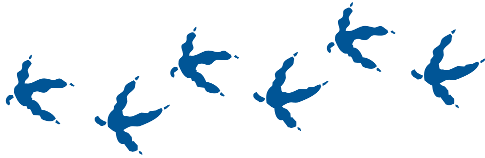

ARTEMIS
The PROFIT Hunter

Derek Stuart and Ruth Keattch – Artemis UK Special Situations Fund

Transcript from the webcast recorded on 24 February 2009.

Richard Turpin: Thank you very much. Ladies and gentlemen, good afternoon and welcome to the ongoing series of Artemis webcast conference calls. May I say a big thank you to those of you who have been waiting while we've connected all the participants?

Today I am joined by both Derek Stuart and Ruth Keattch who I will introduce in a minute. Many of you know Derek; he launched the Artemis UK Special Situations Fund back in 2000 and it has just recently passed its ninth birthday, so congratulations on that, Derek, you're becoming a seasoned campaigner now in the special situations arena; and Derek has navigated the Special Situations Fund through some very difficult markets which we've all experienced over the last 18 months and I am proud to report in doing that, he's managed to retain his first quartile ranking throughout that 18 month period of very choppy equity markets.

Also Ruth Keattch; welcome, Ruth. I think I'm right in saying this is your first web conference call, hopefully one of many, if I can persuade you to come and do more. Ruth joined Artemis in September last year and is working alongside Derek on the Special Situations Fund and brings with her a wealth of experience in mid and small caps; so thank you both for joining us today.

Before I hand over the conference call to Derek and Ruth, if you'll bear with me just for a quick piece of housekeeping – and I apologise to those of you who have listened in many times before – but hopefully on the screen in front of you, you will see a picture of Derek. Just to the right at the top of the screen there are a series of tabs; I think I'm right in saying the second tab in is marked 'Questions'. If you'd like to send us a question, please click on the 'Questions' tab and a box will appear; type in your question and then at the bottom of the question area, click the 'Submit' button and hopefully we'll receive the question here and I'll do everything in my power to answer your question as the conference call progresses.
So without further ado, I'll hand over to Derek and we'll get underway. Derek, thank you very much.

Derek Stuart: Thank you; it's a joyous time to be here again. Good afternoon everybody and thank you very much for joining Ruth and I in our little ramble through the Special Situations Fund. I'm going to spend a bit of time just talking about where the fund has come from over the past few years. It's been an interesting past nine years. It's not been normal market conditions by any manner of accounts; but I want to talk to you about just exactly how the fund has developed over that period and talk a wee bit about the problems that face the economy and the stock market at the moment. Very briefly on those, because I think they are very well documented. And then finally, talk about what we're doing at the moment. How we're changing the portfolio and some of the interesting opportunities that we see ahead.

So the first thing to see is that this slide here, which looks like a candy bar, is basically what has happened to the fund over the past few years since the back end of 2002. Basically this fund, for those of you who know it well, has a background in mid and small caps, that's where we have made the serious money in the past and is where we think obviously in the future we can also do; and then we have this very high weighting. If you see the black line in this particular chart, the performance of the Hoare Govett Smaller Companies Index against the FTSE100, against the top 100 companies. You can see this very strong period between the back end of 2002 to about the middle of 2007 as mid and small caps perform incredibly well; and bought by institutions that didn't particularly play in this part of the market before and we had a significant re-rating.
Then from the middle of 2007 as the economic environment changed, the financial issues, the system started to creek, we saw this massive out-performance of the FTSE100; the large cap companies over small cap.

The bar chart there – the coloured lines – represents what our weightings were over this period between large, mid and small caps. Basically we are contrary investors; we are attracted to areas of the market that have underperformed. So as our stocks in mid and small cap perform well and as they hit the price targets, we started unwinding those positions, selling those positions into the demand that was there and reinvesting those proceeds into some of the more boring, some of the unloved areas of the market which actually happened at the time to be in the large cap areas of the market.

