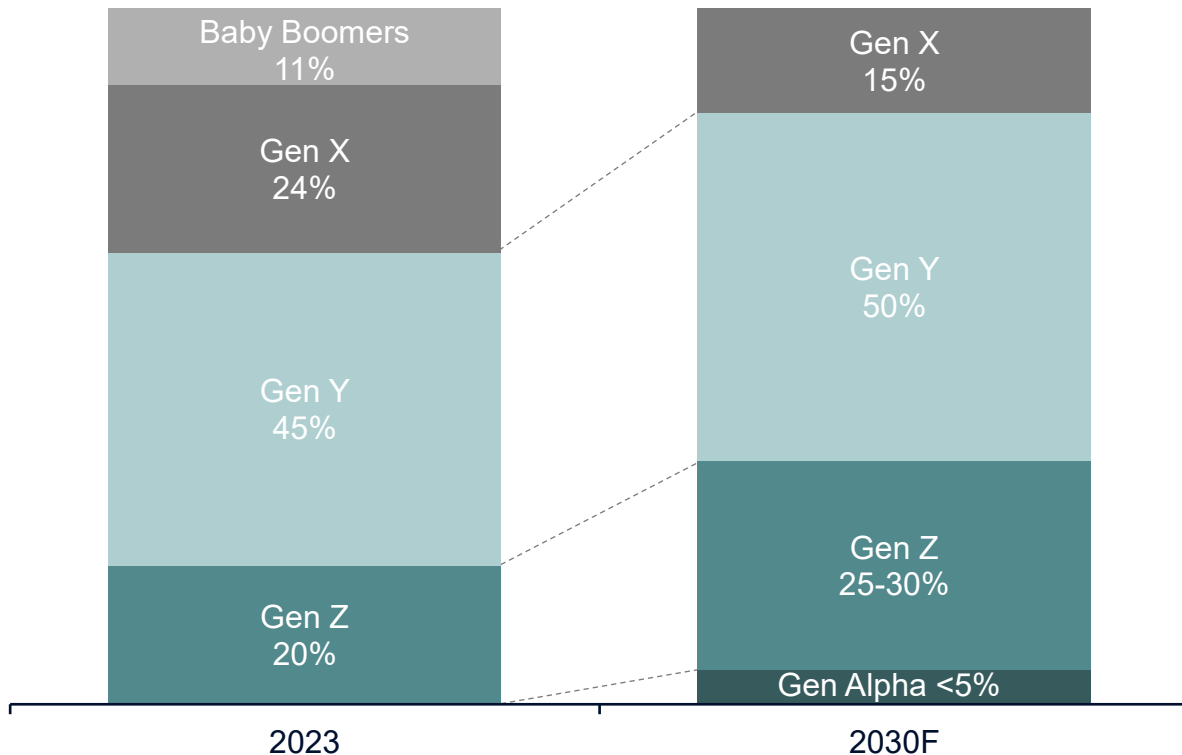
% share of households with annual income >\$22k, 2011 PPI (change 2020-30, %)



Source: ¹Brookings, 'A long-term view of COVID-19's impact on the rise of the global consumer class' article as at 20 May 2021. ²McKinsey Global Institute, 'Beyond income: redrawing Asia's consumer map' report, September 2021. Note: ²Daily spending 2011 international \$, PPP.

Younger consumers are more aware of brands from an earlier age

Personal luxury goods market by generation (€bn)



New next gens (Z and Alpha) will grow **3x faster** vs other generations until 2030, making up **1/3 of the market**

