



Derek Stuart – Artemis Special Situations Fund

Richard Turpin:

Thank you very much. Ladies and gentlemen, good morning. Welcome to the continuing series of the Artemis webcast conference calls, and may I thank you very much, those of you who have been waiting while we have linked in with all the participants. Thank you very much for joining us this morning.

As you are all well aware, today we have with us Derek Stuart, the manager of the Artemis UK Special Situations Fund. Now Derek has managed the Fund since launch back in March 2000, with a multi-cap stock-picking process. Now, as at the end of 2006, over one year the Fund was up 18.8% versus the FTSE 100 up 14.4%; and over three years the Fund has delivered some 72.5% versus a FTSE 100 of 53.1%. (Source: Lipper Limited, bid to bid in sterling with net income reinvested to 29th December 2006.)

Now, as we are all well aware, 2006 witnessed a challenging market, with some significant market movements in both directions. Derek is going to look back at some of the Fund positioning during 2006 and also, importantly, address the challenges facing us in 2007, specifically for a special situations fund.

Now, just before I hand over to Derek, forgive me for those of you that have joined us many times before, but just to take people through, who are new to the conference situation, in terms of how to ask questions. If you look at the screen in front of you, just to the right of Derek's picture there are a short line of tabs. If you would like to ask a question – and please feel free to do so – just click on the tab and then a question box will appear on your screen. If you type your question into the box and your name in the box below and then just click on the 'submit' button below the box, we will receive your questions here and we will make every effort to answer them as the conference call progresses.

So thank you again, and I will now hand over to Derek. Derek.

Derek Stuart:

Good morning. As Dick mentioned, what I want to do this morning is just talk through last year, what the Fund is doing at the moment, and talk about my views on the outlook for the Fund in 2007.

I think I say every year that it has been a hell of a year – in every year that I have actually managed money – and '06 was no exception. Very volatile time; the Fund had a very up and down time over

the period. It started off very well in the first quarter of the year and gave away lots of performance in the mid period; we had a very tough summer, and then basically we have been clawing back the performance to scrape ahead of the market at the year end.

This is typical of all the time we have managed this Fund since 2000, we have had very volatile periods. 2006 was no exception to that - 2004 we had a very good first half of the year; 2003 was very good for the second half of the year; and this year was just very similar because, as everyone here knows, that has heard me talk before, what we are doing is buying in a contrarian style. We are buying special situations areas, stocks and sectors that are out of favour. And again, what happened in quarter two was that some of the positioning I had undertaken in the Fund cost me performance for a two or three-month period but actually gave me some performance in the second half of the year.

You know, as I would probably bore anyone who is willing to listen, I sold the miners too early, I sold some of the cyclical stocks too early and we are buying some more mundane sectors such as the food retail sector, bus companies, utilities, telecoms and these, you know, were favoured sectors at the time, very value-orientated situations and have actually delivered a lot of performance in the second half of the year.

So if you go on to the positives; for the second half of the year, we have built up a serious position in the utility sector; it was about 11% of the Fund by the year end. Very strong in terms of performance, you know, the takeover for Scottish Power. We had some very strong performance from International Power. Scottish and Southern again benefited from the takeover speculation and it has been one of our top performing sectors over the second half of the year, and there have been major positives to performance.

Secondly, as you can imagine, I started to get interested in the telecoms sector, first of all with Cable & Wireless, having met with the management team. Obviously this is a stock that has been a recovery stock for – well since I have been in the market, I think. But it started to deliver under a new management team; the UK operations: 2 billion of turnover but made no profit at all. The management team which came in was willing to cut costs and refocus that business to generate a 20% return. And so far, so good, it's demonstrated significant results in that.

On top of that, they have got international franchises, monopoly positions in some of the

smaller countries round the world. They earn a 35% margin. They think they can take that to a 37, 38, 39% margin, and you know, we are starting to see some traction in that. The thing that got us very excited on the Cable & Wireless story was when the directors started buying the shares. I mean obviously we had read in the press about the fantastic package they are going to get when the shares reach the next level, but they also committed their own cash and bought more shares, and indeed it is nice to see two days ago the Finance Director buying another 300,000 shares and the UK MD buying another 50,000 shares. So again, even though the shares have gone from 110-115p to 150p, we think there is more upside in this particular one and indeed, we think £2.00 is easily attainable.