So by the time we get to the end of '07 beginning of '08, we have substantially changed the focus of the fund, moving up to 60% in large caps and down to a mere 9% in small caps. That's the lowest that you can see it has ever been; and the reason is we took the profits out of the highly rated mid and small caps, reinvested them in the value areas, in the cheap areas of the market and we benefited from that particular swing and sentiment from mid and small to large.

Now you can see a sharp underperformance of that mid and small cap performance in the past 18 months and that is something now we want to look at in terms of, I think the next shift for this particular fund is looking at some of the disasters that have been in the mid and small cap area. Some with underperformance, some of the unloved stocks and I think you would expect to see the weightings in that area of the market increase gradually over the next 18-24 months.

The key thing for us in this fund is the complete flexibility we have; in that we are attracted to the areas that under-perform.
We are attracted to the areas that offer better returns for us in the market and we are not restricted in which areas of the market we invest in. And again we are always hunting for the next area that should show some relative gain and hopefully at some point in the future some absolute gain.

Now to address two of the big issues at the moment, and I am not going to spend much time on those, because as I say they are well documented; but clearly the big fears in the market at the moment are the recession; exactly what that will do for corporate profitability, what that will do for valuations of equities and debt. We are in recession, this recession will be a tough recession, there's no doubt about that. People want to save more money. The savings ratio needs to go up. We have to see a whole de-leveraging of the financial system and also the corporate sector and this is going to cause increased unemployment and recession.
Whether the recession is deep, whether this recession turns into a depression, we can leave for the economists and strategists to debate.

The key thing is we have to recognise we are operating in a very tough economic environment. This environment is being made even tougher by levels of debt that we have never seen in our lifetime; and that is both in the financial sector, the government sector and obviously the consumer sector. So we are running into this situation where we have a tough economic environment exacerbated by the leverage that is in the system. The question I could ask most of the time is: 'When did that actually unwind? How long will the de-leveraging process take?'

This long-term chart demonstrates what we've actually seen in the financial sector and the banking sector.

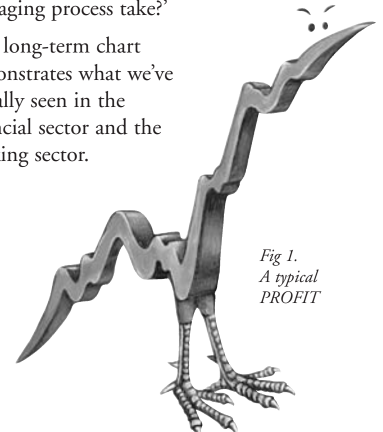

Fig 1.
A typical PROFIT

We have had for many years the balancing of deposits and lending. But basically since the turn of the millennium a situation has arisen where lending has gone through the roof and the environment has been for low interest rates and people are assuming on various models that you can take on more gearing and service that debt and therefore enhance returns. Certain companies can sustain that, but large parts of the corporate sector cannot. We have a situation here where we have been over-lending. The banking sector has been over-lending for some years and that has to change.

Now I wish I had the answer to the time when that will change, but I think at the moment, we are seeing a significant de-leveraging of the financial sector. It is also happening in the corporate sector and that does present itself some opportunities that we hope to exploit. I've got Mr Happy on this particular slide because the recession and debt do present opportunities, the frustration for stock pickers like ourselves in the good times, is everything goes up and it doesn't matter which particular stock you buy, as you saw in the latter stages of the '06/'07 bull run. A recession sorts the wheat out from the chaff and we have an opportunity to actually find out which companies genuinely do have the business profiles and the strong business plan to actually develop further.

Secondly, the point is debt. Debt is not a good thing per se, debt is not a good thing if you own equities, but for companies that we don't own, where there is significant debt problems, be it in the house building sector, property sectors, pub retailing sectors, this debt has completely destroyed the equity base here. But it does present opportunities for ourselves to reinvest some monies that we have in the large cap stocks into those particular companies where the equity has been completely destroyed. If we can identify those companies which are either raising enough money or that the cash flow is to pay off that debt, we will get significant re-rating opportunities within the equity values of those particular companies.

