



William Littlewood – Artemis Strategic Assets Fund

Transcript from the webcast recorded on 28 April 2009.

Richard Turpin: As you know, today we are joined by William Littlewood, who will be managing and launching the Artemis Strategic Assets Fund. Many of you will remember Will as an iconic fund manager of the 1990s, one of the first fund managers at Jupiter and indeed built the Jupiter Income Fund to a size of some £1.6 billion, which in the 90s was certainly a leviathan of a fund. After a sabbatical Will joined Artemis in 2005 to launch and manage a macro hedge fund, principally to hone his skills in various aspects of hedge fund management, although this fund was never promoted to the wider marketplace. Today Will is ready to launch the Artemis Strategic Assets Fund, an exciting innovation established under the UCITS III regulations. I won't steal any of Will's thunder, but as you will hear when Will explains his new fund, I am sure you will agree with me this is an exciting and innovative product.

William Littlewood: Thank you Dick; I'm going to run through my previous record as an investor and then I'll look at where the fund can go in terms of parameters and then I'm going to look at my market view and lastly I'm going to show you where the fund would be if we were to start tomorrow.

Turning to page 2, this shows my record when I started managing funds in 1990 and its the nine year track record of the Jupiter Income Fund from December 1990 to December 1999 and on a run there as you can see the top line, the dark blue line is up 602%. Looking at the bottom, the light green line-up 270% was the average, the equity income fund over that period. The light blue line is the All-Share up 350%, and then we put in Neil Woodford's fund which is up 392%, partly because he's a very able investor and everyone knows him, but also interestingly out of the 90 funds in the sector, his fund was number 2. This was the second best performing fund over that period and ours is the top one, so if we weren't there, he would have been the top performing fund. As you can see, there's a big gap between 602 and 392.

I then took a sabbatical and I did spend a lot of time looking at US shares and also doing a lot of macro investing on my own account and I started at Artemis in 2005 and launched the Artemis Absolute Return Hedge Fund in 2006 which the record is on page 3 here. It's not a great record but it's not a bad one either, we did make money for the holders. It had a very high expense ratio of about 300 basis points and as Dick mentioned it was not marketed, especially me sort of keeping quiet in the background and happily running this fund.

When it came to September/October of 2008 the prime brokers of this fund, Morgan Stanley, had a share price of \$8. It meant it was down 42% on a one intra day basis for no obvious reason or no profits warning and I took the view that the counterparty risk in this fund was too high because had Morgan Stanley gone bust, then the hedge fund we run would have effectively become a creditor and I would have lost a lot of my money because most of my money was actually in this vehicle. So I took the view that I was going to close this fund and I closed it very quickly in a space of a couple of days. I thought to myself I want to carry on working, so we have almost wandered in a way into this new UCITS III vehicle because I certainly wasn't aware of what these vehicles could do when I was running the hedge fund. It was actually a very, very attractive vehicle.

Turning to page 4, to summarise what we're trying to achieve here, and this is very much a macro and a micro fund. That's to say if you run my skills as a macro fund manager and also my skills as a stock picker, and you have asked to say which is the more important of the two; I say two thirds of this fund is to do with my skills as a macro fund manager and one third will be to do as a stock picker.

The objective of the fund is over a rolling three year period to beat both cash and the All-Share and the written objective which I seek is a return of participating rising markets which offer some, but not total downside protection in falling markets.

Page 5 shows us where this fund can go; where we're limiting the asset allocations and just before I talk about some of these in more detail, under UCITS III legislation, if we were to double every single maximum position that we put here, we would still not be constrained by the UCITS III legislation. It shows how powerful these vehicles are. Partly because of that and partly because I want to make this a recognisable fund for the retail investor, we are then quite closely defining where and what we're going to do. So we're starting with a position of between 50 and 100% in assets. By assets there, I mean equities, bonds and commodities. I've just broken those down into more detail. The equities within the fund will be primarily UK and US because those are the two areas where I have expertise.