And you know, we also have a big position in British Telecom and Vodafone. Vodafone has underperformed the market since, I think, the 2000 boom time and is a dreadful hangover after the big party there but look fantastic value on an international basis, look fantastic value for an absolute return basis, fantastic yield, a low P/E, great cash dynamics, and it was a very much hated stock, very similar to Cable & Wireless. Everyone hated the telecoms sector, and we used that time to actually buy in and we took a 3.5% stake in Vodafone and it has been very profitable for us in the second half of the year. And again, we expect it to continue to be profitable and I am still very happy to run that.

So again, in the telecom sector we have about 8% or 9% of the Fund in telecoms, which has gone from basically about 3% at the beginning of last June.

The other area which was interesting was the bus sector. Again, the bus sector had been plagued by high wage costs. Obviously, the petrol prices had gone up and that had affected margins, and we have had a slowdown in the top-line growth for a while. They had issues getting staff, they weren't being able to fulfil their timetable requirements; and the whole sector had been significantly de-rated over about a two-year period.

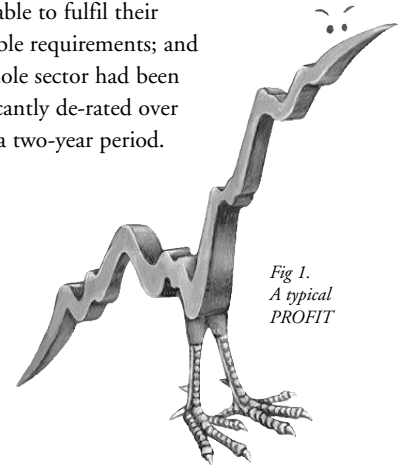


Fig 1.
A typical
PROFIT

So again, we had the opportunity to buy some fantastic companies at low valuations. Going forward for the next couple of years, hopefully the oil price will not be much of an issue. The wage costs are coming down. We are actually seeing some fantastic top-line growth in these businesses; most of the analysts were forecasting anything between 3% and 4% growth rates, but they are coming in with high single-digit or low double-digit top-line growth rates. So the operational gearing is quite significant. So again, even though we have 7% of the Fund in bus companies, it has done incredibly well in the second half of last year. I still think there is more upside in these because I don't think the analysts have yet to work out quite what this top-line growth means for profit growth.

And finally, the food retail sector was a big one for us. I bought Morrisons - bought it a bit too early, sat with it for three months before it gave me any performance. But buying these things sometimes takes a bit of patience. And we bought them at 190 and 180, and these kind of prices were fantastic because it was protected by the property portfolio. Much negative sentiment towards the stock - everyone absolutely hated Morrisons, it was just a basket case and of course any flicker of good news, the operational gearing and the upside was massive because the shorting position in the stock was quite significant.

So Morrisons has been a fantastic investment. The like-for-likes we have seen recently have been excellent. I still think there is upside to Morrisons; and ditto with Sainsbury's. Again, a very similar story. Everyone gave up on Sainsbury's. Justin King has done a great job there, refocused it, increased it twofold, branding is fantastic and again, two classic recovery companies, classic special situations.

Those are the main sector themes. In terms of stocks, you know Agrekk continues to run for us, the power generation business - fantastic company. I think I lost count of how many times it was upgraded during the year. Basically, a refocused management team, took a lot of cost out. The American operation is doing incredibly well; internationally, in Africa a fantastic operation. And even this year, they didn't have a particularly strong hurricane season and they still managed to smash forecasts, and the forecasts are still going up. I mean, we have taken a lot of profit in Agrekk. It's now trading on about 17-18 times the forecast. You know, we have to remember to have a cold shower - it is an operationally geared business, and therefore when things do slow down in the US, this thing will suffer or slow down. So we have taken a lot of profit, come back to just over 1% of the Fund now and we continue, at the kind of higher levels at the moment to take more profits.