Following that on to its natural conclusion, there are two or three points that I want to make and where we're actually investing monies at the moment. First of all I mentioned in the recession, in recessionary periods, you have a situation where only the best companies, the well managed companies do well and those that are left standing will do incredibly well. We had a situation at the beginning of last year; HMV, a bog standard CD retailer and DVD retailer, you wouldn't think that was a particularly attractive place to be, but the competitive environment for that particular company has been completely decimated by the recession. Woolworths have gone bust, there's Zavvi gone bust, and all of a sudden those of you who are like me, who still actually wander around the shops and buy a CD, find yourselves that there is only one place to go and that's HMV. So those companies that have the business plan and the finances to withstand the recession, start to benefit from the fact that competition is significantly reduced going forward.

Second point is going back to this debt situation; there is money to be made when you get a recognition by both management and the banking sector that some of the debt we have has to be swapped for equity; it does mean as an existing equity holder for that particular business your equity becomes worthless, but if you are standing from the sidelines you can actually get into a situation where the biggest risk of that investment – the debt – has been removed and equity therefore becomes a much more attractive proposition.

In the past this fund has benefitted from situations such as MyTravel which again was a company that was bust and there was a debt for equity swap and again we had made significant money in the recovery of that particular company. We are looking both for debt for equity swaps of wholesale debt and equity of a company that has gone bust; and secondly we are looking for those that we are seeing at the moment in the property sector which are basically swapping debt for equity through re-financings and rescue rights issues. It does represent opportunity for us to buy into strong businesses where the franchises are intact, but where clearly the financial risk has been reduced to the re-financing opportunity.

I come back to the history of the fund again; we put down the nine years because it has been an interesting nine years falling off from the dot.com boom through a variety of different economic scenarios. The great times for investing in recovery stocks are in the real inflection points, the real points of turmoil. I look back to the back end of '02 and '03 and some of the companies we invested in there – Regis, Morgan Crucible; we were buying IT companies at less than cash – and these companies offered us the fantastic up side that we saw in '03, '04, and '05 without much risk. In the case of one IT company we were actually buying below cash, so what is the actual downside risk in that particular situation?

The real results from this fund have always been from big recovery companies and that could be a FTSE company like ICI or Hanson or dive through the smaller companies like an Aggreko or a Wood Group.

The chances are today that the performance that is going to come in this particular fund in 2010/11 will be from the companies that we identify this year that survive, that offer some real up side.

Richard Turpin: Derek, I would just like to interject there just for a second; before you go on. I know you are going to talk about some companies that you have been looking at, or the whole concept that you hold dear – and very importantly – the meetings with management. I know you are getting directors of the companies you are meeting, finance directors, chief executives – have they got any visibility at the moment in terms of their own businesses, or is it still pretty sort of opaque out there?

Derek Stuart: I think there is not a lot of visibility in the marketplace. I think everyone has been taken very much by surprise because the common answer that we've got from most companies that we try and speak to is that the lights were switched out; the world came to an end in October last year. When you have the financial instability of the Lehmans, Bear Stearns, RBS, all these kind of issues developing, basically finance directors around the world and consumers around the world all basically said 'I am not going to spend'. You've had a very significant de-stocking going forward into November, December, January and February. At the moment when we are speaking to finance directors and chief execs, they are not getting a lot of visibility in their order books, but what they are doing is being much more realistic about what they need to do in their business, which is cut the costs and adjust the cost space and adjust their inventories to the appropriate level. Which means that when you do get a pick up – and there will be some pick up because we cannot survive on zero product, zero services within the pipeline of supply – then you will get a gear effect from the upside in some of these particular companies.

At the moment we are not getting any real guidance; we are just getting told that things are tough out there. But people are saying that the de-stocking has been so savage so quick that there is a chance that we will actually see some turn-on in demand, going right through to the bottom line, pretty quickly going on towards the summer.