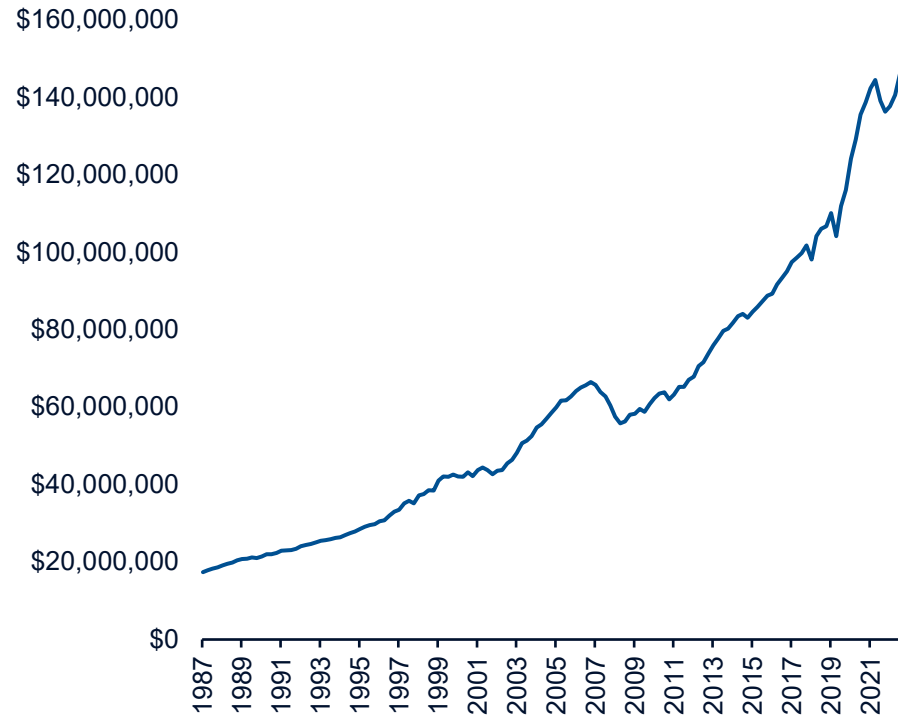
Average Gen Z is 15 years old when they start buying luxury items – vs **18-20 year old** for Millennials

“Buy less, buy better”:
Younger consumers’ sustainability demands are rising¹

Source: Bain – Altgamma Luxury Study, 22nd edition, as at 14 November 2023. ‘Consumers’ Sustainability Demands Are Rising (hbr.org).
Note: we frequently refer to the luxury goods market in this presentation as a proxy for the broader range of leading consumer brands.

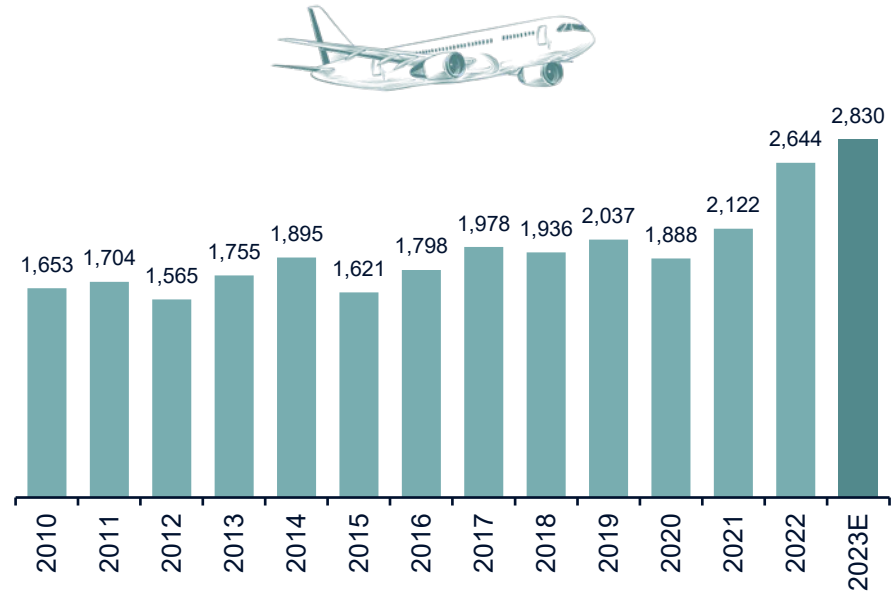
US household net worth levels high, experiences in favour

US household net worth at record highs¹



Travel and leisure enjoying continued strong demand²

Americans' average vacation spend (\$ per household)