Whitbread: a lot of bid speculation, break-up stories, investors taking stakes and this, coupled with decent trading, helped Whitbread have a fantastic second half of the year. And ditto with

Whitbread, we have taken a lot of profits there. I mean, if no bid comes, Whitbread looks very exposed on over 20 times earnings and I don't feel very comfortable at this kind of level, but again it was 2% of the Fund; we have taken a significant lot of profit there.

And another one: Expro. The management team at Expro have just done a fantastic job over the past two or three years. We went out to see Expro in Aberdeen in the summer, you know a great operation, did a fantastic acquisition, significant upgrade. Again, taken a bit profit, it's at that kind of level again where, you know, there's a lot of expectations getting built into the share price. But you know, I still think there is good short term performance.

And finally, I have actually missed one out in this particular list - Huntleigh Technology, which is the maker of hospital beds, a company we have held for a long time but taken over an attractive price. It was a small position in the Fund but it was just under a bit of bid activity - Scottish Power, as I mentioned before.

And there is Xaar, which has been a fantastic little investment for us. It is a company I know well and used to own in the Fund a while back, sold it a bit too early two years ago, shares went to a very high rating. Then they had a couple of profits warnings. This thing is a print technology business, sells into the Far East to good markets, and especially China. And the problem here was that the company is on 23 times earnings, then three of the Chinese customers stopped paying their import duty and therefore were getting investigated for doing that, and stopped buying, and therefore clearly the sales missed analysts' forecasts and the company had a profits warning. And these shares fell from about £3.50 to £1.10 at one point, and we were a bit lucky in actually buying a few shares, taking 3% or 4% of the company up at that particular time, and continued to buy from about £1.10 up to £1.50 actually, because I still think that at £1.50 the shares were cheap. Anyway, we were fortunate enough with a bid for the company at £2.20. We are told there's a way to go on that price because we think the shares are worth £3.00 but again, fantastic, decent performance and that's a cracking little company.

I was going to talk about the negatives. There's always the negatives in the Fund, as long-term followers of the Fund know. Sectors: oil was negative I have made virtue of the fact that I had taken a lot of profits from the oil exploration sector at the beginning of last year and bought into BP and Shell because I thought their valuations did not reflect what I was seeing in the oil market in terms of oil price, et cetera. It's been a very prudent decision because both have underperformed. I mean, of course, with the bizarre nature of the index situation and of course the attribution is positive for having only had 3.5 percentage of them, but of course, I was looking at an absolute basis when you have had 3.5%

each in two stocks that have done very poorly. So that was that; that didn't help here. Cairn was a drag. It's not a big position in the Fund any more but it was a drag because, again, the oil price coming off hit sentiment. So the oil sector, having historically been a fantastic contributor to performance, was not one over the past six months.

And the media sector, again, beginning of last year, I made much virtue of the fact that I wanted a media company. I looked for value there. I loved the idea of the content and again, the media sector was horrendous last year. I own ITV. I still own a modest position in ITV. I sold some of it into the bid speculation environment, and that was really smart when they sold it off.

But again, you know, we own Pearson - it has not been a good performer for us. Reuters has been indifferent. I stand by these companies this year. We are seeing a bit more of bid spec on Pearson at the moment and a bit more performance from Reuters. Corporate activity is decent in the US and performance has improved in media companies in the US and often that's just a start of what's going to happen in the UK. So the media sector was a drag last year; certainly going into this year I think I will be increasing my holdings again.

And, as always, there's the stocks that I really don't want to talk about but I feel obliged to at some point, and Sanctuary was one of them. Sanctuary was a refinancing that I undertook last year, and I thought I had got a copper-bottomed forecast on it and we would get out more valuation, et cetera, all the stuff I try and do. It clearly wasn't low enough and there was more disappointment as the year progressed. So that has been a disastrous investment. I have actually added to the holding, it's not a big position in the Fund. There is value in this business. I will not get back the initial costs in this business and it's just one of those things that I am feeling very, very unhappy about and I feel a bit stupid in buying it in the first place.