I did mention that I would like to – as always in the special situations presentations – talk about a few companies and some of the things we are looking at. They are all slightly different where they come from in terms of the changes, whether it is a market change, or a management change. They are all fantastic examples of what we are trying to do and I am probably better illustrating exactly what we are investing the money in at the moment.

Booker is one we've held in the portfolio now for twelve months and it is a classic example of a strong management coming in to what was a particularly badly managed business. Booker is a cash & carry business, and the management team is led by Charles Wilson who worked with Stewart Rose at Marks & Spencer. Charles has come in to basically pay down the debt at Booker and refocus the business and basically not do anything terribly intelligent as such, but to basically refocus the pricing, re-brand the products with a better offering and tart up the buildings that the products are sold in. So far he has paid down the debt by about £300 million – this company has negligible debt; he has improved the margin from a loss to about 1½-2% margin, which does not sound a lot, but then the business has got over £3 billion of turnover and there is a significant increase in profitability. He has introduced an online strategy which is growing significantly.

We have a situation here which is a very bog standard business, cash & carry business, but which is actually being turned around by all the things that we like in the Special Situations Fund by taking out costs and refocusing the management team. The interesting thing with

this particular one also is that the competitive environment is going to probably change quite dramatically because as you can see from the presentation, the competition is held in the hands of either private equity and management buy-outs and they do not have the financial flexibility that Booker has because they are heavily geared companies. I think there is a great longer-term story with Booker as the financial flexibility that Booker has allows it to grow its market share within this relatively mature market. Going forward in the next two or three years, it is a classic example of those companies that are financially strong and well managed, they survive and the competition gets weaker. That is a great opportunity for making a great return on this particular business.

Another example of that particular competition angle is Provident Financial, the money lender. In the good times everyone lends, banks lend willy-nilly as we know and everyone does very well with lending. In the bad times nobody wants to lend so Provident Financial have gone from a situation of having a lot of competition from banks at the low end, from people like Cattles and London Scottish Bank to a situation now where Cattles' market has gone, Cattles the business has gone; so has London Scottish Bank. We all know that general banking is shrinking and deleveraging, so at least Provident Financial, a business that is well funded, experienced in working through a recessionary environment, is left to basically continue its lending. Great returns; very low multiples; great yields. We forget that their base rate is 1% and you can buy someone like Provident Financial on an 8% yield with a competitive environment that is becoming more attractive by the day.

The next one is classic special sit material; we try and de-risk any investment we make by protecting ourselves from the downside. Delta is a classic example of that; it has a checkered history from a long time ago, but the key thing here is we are buying into a company that produces crash barriers down in Australia for the roads and various road trafficking businesses and other industrial subsidiaries. This company is actually one Ruth identified when she joined Artemis – a solid business that has been turned around and sorted out, Ruth was buying this business when the market cap was 110/120 million and had 100 million of cash. That is the kind of business we like, with 100 million of cash, 35 million of profit and again 120 million of market cap. The history of this company is they had a big pension issue. It has dealt with that; it has a balance sheet to effectively buy an annuity for a chunk of that pension so it has been completely de-risked; and the valuation is very low.

These are the kinds of companies we like because it again is cash backed; the downside is protected; and it is a management team that had the flexibility to deal with the pension issue, because we forget – and we talk about gearing in recession – that one of the biggest issues going forward again is going to be pensions and the ability of any company to finance that pension fund going forward; and that is something we obviously focus on when we are looking at the stocks that we do.

Richard Turpin: I just want to interrupt if I may because we've had a question from John Marshall reflecting your substantial weighting in the utility sector and he is wondering whether this is a reflection of a view that they are fundamentally undervalued, even compared to other valuations prevalent elsewhere in the market, or does it more reflect that it is simply a relative safe haven given the current environment?

Derek Stuart: It is a bit of everything is the answer to the question, Dick. Firstly, I like the power generation utility sector because it has been an area of high corporate activity. In the past the fund has invested in Scottish Power; last year we were fortunate enough to have a position in British Energy. Power generation is a scarce asset, and there is always demand and as you see, especially on a pan-European basis for acquisitions.