We will at times, but not always, go overseas to other areas. There are two circumstances we'll do that in. One would be investing in very, very large mega cap stocks outside the UK and US. So for example we might invest in Total which we hold in our other funds here and the second time is we might invest in countries is by investing in the futures of a country, so we might say take a position of 3% in the

Singapore market. This wouldn't be an ongoing part of the fund. It will be seeking to capture times when markets get distressed. So most of the time this fund will be UK, the equity component would be UK and the US.

Turning to bonds, we will invest in both corporate bonds and government bonds. I'll be using some of James Foster's skills here, who runs our bond fund. Lastly looking at commodities, we will invest here via ETFs or more accurately, ETCs, and we will be investing in mainly prime precious metals, oils and agricultural products. What we're trying to do here - and there's two reasons we're investing in commodities - one is that at some stage we're going to be in inflationary times and there'll be times when commodities perform better than other classes. The second reason is there have been times in the past and there will be in the future when a commodity -might rise but the share price which reflects those commodities might not rise as fast. A good example would be in gold for instance, where the gold price is up threefold in the last nine years and the biggest and best blue chip in the sector is Newmont Mining. It's been fully geared to the gold price, it has not had a hedge book and over those nine years, broadly speaking, it's only doubled in price. That's an example where the commodity would have beaten the share.

So we have 50-100% in assets. The flipside of this is that we have 0 to 50% in cash. So far this is broadly recognisable to a retail unit trust investor i.e. we will not go over 100% in assets. The next three components of the fund are where we introduce some of the aspects of a hedge fund to this product and there are three areas here. Firstly we are going to be able to go up to 30% short of equities and/or commodities. We won't be able to go more than 30% in total so we'll be 15 short of equities and 15 short of commodities and that will be our 30%.

We've also made a commitment never to go net short of equities as well. Some people ask me why do you not want to go more than 30% in



net short of equities?

I think the main reason for that is that there's a place for shorting. It is quite difficult. I've done it for nine years, but essentially your upside is limited and your downside is unlimited and in some ways the odds are stacked against you.

The second part of the hedge fund characteristics of the fund is that we'll be able to go up to a 100% short of government bonds, and having just said that the downside is unlimited in shorting equities; actually the downside in shorting government bonds is limited because the coupon or the yield is unlikely to go below zero. The reason we want to go up to 100% short at times in government bonds again, which I'll come on to later, reflects my view that we will be in an inflationary era at some stage in the next few years and government bonds I think are a poor investment now but will at some stage be a terrible investment, if you were long in them.

The last component here is we will be able to go up to 100% in currencies and now just to define that, if we were 100% short of the euro versus 100% long of the dollar and we do that in a futures contract then I'm calling that 100. Some investors I've been talking to want to call that 200, which I understand but just definitionally that will be 100. And the reason we are investing in currencies is as a proxy for a country, so I've taken the view that a strong country will produce a strong currency and a weak country will have a weak currency and we are able therefore to either invest long or short of a country via their currency. Also, it's a strategy which over the years I've been very successful at.

Dick Turpin: I've got one question which might be appropriate to throw into the pot now in terms of just having looked at the investment proposition. It's a question from Chris Scholes asking how similar this fund will be to Colin McLean SVM UK Absolute Outlook Fund. Unfortunately, I don't have any information about the SVM Absolute Outlook Fund in front of me but maybe you could just say your thoughts about in comparison with an Absolute Fund, how this is going to be different?

William Littlewood: Absolutely. If we are cautious, which you will see at the moment we are, this fund will not look too dissimilar to an Absolute Return Fund or it will have similar properties to it in that we will be slightly invested in equities and we can adopt some of our other strategies. If we are bullish on the world this fund can look like almost a long only unit trust with a few extras on top, so we might be 95% long in equities and have some shorts in government bonds. In other words this fund, the great merits and attractions of this product is we can tailor it to how I see the world performing.