FUN Technologies is online skills gaming, not gambling at all; things like Solitaire, Scrabble online. It's a company we have had for a long while. It's performed incredibly well over a two-year period. Liberty Media, in the States, bought a controlling stake in it, about 60% of the company. We sold most of our holding into that; there's a modest holding left in the Fund and they had a profits warning on the back of, I think, Liberty have completely changed the ballgame and I am not worried about short-term profits. It wasn't a massive negative, but it's still a negative.

And BBA, the aviation services business, at last had the demerger - by the way, the business has been trading down for eighteen months. It wasn't a massive negative. It just went nowhere in a rising market so it did cost me about 25 basis points. You know, it's a great company that's now

demerged of the weaker business. There has been a lot of corporate activity in this in the US. It has a fantastic market share in the US market - in corporate jet refuelling and servicing - and I think, at some point, it will be very attractive to new buyers, so I am sticking with BBA.

I should mention, the Fund will probably just sell the balance of FUN Technologies because it is a modest position in the Fund.

Recent activity, the Fund remains the same. I am still buying into disappointment - I mentioned Xaar, buying on the profits warning, a good-quality company, cash underpinned.

Wolfson - we bought a position in last year, had a massive profits warning, the growth rate the analysts were forecasting for the fourth quarter was something like 35% and the company produced something like 20%, and the shares were highly rated and came off from mid £4.00 to about £2.60. This company basically provides mixed-signal chips that go into things such as iPods. It had a fantastic run on the back of that. Last year was a slight year of consolidation that hadn't been forecast. We have bought our modest position because I still think there is risk of forecasting this one, and in the short term the shares have been quite strong on the back of the new iPhone, because clearly people are putting two and two together and saying that Wolfson chips will be in there. The company cannot deny or comment on whether chips are in there now, so it's all speculation, but the shares have had a nice time. But again, a good-quality company, cash-backed, we were buying the shares on 14 times the technology business. You know, I think that was the sort of thing we like to buy.

And finally, Spirent. We have had a stroke of luck with Spirent, it's a telecoms testing business we bought into last year, and had a shocking record from the 2000 days, sold a big chunk of their business, was left with about 25% of the market cap in cash. Been buying back shares but the management team there was a little bit weak. Anyway, we started buying the shares, yes, against the peer group the margins were lower, the capital was lower, the costs were too high - all the usual things that I look for in a share. We bought into Spirent, put 1.5% of the Fund into Spirent. And the stroke of luck was that an outfit called Hanover Investors took a 15% stake.

Now, I have worked with Hanover before in a company called 4Imprint, and Hanover took a 25% stake in 4Imprint and turned that business round. They have also done it with Elementis, and they succeeded just before Christmas in changing the Board at Spirent, putting Hanover guys on the board to try and sort out the costs and then try and improve their results there. So I feel quite confident that if we see a bounce in the share price, I feel we'd get a continued bounce in the share price.

Cyclical companies have performed well over the past two or three years. The companies that have

underperformed have been the stable or high-growth, high-quality companies and I am buying some of those.

WS Atkins fits that category, a lot of the rail business, a fantastic consulting business bundle. Again, you know, it has grown over 10%, half organic and half acquisition, effective long-term outlook but it has underperformed. It is the sort of company I find attractive.

And Smiths Industries, we bought into about six months ago, again, disparate business - aerospace, medical devices, detection. The market hated it because there was nothing happening. They weren't breaking the business up; they weren't buying anything. We bought that, and again, the shares got hit in the back half. They hadn't performed very well in the second half of last year, but we had a bit of luck in the beginning of this year when they disposed of the aerospace business, and this has rerated the shares quite significantly.

Aerospace is a very capital-intensive business, a very cyclical business. I had a meeting with the management about two months ago and I suggested that aerospace was not a great business to be in. I am not going to suggest it was why they recently sold the business, but I think the decision has improved the quality of the business. They now have net cash, they can buy back shares, they are left with the high-growth medical equipment and detection businesses, and I think now looks fairly attractive.