In this country we will sell anything to anyone, so people will tend to come into this country to buy the electricity companies.

Secondly, these are defensive and it is good in terms of protecting the asset base of the fund and parking our money in very defensive areas. Thirdly also there is a yield argument, a valuation argument because when base rates are 1% and you can get 5 or 6 or 7% yield from some of these companies, and some of them are still growing, that they actually represent a very attractive place to be. It would not be massively surprising if some of these companies that were on a 6 or 7% yield went to a 4-5% yield and the significant upside of that would represent the equity.

In answer to the question it is a bit of everything; a bit of corporate activity angle; a bit of defensive earnings and a bit of yield compression hopefully for the re-weightings in the utility sector.

Richard Turpin: Maybe I could draw Ruth in just for a second. There is a question here from Scott Chambers at Positive Solutions, basically asking if you are finding in the current environment that you are more active in trading positions, buying and selling, in terms of positioning the fund. Is that something that you have noticed in terms of the change of style?

Ruth Keattch: Yes, we have been more active. I have only been here for six months, but what we have been seeing in those six months is incredible volatility in the market and that is an opportunity. I think we have to be very careful to buy at the right price and to sell when things get overheated and recycle the money into things that have gone the opposite way. It is something I think that Derek is particularly good at and we have been busier in that area.

Richard Turpin: Interesting, dropping back if I may to Booker, we have a question here from James Gardener about potential stock overhang from Kaupthing in terms of the Booker position and just whether you have any views on that and how it might affect the company in the short to medium term.

Derek Stuart: It is a very interesting point to make, because in fact when we bought the Booker stake the history of this company was … the shareholding structure was 30% owned by Bauger. I think it was about 30% owned by Kaupthing and West Coast Capital, Tom Hunter's vehicle, and also HBOS in the days when HBOS used to finance all these Icelandic guys coming in and buying up all the companies. Last year we bought our stake in Booker; we definitely took out Bauger ourselves and three other institutions and we felt quite smug knowing that we had taken out Bauger and a chunk of Kaupthing. Kaupthing is still left with, I think, 20% of the equity. We have basically been trying for about – the past three months, Ruth – to buy that stock off the administrator at a discount, as you can imagine, and we have had no joy with that yet. It is an overhang. I personally believe that we might get the stock at a discount, but it will be well taken up when it comes out.

It is a fascinating story of a break-up of a shareholder base. Looking at the state of Bauger two weeks ago when I think it went into liquidation, you have to recognise very much the shareholder base that is in some of your companies, because that is going to be an issue going forward be it corporate, or be it hedge, or redemptions from long fund itself. I think Booker will have such a fan club and they have delivered on every set of results, that we followed them, for over the past three sets of results. I think that stock will get placed reasonably readily and certainly we will be buying more stock.

Ruth Keattch: Interestingly, the more general point too about distressed lines of stock coming on offer and that was the reason we got into Delta at such an attractive price. There are funds out there that are in distress and this is another way in which we can take advantage.

Richard Turpin: That was an interesting point, thank you for covering that one. Do you want to go on to Omega?

Derek Stuart: Yes, I will have a quick chat on Omega. This is not a distressed company. This is a fantastic company with a fantastic management team with a fantastic record. What has happened here is there has been a significant change in the marketplace and that happened very, very quickly. Interestingly enough, I think one of the first meetings that Ruth and I did together in here – we had the Omega management team in and it was the day after AIG went and got taken over by the US Government and basically they had a business plan that was talking about rates declining into '09. Overnight obviously that business plan was changed because all of a sudden they said the capacity has come out of the marketplace significantly.

Secondly, people are not going to be using AIG as much because they will want to spread their risk. Thirdly, the general deleveraging of the Lloyd's market has been such that hedge funds were actually playing in the underwriting market and accepting rates that were way below economic returns.