Dick Turpin: Thank you for that.

William Littlewood: Just turning to page 6, which is the start of my market view. As I've mentioned earlier I am cautious. The first thing to say, this is not in my view an ordinary recession. There are quite a lot of investors out

there who believe it is ordinary, but it's deep. Everyone now, I think, accepts this as a nasty recession but a lot of people think it's a normal but nasty recession. If that's the case, a normal recession monetary policy would kick in, interest rates would fall which of course they have and eventually everyone's spirits will revive and we will get out of this quite quickly.

This recession is different. It's the result of an enormous credit bubble and it's a recession where people want to reduce their debt and by people I mean individuals, companies and banks, and there'll be an imperative to reduce debt. You saw this actually in the 1930s when after the 1930s no one wanted any debt and societies evolved, so people brought up in the 1930s, 1940's never wanted any debt. By the time people got to 1960s, 70s they were accustomed to having mortgages and by the time we get to 80s, 90s, people have mortgages and they're very comfortable with them but more recently we see students coming out of university with large amounts of debt and virtually everyone's got debt. In some ways what's happened is everybody has tried to seek tomorrow's income today. That is going to reverse and in some ways the debt and how far that reverses will determine how long this recession is going to be.

The next thing to say is that these bank bust recessions are quite rare. Obviously we had one in Japan, but the most obvious comparable one is of course the 1930s and if you look at some of the data coming out so far, it's suggesting that we are going down the 1930s route. So you can look at say the fall in commodity prices last year was faster than the 1930s, the trade figures coming out of Asia, showing trade is down 50% year-on-year is bigger than the 1930s, the destocking we had at the end of last year, the beginning of this year was some of the most vicious I've ever seen and I think it was probably more vicious than the 1930's. Also a greater percentage of the banking world has gone bust or has required State support. In the 1930s lots and lots of little banks went under but in this case lots of big banks have either gone under such as Bear Stearns or Lehman's, or would've gone under, but for State support. Everything as I say so far suggests 1930s. Now the big, big difference of course is that governments are intervening. It's a global and coordinated intervention. If it wasn't for this intervention I do believe we would have gone down the 1930s route, but because of this intervention we won't go down the 1930s route, it will not be as bad as that. That's not to say it's going to be good either.

It's quite hard to conclude exactly what's going to happen at the moment, because obviously some countries such as ours have used quantitative easing. The problem is economics is not a science and you can't just plug in the variables and say this will happen. So, it is quite hard to determine where we're going in the future, but I think you can make a few comments. The first is I do have a view that the monetary policy makers in the world and the politicians particularly in the UK, the US, large parts of Europe and Australia are absolutely determined not to have any deflation in their

countries. My view is that they will do everything in their power to fend off deflation. If this quantitative easing is not enough, and I personally think it is insufficient so far, they will just do more and if that doesn't work they will find other methods to prevent us going down into the debt deflation route.

I also take the view it's extremely unlikely that policy makers will get it just right so that they will be able to withdraw all the stimulus just at the time that inflation is getting back to a desirable level of say 2, 3%. It seems plausible to me and most likely that essentially policy makers will overshoot dramatically and that we will be in an inflationary world. Essentially we are in a deflationary world now, but at some stage we're going to be in an inflationary world. Turn the page onto page 7. The dramatic stimulus that we've seen from most countries will have consequences, negative ones, because we are mitigating the downside of the 30s style of depression. We're going to mitigate on the upside as well. It seems to me that it is likely that P/E ratios will be lower when we come out of this recession. There are several reasons for this. First of all the political world is drifting and sliding to the left. Understandably in some ways it's a reaction to the charge that capitalism has essentially failed in that it's produced a set of bust banks and it also produced a vicious recession and more left wing orientated politicians and economists are saying look, it's now our turn. It's now the markets turn to allocate more resources. There's been a Keynesian land grab amongst politicians and I take the view that governments do not allocate resources as efficiently as the marketplace, and if either happens we will get more and more state intervention and more regulation, that will be a negative for entrepreneurs and investors and will cause P/E ratios to fall.