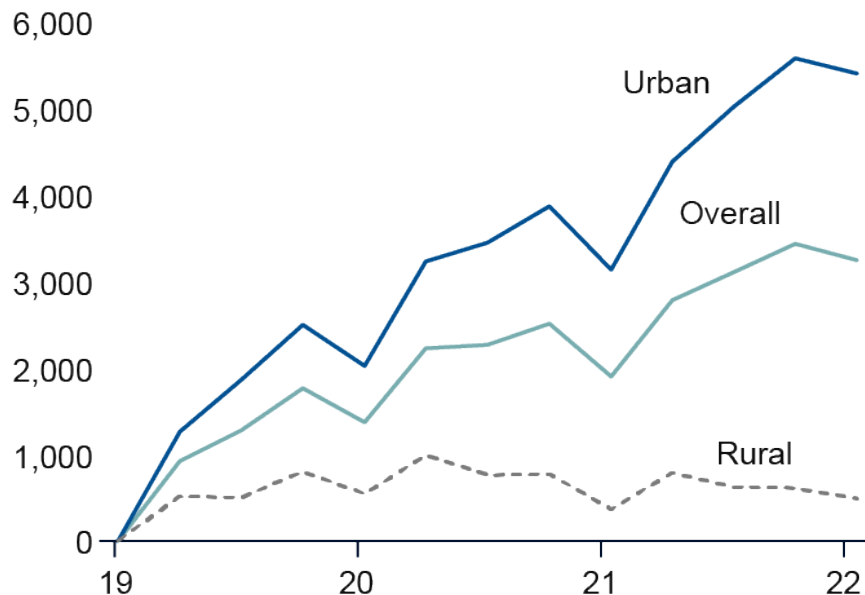


Source: ¹FRED as at 8 September 2023. ²AllianzPartners 15th Annual Vacation Confidence Index, Summer 2023.

Chinese households have significant untapped 'excess' savings

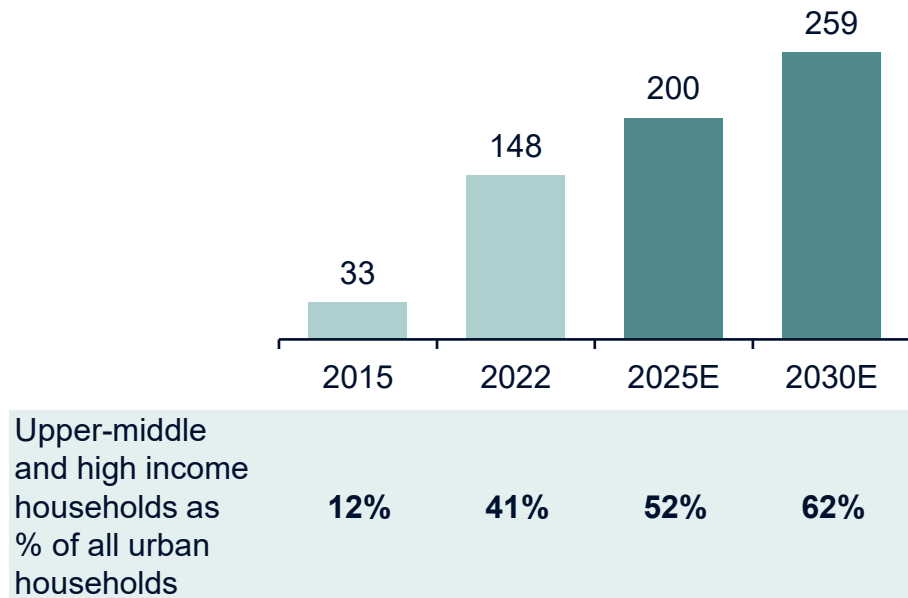
Savings greater for target brand consuming urban households¹