Finally, we forget last year that actually we had two major hurricanes in the US and South America and that again took a lot of capacity out, caused a lot of pain. Maybe if they had said

to us our marketplace has changed quite significantly; we do not know exactly the real effects; we do not know what is going to happen to rates yet, but we will come and see you in a couple of months' time. At which point they did and raised £130 million of new capital to put to work in this environment. We have got an environment now of hardening rates.

It is great to actually give a management team some cash not to bail it out, but to actually grow the business. It is not an example of a distressed company, or a new management team. This is a great company, a great team, but the marketplace has changed quite radically in a very short period of time. Again it is just a classic example of reacting to what is happening in the marketplace.

I think 2009 is going to be another tough year – that is an obvious statement – but we need to put it into the context; we are going into a very tough recession. We have got a massive deleveraging process being undertaken by the banking system, by corporate UK. We thought one or two property companies would come back to the market. I think it is the whole sector that is coming back to the market.

What it does give us is opportunity and I remember the back end of the dot.com period in '02 and '03 and everyone was down and the market was actually down at that point – at 3,400 I think it got down to, I can't remember, – there was disillusionment, there was fear and everything and that is what happens in the market. The market overcooks it in general terms; people get very, very nervous and sell everything and they sell, sometimes, companies at the wrong price. That is exactly what this fund is set up to do. It is taking advantage of these discrepancies and that is why I think today there is more opportunity in the market.

That opportunity in the market is narrow and there are some areas of the market that are not attractive yet; things like pub retailers and some of the banking system stuff does not look attractive to us, but in other areas we are starting to see value and that value – when the competition wanes and the recession takes it toll on that – will present itself with more exciting opportunities. I think that means that we invest in more mid and small cap. The funds may not go back to 45, 50, 60% in mid and small cap, but I think it will increase from the saleable levels of today.

I think we sit here with uncertainty everywhere and a tough economic outlook, but there is more excitement in the job today than there was 12 months ago because we are seeing value; we are seeing refinancings. We are treading incredibly carefully because we want to make sure that when the company has the refinancing it just has the one and not the two and three that some companies will actually have to deal with. Certainly we hope for a more exciting portfolio this year. I look forward to the day I do this webcast and I do not get asked any questions about utilities, because this is not an income fund, it is a special situations fund. Difficult to tell how quickly we will buy these companies and we are just looking at every opportunity that comes along, but certainly there is a wealth of companies out there that require refinancing and one or two of these recovery stocks will do incredibly well and I look forward to talking about them the next time around.

Richard Turpin: Without putting words in your mouth, inherently what you are saying is that you are moving in towards – having said that, I am exactly putting words in your mouth – but inherently what you are saying is that moving forward you can see potentially an environment building up that favours a special situation style of investing.

Derek Stuart: Yes, I think it is always the same; we are the charge; we are the cavalry that goes in first, because we buy these refinancings; we buy the recovery stocks and then typically you find people come in after that. The key thing for us is we don't want to be so early that we are sitting on these particular stocks and watching them go down. We want to make sure that we are buying them when we have bottomed out as much as we can the downside risk. Looking at things such as Delta where you have got cash backed, or looking at Booker where you have got strong management shareholdings and the competition is fading, it looks very exciting to us. The key thing again, hopefully from this presentation, is to highlight that special situations come in many forms. It could be a change of market; it could be a change of management; and it could be a change of the financial backing of a particular company. Again, we will be working harder than we have ever done over the next 18 months identifying some cracking recovery situations.

Richard Turpin: Maybe even a change of government.

[All talking]

Richard Turpin: Interesting one from Bish Limbu I hope you do not mind me asking. He is just asking if you have increased your personal investment in the fund recently.

Derek Stuart: I have actually, yes, back in the fourth quarter of last year – I cannot remember if it was actually November or December – but I did buy a significant number of units in this particular fund. I did say about it in the interim statement that we had a tough first half last year; every time we have had a tough period in this particular fund I have bought more units and I bought substantially more units in November/December. My time horizon in this fund is not the next six weeks or the next six months; my time horizon is many number of years, because identifying these situations and hoping they come to fruition will take some time. I think from this point over a number of years that there is good money to be made in certain situations, yes.