The second thing to say, is that we've had enormous stimulus, which actually in the UK we can barely afford in my view but we will have to pay this back one day and the normal payment measures and methods here are either or both at higher taxes and higher inflation. To me, almost certainly both of those two events will happen. I am quite bearish in the short run. While we are in deflationary times, while we're going down the 1930's route, I expect markets to disappoint and interestingly of course, markets have risen quite sharply in the last month or so and that is on the anticipation that ... we can see the end of the recession. I would not be surprised if equities actually fell back below the March lows. But at some stage in the future, and the timing is uncertain here, but it will be within a couple of years minimum I'd suggest, we will be back in inflationary times and you will be enforced, investors will be forced into what I call real assets. You'll not want to be sitting on cash. I would argue you would not want to be in an Absolute Return Fund, you would want to be in real assets of which shares will be a prime beneficiary and you'd want to be in there to protect yourself against inflation.

Turning to page 8, this shows the composition of the fund if we were to start tomorrow. We will be running with a 35% long position in

equities which we will have 20 in the UK and 50 in international which is the US effectively and the sort of equities I like at the moment are the ones where the earnings have broadly been maintained, expectations haven't been too disappointed, but the P/E ratios have come down to say 8, 9, 10, 11 or 12 or so. Essentially they're big defensive equities and I've got an example on the next page, page 9 which is Coca-Cola. I remember doing presentations in the 1990s about this stock, it's got virtually every investment attribute you'd want in a share. It's got enormous barriers to entry. It's very hard for other companies to break into their marketplaces. It's got very powerful brands, high market shares. It's well managed and it's got low gearing and it is literally everywhere in the world and it's the sort of share you really want to hold.

In the 1990s this was on a P/E of 40 to 50 times and I said to people then it's a great company but the price is too high. It will take you years before you get your money back. Recently when the markets bottomed in March of this year, this company got down to P/E of just under 12 and it's the sort of company I would like to hold. Generally we were looking for some big solid defensive companies and going back to page 8, we would have a 5% short position in equities. There'll be more special situations. There'll be an attempt to make 10, 15% and then move on. So you'll see our net position in equities therefore would be 30%. We are then going to run with a 5% position in Corporate bonds. The sort of Corporate bonds I like are the ones where the underlying company is quite sound but the yields might be say 10, 11, 12% and as it is, I think most people are aware the bond market is taking a much more jaundiced view of the economic world than the equity market. There have been various positions in bonds which have been thrown up where I think there's an attractive share. I must give you one example, say Royal Sun Alliance is an attractive share I think, which is very well managed, completely financially sound as far as I can see yet the bond yields double digits.

So that's bonds. Last of the asset section is in commodities where we are expecting to have 15% in commodities. I have listed here the position, so 7% gold, 3% platinum, 1% silver and 4% agriculture and these will be using ETFs. That brings us to total of 55% in assets. We therefore have 45% in cash.

The last two positions we have is a 20% short position in government bonds and that will be half UK and half US. I've already mentioned my view of inflation. I view the 20% position as quite low and the reason for that is if we carry going on down the deflationary route which is where we're still going at the moment then it's not hard to see the bonds in the UK going from a 3.5% yield to a 2.5% yield. If they got there I'd say they're extremely bad value, that is a highly plausible situation.

Lastly, in currencies we would have a 25% position there. The two main positions, we would be long of the dollar and short of the Sterling and the reason for that is that both countries have similar economic dynamics. They're both printing money. They both have

a similar budget deficit but the US is in a better position in my view. The finances in this country are structurally broken and unlikely to be repaired easily. The ones in the US they have issues, but they're not as big as ours. Also, the US is a more capitalist country. It is still the reserve currency of the world, whereas the UK is drifting into a softer form of socialism.