Cumulative excess savings since 2020
RMB per capita



Number of upper-middle and high income households²

>160,000 RMB annual household income, 2020 real RMB
Million



Upper-middle and high income households as % of all urban households

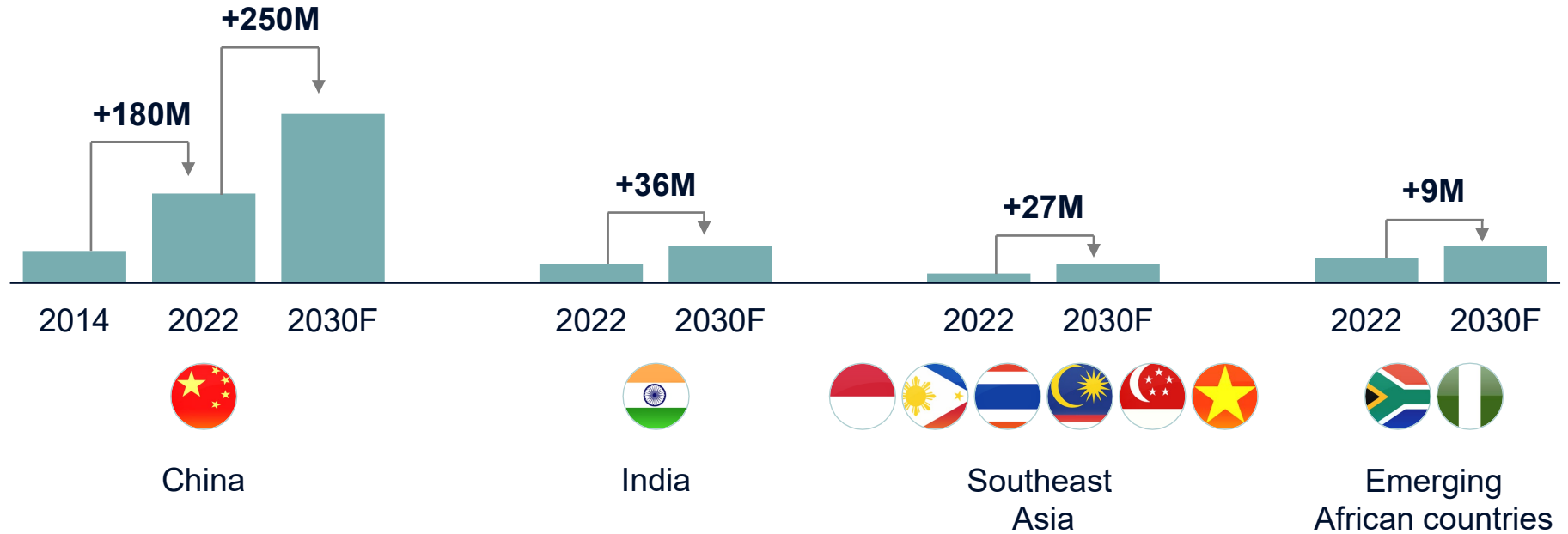
12% 41% 52% 62%

Source: ¹J.P. Morgan Economic Research as at January 2023. ²China consumption: Start of a new era | McKinsey as at 23 November 2023.

New markets are emerging for leading consumer brands

Asian markets likely to remain the biggest driver for the next decade, Africa and LatAm offer longer-range potential

Forecast growth in mid- and high-income consumers, by region, through 2030



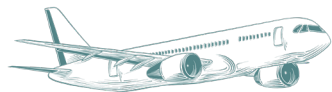
Source: Bain China Luxury Report 2023, BCG study on South-East Asia, 2018.

Leading consumer brands – seizing the shifting sands

The knock-on effects of changing consumer behaviour and the return of experiences

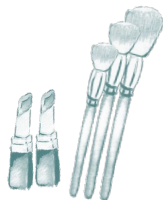
Hilton

Pent-up demand for travel remains strong. Direct spending on travel in the US has recovered to pre-Covid levels despite travel business travel yet to catch up.



L'ORÉAL

Skincare demand remains robust and make-up is recovering in economies where reopening is more advanced as social gatherings and occasions return.



Samsonite

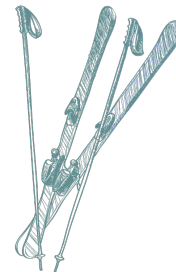
The recovery in global tourism is set to receive a further boost with Chinese outbound travel returning, along with the demand for travel luggage.



VAIL RESORTS[®]

EXPERIENCE OF A LIFETIME

Interest in outdoor sports a lasting legacy of the pandemic – skiing in particular benefits from limited supply and price-inelastic loyal consumers.



Source: Company/Industry data. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Leading consumer brands – bottom-up research to add value

Further examples across our proposed universe

PRADA

Pushing the boundaries on material innovation through Re-Nylon – which has revived brand momentum among younger consumers.



DECKERS — BRANDS —

Owner of the HOKA brand – a leader in the run/walk category, starting to gain traction with non-runners for comfort – also an attribute of its UGG brand.



BRILLIANT EARTH

Digital-first
Leader in ethically sourced fine jewellery, disrupting the \$30bn engagement diamond market.



CAMPARI

Beneficiary of global growth of spritz category, well-positioned to acquire small and mid-sized spirits brands.



Source: Company data. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Framework for review – led by valuation, change to thesis

Disciplined approach guided by valuation, constant vigilance on investment thesis



TREASURY WINE ESTATES

Thesis predicated on Penfolds in China: tariffs made this untenable, exited position held in lead manager's formerly managed fund.



WILLIAMS-SONOMA, INC.

Exited position in lead manager's formerly managed fund as shares +60%, on view that spend on home furnishings would decelerate further as mobility returned.



FARFETCH

Undisciplined growth ambitions post-pandemic raised concerns on path to profitability at a time the top-line was decelerating.



TIFFANY & Co.

Review triggered over position in formerly managed fund after second, raised offer on view that counterbid was unlikely.



Source: Company data. Image source: brandsoftheworld.com.

Note: previously managed fund is GAM Multistock – Luxury Brands Equity which was managed by Swetha Ramachandran from 10 March 2019 to 31 July 2023. Reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Integrating sustainability in the investment process

Consumer push makes sustainability essential to a leading consumer brand's identity

PROMISE



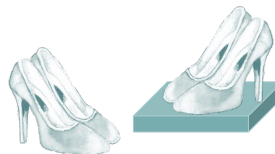
Matching consumer values, inclusivity feel (being part of/ supporting difference makers).