Ruth Keattch: I would like to come in on that as well. I held this fund long before I joined Artemis so I did have a little bit of an idea of what I was getting myself into coming here. I have admired Derek's investment skills from afar and I have added to the fund since joining Artemis.

Richard Turpin: That is very good; thank you for that; thank you for covering that one. I am conscious of the time; I have just got a couple of questions maybe to round off the discussion. Richard Lovegrove just interestingly points out with the sort of current Sterling levels and valuation levels, are you expecting to see more foreign intervention in corporate Britain? Are you expecting to see more acquisitions being made?

Derek Stuart: I would think so; obviously the access to capital for transacting these deals is very difficult, but just bear in mind that everyone is financially stuck and there is a number of corporates outside the UK that have cash. I think they are just basically waiting for stability in some of the earnings profiles of maybe some of the targets. You look at a company, a situation like Emerson bidding for Chloride – a world-beating business – and I think Sterling, since that point, has depreciated by about 25-30% against the Dollar. Emerson could come in today and easily take off a fantastic great quality company at a valuation it should not be done at.

Yes, I think it is going to increase; I don't think it is going to increase dramatically. I do not think we should expect to see the same level of corporate activity as we saw in '05-'07, understandably, but I do think that the smart guys will take the opportunities. The classic one is that when Ruth joined she had started building a position in Aberdeen Asset Management and the situation within, I think, about a month after Dick [unclear] that Martin Gilbert went for Credit Suisse and then there was a significant re-rating of the shares in a very short period of time. Martin Gilbert is not looking for the next six months at stock markets, he is looking to consolidate his position in the fund management industry for the next five, ten years and the best deals are done in distressed times. I do think it will pick up, but I do not think we should get too carried away, that it is going to really ratchet up and be the sort of same conditions we saw in '05 to '07.

Richard Turpin: Just one final question because Dave Mattos has sent me a slightly different question, but essentially the same question twice, so I do feel duty bound to ask it. Could you possibly have a low risk Special Situations Fund? Interesting question.

Derek Stuart: I think one of the key – I can ask how we manage risk in the Special Situations Fund – the key thing is just what we have talked about in the Special Situations Fund is that Ruth and I and friends of ours and my mother in law et cetera are all investors in the fund. There is recognition that we will do things that we think are in the long-term interest of this particular fund.

Secondly, hopefully from the chart at the very beginning, we demonstrated that the fund can basically go anywhere in the market. It can be in large – we can be 100% in mining; we can be 100% in banks; we can do whatever we want. We will manage the portfolio to optimise the upside, but at the same time without taking unnecessary risk.

Thirdly, going back to the example of something like a Delta, an example of the IT stock that I bought in '02/'03, is we will buy companies that where downside hopefully is protected. Can you

have a low risk Special Situations Fund? The day we do not take any risk we should not be managing a Special Situations fund, but I think we do it in an appropriate manner. We are cautious; we recognise the economic situation and therefore are mindful of what we are investing at the moment. I think hopefully the history of the fund has demonstrated that we are managing it in the lowest possible risk that we can in this particular area.

Richard Turpin: Conscious of the time, I am going to bring it to a close and if I can thank you, Derek and Ruth. Thank you very much indeed for answering the questions and taking us through a very informative and interesting coverage of the way the Special Situations Fund is currently positioned and looking forward.

Ladies and gentlemen, thank you very much for participating. I think we have answered most of the questions, but if we have not, I do apologise. We will be getting in touch with you to address that. If you would like to follow up on anything that has been discussed today or ask any further questions, please do not hesitate to call our broker support line on 0800 092 2090 or indeed send us an email at brokersupport@artemisfunds.com.

I will draw it to a close there. Thank you again for taking the time to listen to us. I hope it has been of value and I look forward to connecting with you in the next few weeks for continuing the series of the webcasts. Thank you very much indeed.

Derek Stuart: Thank you.

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All data is sourced internally unless otherwise stated.

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