And in the second currency position we'll have is we'll be long of the Canadian dollar and short the euro. Just to run through that, the Canadian dollar is attractive because it's got a lot of resources behind it. It's also got a government surplus which is just switching to a government deficit, which is what a good country should do, and also it's got a trade surplus. The euro, we don't like the euro because it's expensive if you go there. Secondly, I think their banking situation is much worse than people realise and thirdly I think there will be pressures on the strong countries in the euro to devalue in order to enable the weak countries such as Spain and the so-called PIGS to essentially breathe.

Richard Turpin: That's fascinating, but there's a question here from Chris Cowell. I think it's an interesting one, but it might just take you back a slide to the macro view you had. Chris says that you talk about inflation coming later, but he says isn't there a danger that if authorities see inflation coming, they could withdraw quantitative easing or they could withdraw monetary stimulus, or indeed fiscal stimulus. What he's asking is that do you see it as a danger that there could be a double dip recession if they withdraw the stimulus too early?

William Littlewood: Yes, that's definitely a risk. Back to my comment that economics is not a science and you can't predict where it's going. It's particularly unpredictable because you're in the hands of policy makers and politicians and Central Banks who won't necessarily do what you expect. It's entirely plausible to see the governments of say the UK and the US looking at quantitative easing saying well let's just see how that works and let's see what effect that has on the economies. My view is that the quantitative easing is not enough to stop the deflation and if that were to happen I think there's a very strong chance we will go into a double dip.

I think the scenario you outlined there is that there's a reasonable probability of that. If it were to happen, I think they'd be very quickly back if they saw the recession intensifying, they'd be very quickly back to double up their quantitative easing and possibly even other measures. It's not inconceivable that governments of big countries like the UK or US might actually give money to all voters. It's happened in other countries and it would be a sort of solution really. It would be dangerous for the currency and it would be inflationary, but it would be one way of trying to get us out of a debt deflation trap.

Richard Turpin: Thank you. While we're picking up on a couple of questions. One other one from Mark Webber about what potentially you might see in commercial property, and whether you would envisage holding property as an asset at any point?

William Littlewood: Yes, commercial property would definitely fit into my real assets play when you get into inflation. Now we're not going to hold direct property in this fund. We will be able to get access to property via the REITS that everyone is familiar with. Having said that, property will not do well in a deflation time, so back to my deflation now, inflation later argument; the short run outlook for property is not as good. One of the reasons for that is that there's a lot of pressure on the rent role essentially i.e. a number of companies are going to go bust. It's most visible in the retail property world, but amongst all companies, all the property owners, the property REITS I think their biggest fear, apart from having too much debt, is that the rents will not be paid. You've got, like everything else in the investment world and my view is that it's a binary world. It's short term deflation. That's not good for property, but at some stage, long-term you will want to be in real assets in which I put property definitely in that box.

Richard Turpin: Thanks. Just picking up on a similar question, Aiden Vaughn asked you questions about asset allocation. I think most of them you covered, but he does ask whether you'll be holding any structured products in the fund?

William Littlewood: EGS would count as a structured product. Technically I think it would. I think one of the things we're trying to do in this fund is to be as plain vanilla as possible, so there won't be any options in here. There won't be any geared products within it so everything we do is going to try to be as simple as possible. So even take the short in government bonds, we're just going to short the futures and we're not going to try and do anything fancy there. I want it to be as simplified as possible and another objective is we want to have as low a counterparty risk, which I'll come on to after we have finished the macro questions.

Richard Turpin: Let's let you get on to ...

William Littlewood: Page 10. It's a summary page of this fund because what we're trying to do here is we are trying to take the best of both, the unit trust world and the hedge fund world and fuse it into one, but importantly, this product is a unit trust with hedge fund characteristics rather than me trying to squeeze a hedge fund into a unit trust. If you look at hedge funds, the main issues they have is firstly the counterparty risk is too high. What do I mean by that? In a hedge fund the manager gives their money to a prime broker and the prime broker looks after that money in order to facilitate the investments. As we saw with Lehmans, if the prime broker goes bust, the hedge fund becomes a creditor and the problem with the hedge funds is you don't get paid for taking that risk so if you were to park your money with say Lehmans, nine months ago, everyone knew it was risky and you could have done that but you'd expect a big return from that money; actually you don't get it, you just get a Libor return. The counterparty risk in these products is high; it is as I mentioned, the reason why I closed the hedge fund I used to run.