POTENTIAL



Sustainable products highly influenced by R&D and innovation, leading to product exclusivity and unique designs.

POSITIONING



Highest quality standards, appealing to evolving social norms.

PRODUCT



Reinforced focus on quality and exclusive materials, emphasised scrutiny over production standards.

What we look for: (+examples)/key investment topics around sustainability

- **Sustainable leaders**

Pernod Ricard: sustainability leadership embedded in company culture since foundation. 2030 Sustainability & Responsibility Roadmap with very ambitious targets

- **Strong innovative drive: as sustainability becomes mainstream, innovation is key to retain exclusivity**

Moncler: adherence to Responsible Down Standard throughout its Genius collection initiative

Source: Company data. Image source: brandsoftheworld.com.

Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

adidas – illustrative example of why ESG matters

Consumers can be decisive to act/react when brands make mis-steps

What happened?

- adidas announced at the end of October 2022 that it would terminate its relationship with Kanye West, the creative impulse behind the Yeezy franchise
- adidas significantly downgraded earnings expectations for the FY as a result, with the share price taking a severe hit



Significant underperformance absolute as well as relative

Total return



Source: Bloomberg as at 31 October 2022. Image source: brandsoftheworld.com.
Note: reference to specific stocks should not be taken as advice or a recommendation to invest in them.

Artemis Funds (Lux) – Leading Consumer Brands

Exposure to emerging markets via developed market stocks

Global diversifier – low overlap with other global strategies

Consistent lead manager track record in asset class

Bottom up, high conviction investment approach



Climate change and the environment at Artemis

- Climate change is a material risk/opportunity for many of the companies we invest in on behalf of our clients and as such our fund managers assess, monitor and manage its impact within portfolios
- Artemis aims to reduce its carbon footprint as part of a long-standing commitment to behaving responsibly as a business
- How we relate to the world beyond fund management is a part of the distinctive Artemis culture and partnering with environmental charities is core to our Foundation

Artemis as an **employer**



Conscious of our environmental impact as consumers of the earth's scarce resources:

- Environmental working group established with an aim to go beyond regulatory requirements
- Commitment to measure our annual carbon footprint and reduce over time

Appointed The Planet Mark in 2019 to carry out annual environmental audit:

- Accreditation commits us to reducing carbon emissions every year
- Workshops to engage staff in supporting effort to become more sustainable



Artemis as an **investor**



As with all risks/opportunities our analysis of climate risk is rooted in the investment case:

- Engagement with the boards of investee companies
- How we vote at company AGMs
- Assessing climate risk in portfolios

Actively participate in and are signatories to the:

- Net Zero Asset Managers initiative
- IIGCC
- Climate Action 100+
- TCFD supporter
- PRI

The Net Zero Asset
Managers initiative



Artemis in the **wider world**



The environment is one of the Artemis Charitable Foundation's core themes:

- Focused on increasing the share of donations to environmental causes
- Our donations principally reflect the urgent need to address the climate crisis and biodiversity loss across the natural world

Key beneficiaries include:

- ClientEarth
- River Action UK
- Beaver Trust

ClientEarth

Diversity, equity and inclusion at Artemis

We embrace difference:

Different backgrounds, ideas, opinions, experience and approaches create our advantage



This applies to how we:

Operate our investment franchises and run our business

Artemis as an **employer**



Artemis as an **investor**



Artemis in the **wider world**



Diversity, equity and inclusion is integrated into our business through:

- Our corporate values
- Policies to attract, retain, reward and develop our people

Our partners and associations include:

- The Diversity Project
- 10,000 black interns
- GAIN (Girls Are Investors)
- LGBT Great
- 30% Club mentoring scheme
- Women in Finance Charter



We encourage diversity of thought in the companies we invest in through:

- Engaging with the boards of investee companies
- How we vote at company AGMs

Industry initiatives include:

- The Investment Association's policy work
- The Investor Forum
- Signatory to the UK Stewardship Code
- UN-backed Principles for Responsible Investment

Signatory of:



Improving equality of opportunity is integrated into our charitable activities through:

- The Artemis Charitable Foundation – £13m donated since 2007
- Volunteering opportunities for our people – 30% of our people volunteered in 2022

Our partners and associations include:

- Reach Academy
- City Harvest
- Shivia



Important information

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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.

The fund is a sub-fund of Artemis Funds (Lux). For further information, visit www.artemisfunds.com/sicav.

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