Richard Turpin:

Just looking forward a bit, Derek, and I know you are going to touch on pharmaceuticals and healthcare, but I have a question here from Gavin Haynes of Whitechurch Securities asking or reflecting on the fact that during 2006 the healthcare and pharmaceuticals sector was one of the worst performing areas. In this unloved area, are you finding recovery opportunities that you might be investing in, as you are going forward, in the pharmaceutical and healthcare sector?

Derek Stuart:

Absolutely. I mean I think, again, very much the same view as the underperforming growth story, this area has underperformed because it has not been cyclical; it has not had the earnings upgrades because of that. It has been viewed as slightly defensive and a typical up-turn market. There has been marginal disappointment in some of the drugs coming out, but I think that is a side issue. And I think the pharmaceutical sector looks fascinating at the moment, and I think it looks - on a relative basis - one of the most attractive areas, the most attractive times I've ever seen with the ratings of these particular companies.

So I have been buying a bit of Glaxo, I am looking at AstraZeneca. But again, I'm actually attracted to those particular areas, given the underperformance and given the potential growth rates going forward. As I say, a lot of the derating

has been because it has not been the sector area to buy into because there is not the earnings momentum of the cyclical stocks and, as we are coming to the end of the superior cyclical growth story, I think buying into areas such as telecoms, some of the technologies, healthcare, these kind of areas will prove very profitable, going forward.

Richard Turpin:

And are you expecting or looking for any particular catalysts that might drive the pharmaceutical sector, Derek?

Derek Stuart:

It is difficult to know because, again, the Vodafone example was the classic because Vodafone had been trading at 110-115p for so long. The question was, you know: we knew it was cheap against the peer group, we knew it was cheap on an absolute basis, but what was the catalyst to make it perform? And to a degree, we use technical analysis for the timing of large cap stocks and we did do a bit of that, but you just have to keep abreast because it can turn very quickly. Vodafone went from 110-115 to 140 in a matter of a few weeks - it was days, in actual fact, very, very quickly rerated. So the timing, as with all investments, is the tricky bit, but we are monitoring the Glaxos and the Astras very, very closely in these things.

Richard Turpin:

And in terms of valuations overall, I know, as a house, we have been saying for a couple of years that we see some of the best value in the sort of large cap area and your large cap weighting is, at the moment, still over the 50% mark. It's clearly an area that you feel comfortable with, going forward, in terms of those valuations.

Derek Stuart:

Absolutely. I mean, I was looking through the Hoare Govett book the other day, and the Hoare Govett Index and the Small Cap Index have performed like trains over the past few periods, and the mid-cap companies are performing pretty well on the back of that. I had been too early in actually coming into large cap, but I still think absolutely the right thing to do, because I can find companies there that are on three or four point discount ratings - quality companies compared to mid and small cap. And this is something that I hadn't seen there. And I started off with small cap, and I am usually always buying small caps at discount to large cap and we now see a significant change in that.

So I can buy telecom companies and pharmaceutical companies, all on very low multiples, and fantastic cash generation, cash back, you are getting situations like Smiths Industries, a FTSE stock. You know, Rentokil, Cable & Wireless - some of these big cap stocks have been really left behind. And I just, you know, I have been saying it for twelve months, I continue to say it - I still think that is an area where you will make the most money going

forward in the next twelve months.

Richard Turpin:

I mean overall longevity of the outperformance of mid and small cap: do you think there is any structural changes that have taken place in the type of companies and their positioning in the market that reflects that, or is it just driven for a long period of time by investor appetite?