The second issue hedge funds has, is that they

are quite expensive. Virtually all hedge funds do have a performance fee. You might look at a product like the one we are launching here and say so what is the performance fee? But we are running with no performance fee with this fund, so there will just be a normal 150 point annual management charge and no performance fee, which again makes this an interesting vehicle because I don't see many users looking at this without a performance fee.

The last point to bring onto the unit trust world, unit trusts are a great product. If you had to level one weakness of them, you could say that they are inflexible. For instance, if you have a UK equity unit trust and you had one in 2006 or 2007 when markets were about to go off sharply, you would be thought to be 90% plus invested in an asset which was going down; whereas if we get the macro right in this fund we will be hopefully lowly invested when times are bad. Again, it shows that it is an interesting product because I don't see many managers attempting to protect the downside this way, but also trying to get the upside when markets are good. There are some hedge fund managers doing this, which there are some obvious examples, but as I mentioned earlier those managers will charge a big 20% performance fee.

Richard Turpin: Thanks Will. One more question if I might without revisiting inflation too many times, but clearly it is going to be very important. From Thomas Steffanon – he says if we get roaring inflation at what stage would this be negative for equities?

William Littlewood: Yes, that is a clear danger. Generally speaking unanticipated inflation is bad for equities. The difference now because people are so scared of deflation and 1930s style depression, if you were to say to us we are going to get inflation of 3% and it is going to happen forever, shares would go up, i.e. it will be unanticipated but it would be good news. There is clearly a point when we go beyond 3% when it is bad news and I think the answer to that will come through in much as in the bond market of the world. To me there is a reasonable chance at some stage in the next three, five years and maybe well before, that the bond markets crack, in that they say we are no longer going to lend money to such and such a government and clearly the UK is in a weak position, as I mentioned earlier, the finances of the UK are structurally broken. If you've got a situation like that the currency would go down very sharply, the bond market yields would go up sharply and shares initially would go down. They will soon go up after that because of course a lot of shares in the UK have currency protection within them, in a sense that a lot of the earnings of the FTSE 100 particularly are overseas; if we got dramatic inflation like that.

The other thing to say is policy makers, if inflation threatened to go say over 10% or so, policy makers will definitely not want that and would put interest rates up and again that would be poor for shares. That would clearly be a negative for shares. But the flip side, once it's through that again, you will again want to be in shares because they would offer you inflation protection.

Richard Turpin: Interesting question just come through from Dorian Jacob about corporate bonds. He says the commonplace amongst investors that equity investment grade corporate bonds tend to offer a greater risk reward profile or prospects with spreads at this current level. What is your rationale behind holding fewer corporate bonds in your proposed composition?

William Littlewood: Let's start with the quality blue chip corporate bonds, so maybe something like Tesco or Vodafone; the yield pick up against gilts is not enough for me to be interested there and those sort of bonds will have too much of a gilt characteristic and as I mentioned earlier on, I am not keen on gilts. We put 5% of the fund in the corporate bonds and again the reasons they are, and I think corporate bonds, there is a good place for them, there is a good alternative to have some of your cash in these bonds, but I wouldn't want all my cash at this stage in those corporate bonds because there are risks, there is a reason why they yield at 10, 11, 12%. The second thing to consider is they are at the moment quite illiquid and probably easier to buy than they are to sell; and another characteristic of one of those funds we are trying to make it a scaleable fund with very liquid investments; another reason which would preclude me from having more than 5. If the yields went up sharply we could definitely get more than 5; it is a question of risk reward and where we stand. I think I am happy with 5%.

Richard Turpin: Thanks Will. I have a very detailed question from Martin Smith referring to American banks – I won't read the whole question out - forgive me Martin. Essentially he is saying that even some of the more respected banks in this current climate like JP Morgan Chase are still holding significant derivative books and significant credit default swaps, running into billions, if not trillions. Do you feel there is still bad news to come out of the US banking sector?

William Littlewood: Quite possibly. I agree with that comment, but I think a lot of the bank problems have been discounted because it is quite clear that the Western governments are going to stand behind the banks. The riskier ones are where countries are not big enough to stand behind it, but clearly the US is big enough to stand behind its banks; so if there were further problems there then it wouldn't be good for shares, but I don't think it will be catastrophic i.e. a lot of it has been discounted, but again clearly depending where we are on this deflation now, inflation later argument, if house prices were to fall sharply in say the US or the UK, then banks will struggle. Personally I think the house prices are nearer a bottom in the US than they are in the UK; but if house prices in the UK got to an average of say £100,000, they currently average £150,000 then even strong banks such as Lloyds which have been recapitalised, would probably need to go back to the government to get some more money.

Richard Turpin: Great. Thanks for that. One other question Ian Nicholson just sent in about energy stocks. Will you be holding any energy stocks initially in your portfolio; what are your thoughts about the price of oil at the moment –

we are moving around the globe at the moment aren't we?

William Littlewood: If we just turn back to page 8 on the presentation, then you can see there is a glaring omission within the commodities division and that is oil. I'm a great long term believer in that the price of oil will rise. But just in the short run, oil is a market where it's incredibly sensitive to supply and demand or the price is. So it's a very priced in elastic product, it's the reason why Opec historically is able to push the price up very sharply by just small changes in cuts and supply. This can push the price up very quickly. The flip side of that is, a small fall in demand against expectations, will be capable of pushing the oil price down quite sharply. That's what prevents me having oil at the moment, because I'm quite gloomy on the world economy in the short run and if oil demand falls I can see the price going down further.

At some stage I would put oil in my real assets box; I think that we are effectively running out of oil in the world and it's quite clear to me that in order for the Indians and the Chinese – there are two billion plus – to get to where they want to get to on a 20/30 year view, which essentially is living like the West does, that will involve so many roads, cars, bridges and buildings, that we have not got enough oil to get there.

I would expect that, as soon as the world economies have bottomed and it's not clear when that is. But as soon as that happens and probably before, the oil prices will start going up and within 2/3 years after the world economy has gone up at a decent pace, it's not hard to see oil getting back to its old highs of last year, which of course were \$150. So again, it's a short term, I'm not in oil; long term, I want to be there.

Just in equities; again, I would probably have a small position in some of the majors because they're defensive. The other oil equities particularly, E&P stocks have risen very sharply, so I would wait there. But long run I would anticipate this fund will be exposed to the oil price in one way or the other.

Richard Turpin: I'm just conscious of the time. Maybe if I could take one last question from Simon Roberts – is it possible to successfully invest in such a broad mandate as one fund manager? Rather he's alluding to the fact that a lot of fund managers have a favourite asset class and focus their experience in that direction.

William Littlewood: As I know, there's two thirds of macro fund and I've always been a macro investor. Going back to university, I read economics; in some ways I consider myself as much an economist as a stock picker. And you can see this actually in the unit trust I ran in the 1990's, the Jupiter Income Fund, it was a heavily macro orientated fund. I'll just give you some examples there. In 1992, which was the year when the pound fell out of the ERM and went down 20+ or so, we had a position of nearly 30% of that unit trust in overseas bonds and clearly that was a macro call.

A similar one would be, we took a view, after 92, that inflation would be a lot lower than people thought and we took quite a bullish view of the world then, so then there would be, have some higher Beta shares in the portfolio like fund managers, which helped us. Again, in 1999 in the unit trust, we had zero position in TMT shares, as they were called in those days, technology, media and telephones and that was a macro call. In 07 in the hedge fund we did well from having a very, very large short position in Sterling.