Derek Stuart:

I think there's 101 reasons why. I mean, we have had the corporate activity angle, which has been high, but again, we shouldn't forget that it has been just as high in the FTSE – you know, with BAA and Scottish Power and a number of companies like that. We have had a situation with this cycle, and the economic cycle has been considerably longer than I can remember. We had that amazing stimulus back in '01 with the US and UK to offset what happened recession-wise, and that has been a fantastic stimulus and has meant that people have gone into this mid and small cap area a lot more aggressively than I thought. They have continued to buy, I think is the key thing. And I question, where is the next uplift in terms of, you know, re-rating. We've had significant re-rating in Agrekkio and easily it could go a bit more, another 10-15%, when we have seen the shares go up three times. Am I going to get that again? I think the risk/reward is, it is not in our favour for that. So I think there would be more people moved away from the index-type investing, disappointed with their investments in BP and Glaxo and Vodafone, have ditched it completely.

But can I just make one comment on that? I mean, when we set up Artemis in '97, there was a piece of research that came out at the time that said don't invest in mid and small cap any more because you can get the whole market in the top ten stocks. It's mega-caps are here, and that's what you should buy: Vodafone, BP and Glaxo. And, of course, when we set up Artemis that was a bit disturbing reading that, because we were a mid and small cap house, so there was some frustration when we read that but then that is just classic PRU analysis, because just before small caps underperformed, therefore it was right to sell and was clearly absolute rubbish.

Now, I saw a piece of research recently that now says, 'Just forget the mega caps because it is a pointless waste of time investing in them. You must invest in mid and small caps all the time'. Now, that is after five or six years of significant outperformance in mid and small cap, and I think it's just the wrong time to sort of say that Vodafone and Glaxo and these kinds of companies are dead. I think, you know, naturally I am attracted to areas of the market that have underperformed, and therefore I am finding more value in those areas today, and that is why my top ten is boring for a special sits fund, but it's where the value is in the market.

I look forward to the day when I can buy more

mid and small cap, and I actually think that that will happen in over the next 12-18 months, because my expectation is that in a slightly tougher economic environment, I am going to get fantastic opportunities to buy these mid and small caps again. And you see it in the companies like VaR and Wolfson and Spirent - with the profits warning from Renishaw the other day, another two profit warnings in the market today. It is starting to happen, because whether it's impacted by oil prices or impacted by currencies or impacted by slight contract delays, they are there, and I thrive on that. I much prefer the times when markets are tougher, because I get a chance to buy cheap stocks again, and I think we'll get a situation, where, I think, the mid and small cap will be more attractive towards the end of this year anyway, and I will be able to buy a lot more of these companies again.

So bizarrely, I'm actually quite excited about the situation in mid and small cap because I think we have hit the valuation max; that will then come back and then we will get a chance later in the year to buy some of the companies again.

Richard Turpin:

You've been talking a little bit about takeover bids, and clearly we have seen an enormous degree or a high degree of takeover activity – investment bankers glowing like white heat into the dark of Canary Wharf at night. Do you see that continuing? I mean, there is talk of still a lot of pipeline activity in terms of M&A and a lot of private equity money is still available for bids.

Derek Stuart:

I think it does. It's scary. The figures are just absolutely scary in terms of the billions that have been raised in private equity, and as any investment manager knows, you have to invest the money to actually make their fees, so there is pressure for them to do that. And I think, therefore, a lot of deals will get done and a lot of wrong deals will get done because people are forced to make these investments. But I think that just the sheer quantum of money out there means that deals will be done.

But what I would say is that, you know, it can easily happen in the FTSE. I mean, we have seen lots of deals in the FTSE as well as in the mid cap, and if you can buy – remember Marks & Spencer's was bid for by Green, and, you know, why not Sainsbury's, why not Morrisons, why not Tate & Lyle after its profits warning? There are lots of companies there with great market share and great cash earnings - so very attractive. And to a degree, you know, if you are spending a billion on a deal or 15 billion on a deal, it's still the same deal. You have to do the same due diligence, it's just the quantum of money is clearly higher.

But this is a scary angle. I mean, John Moulton of Alchemy, I read an article that he was talking about, and he was just making comment about private equity and some of the people that are

involved at the moment and the sums involved and the leverage involved, and he finds it incredibly scary. "Incredibly scary!" And that is the guy that has been in private equity for goodness knows how long, 20-30 years or whatever. But no, I still think it happens, it continues because I think it has to continue because private equity guys want their fees – and it's as simple as that.