Although it looks like a lot of things to examine here, actually the macro economic world is one where you gain a lot of experience over years in doing it, but it doesn't require a lot of time to come to a set of views. If you look at some of the funds mentioned, for instance Neil Woodford. He is a fairly heavily macro orientated fund manager and he's clearly very good at it. I would argue in doing, as it's macro driven, it's not as difficult as it might sound.

Richard Turpin: Will, thank you. I think just before we finish off, there is one last slide that summarises, I don't know if we've got it, but it sort of summarises some of the aspects we're looking at and maybe I could just touch on those myself.

Clearly we realise that we're in a very difficult market environment, and hopefully today we've shown that Will's historic and existing macro, proven macro skills, can take us through this interesting and choppy market place.

We are very confident that we're offering you an innovative product; as Will explained, with downside protection in these current markets, but equally with upside access where it can move to being fully invested, essentially looking like a long only fund. As Will has mentioned, he will be investing a substantial part of his own money in this fund, which I know many investors like to see a fund manager do exactly that.

Thank you very much for your questions. Will, thank you very much for taking us through that today, that was fascinating. I had one question from Mark: he said he was having trouble getting the slides; I do apologise if that's the case Mark, but unfortunately I can't do anything from our current position here, we have to go through the company that facilitates the web cast. But if you'd be so kind as to send us your email, we will send you a copy of the slides today. Equally, a transcript of the conference call and copy of the slides will be posted on our web site within the next 48 hours. Just on that point, the fixed offer period for the fund, is from 5 – 22 May, with the first day of trading being Tuesday 26 May after the Bank Holiday Monday. The fixed offer price for the fund is 50 pence per unit. A microsite containing all the information, including factsheets, brochures, terms and conditions and the prospectus to the fund, can be found through our website; if you want to go directly, the address for the microsite is www.artemisonline.co.uk/strategic-assets. But if you basically go to the website, you will be guided to find that actual microsite.

So ladies and gentlemen, thank you very much for joining us today. If you do have any further

questions, please don't hesitate to contact us through our broker support team on 0800 092 2090; or please email us any further questions as I mentioned at that email address, brokersupport@artemisonline.com. So that leaves me just to say one final thank you for joining us today and Will thank you very much and may I wish you all a good week. Thank you very much indeed.

Risk Warning

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Investments in fixed interest securities are subject to credit and market risk, and fluctuations in interest rates. The fund may invest in higher yielding bonds, which may increase the risk to your capital due to a higher likelihood of default by the bond issuer. Changes to market conditions and interest rates can have a larger effect on the values of higher yielding bonds than other bonds.

A proportion of the fund may be invested in geographic or market sectors (e.g. emerging markets or smaller companies) which can involve a higher degree of risk than usually associated with more mature markets and larger companies meaning above average price movements, both positive and negative, can be expected.

The fund may use exchange traded funds (ETFs), exchange traded commodities (ETCs) and exchange traded notes (ETNs) to gain exposure to commodities. Prices of the ETFs, ETCs and ETNs may be higher or lower than the value of the underlying investments. Other factors which may influence the prices of ETFs, ETCs and ETNs include: global supply and demand of the commodity involved; investors' expectations with respect to inflation rates; currency exchange rates; interest rates; investment and trading activities of hedge funds and commodity funds; and global or regional political, economic or financial events and situations. In addition, a downgrade in the credit rating of an ETN issuer may cause the value of the ETN to fall despite there being no change in the underlying index.

If the fund has a high cash exposure at a time when markets are rising, the investment return could be less than if it was fully invested.

As well as holding assets that may rise or fall with market values, the fund may also hold derivatives (primarily contracts for difference) with the aim of creating positions which increase in value as the price of the related investment falls. However, the fund may lose money from those positions if the related assets rise in value.