Just going on, I mean the conclusion is that I am still at the moment favouring boring sectors, but, you know, they are giving us upside. I mean Cable & Wireless has gone up 40% already, I think it's up another 30-40% upside to that one. Directors, still buying stock, as I mentioned – I get very excited about that. Vodafone, again, still think there's upside to Vodafone - good upside. Bus companies I have talked about already, but, you know, it's not sexy stuff but it's very effective. I mean these bus companies have had a strong run, have contributed a lot to the performance and I think will continue to do so. As I mentioned before, I'm thinking of pharmas for the first time in a long while, in fact trying to buy into Glaxo. And media again: I am still convinced there is a lot of activity to happen in media. I've been disappointed with the performance in media last year but I think that this year could be the year for the media sector...certainly last year and certainly over in the US we are starting to see more action there in corporate activity, as I mentioned, and the performance of media there is improving.

And again, as I mentioned before, you know, I expect to buy more mid and small cap later in the year. I think I am going to hopefully exploit some of the profits warnings and trading statements and try and be nimble and get some of these situations.

And, you know, just saying that this is a changing market. I think that the comments I have seen from the more sensible guys that I look at are all talking a reasonably similar story about, you know, don't expect the big returns this year. I know I did do that last year, but don't expect it this year, and you know, we are changing the portfolio to reflect the conditions. As I say, I am looking forward to this year because I am looking forward to, hopefully, buying a lot of potential stocks this year. And from that point of view, not excited about market returns, but very excited about the opportunity for the Fund, actually.

Richard Turpin:

I know you wanted to pick up the whole concept of investing in recovery and special situations; and performance over the years of the whole special situations arena.

Derek Stuart:

Absolutely. I mean, for my own sanity, I'd love to just be a smooth, outperforming Fund, but it just never happens that way. As I mentioned at the beginning, it has never happened that way since the start of this Fund. We have gone through periods, or months, when the Fund has done very little against the market, and it tends to pop up at various times and it can really add two or three hundred basis points very, very quickly, as we saw in the second half last year, when you get your stock selection right. Then, as I say, we are buying the contrarian style. We are buying things out of favour.

I try to minimise the times the capital is tied up in situations that do nothing, but again, there's always that risk. And again, last year was just a classic example of that – buying Morrisons and Sainsbury's. Sainsbury's, for two or three months, did very, very little – and that has paid us back in absolute stage. And I'd say last year, you know, there is no real difference in any year that we have had. We have had volatile periods in all the years that I have managed money. Sometimes it comes at the beginning of the year; sometimes at the end of the year. But net-net over the year, we are still doing exactly the same as before, identifying special situations. But as long as there is an economic cycle – which I believe there is – there will be more opportunities to buy these things, and bizarrely, as I say, the market is higher now but I have actually probably got slightly more ideas today than I did have even three or four months ago, because when I see things are slipping back in my direction and then some of these large caps look very good value.

So the perversity is that saying don't get excited about the market, but I am excited about the opportunities and some of the situations that I am starting to see again.

Richard Turpin:

Well Derek, thank you very much for that. You have clearly, as always, relished the challenge in the profit-hunting arena.

Ladies and gentlemen, thank you very much indeed. I am conscious of the time that we have taken of your morning, and thank you very much for listening in. We have received a couple of questions which I have addressed, and also thank you to Bob Donaldson for commenting on reflecting performance against the All Share and the FTSE 100, and that is evident on our fact-sheets and on our website. But please don't hesitate to send questions in. Indeed, after the webcast is over, please either email any questions or any comments you have to broker.support@artemisfunds.com or indeed phone our broker desk on 0800 092 2090.

So thank you again, Derek, for taking us through your thoughts, and thank you, ladies and gentlemen, for listening in. We will be doing further webcasts. We are looking to do the next one in March and we will be communicating the

date to you in the normal fashion. So thank you very much indeed and have a good day, and if I can now hand back to our operator. Thank you very much indeed.

Derek Stuart:

Thank you.

Risk Warning

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