SmartGARP® FAQs:
Your questions answered

ARTEMIS
The Profit Hunter

1. Why did we develop the SmartGARP approach?

The investment process was developed by Philip Wolstencroft during his time working as an equity strategist at Merrill Lynch.

He developed it in an attempt to distil what all active fund managers do, but in a more systematic way and to remove the behavioural biases he often observed from fund managers in his role as a strategist. It was based on the belief that inefficiencies exist in global stock markets because investors do not always act rationally. SmartGARP seeks to address this by using data to be more objective, rigorous and systematic in the analysis of companies' financial characteristics and in decision-making.

The first fund to use the process was the Artemis SmartGARP European Equity Fund, launched when Philip joined Artemis in 2001. The process has been developed and refined ever since.

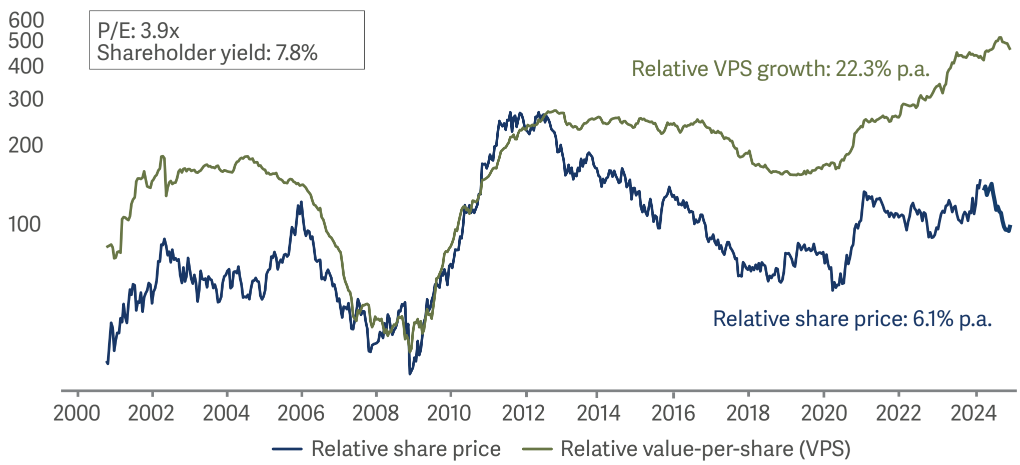
2. What is SmartGARP?

From a universe of approximately 7,000 global companies – with minimum levels for market cap (US$500mn), liquidity and analyst coverage applied– SmartGARP aims to identify companies that are **growing faster than the market but are trading on lower valuations than the market**. They should be enjoying strong and consistent upgrades to profit forecasts and be under-owned by the investment community, while at the same time benefiting from helpful macroeconomic trends. In other words, **'growth at a reasonable price' (GARP)**.

3. How does the SmartGARP philosophy work in practice?

We believe that share prices ultimately follow fundamentals. To illustrate this, we look at 'value per share' (VPS) as an aggregate measure of a stock's fundamentals. VPS is a combined measure of earnings, cash flow, operating profits, dividends and asset value per share. Divergences between the share price and the VPS can signal an opportunity or a risk.

KIA Corp



Source: Factset, Artemis 31 March 2025

In the long-term, we believe the lines are highly correlated and held together by an elastic band. Divergences can occur between the two, but usually these will snap back and correct. At times, share prices can overshoot the performance of the business. This is often down to over-optimism about future growth prospects or a lack of account for risks to growth.

4. How does the tool identify stocks with 'GARP' characteristics?

The SmartGARP tool uses eight different measures (opposite) to analyse stocks within a given universe.

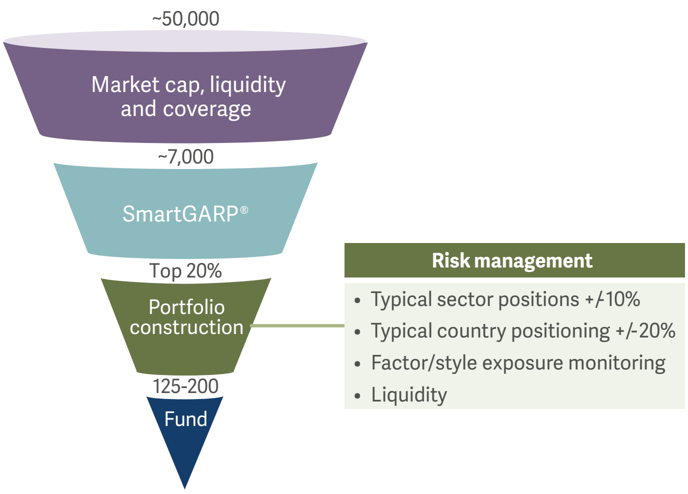
Top-down
Macro
Investor sentiment
Bottom-up
Growth
Valuation
Estimate revisions
Momentum
ESG
Accruals

5. Are all factors treated equally?

Each factor is given equal weighting apart from 'estimate revisions' which is double weighted. This is because the team view earnings upgrades as the strongest and most reliable indicator of an improving share price. The value factor varies between being half weighted and double weighted to reflect the dispersion of valuations and the recent performance of value investing.

6. How does SmartGARP filter down from the universe of thousands of stocks to the number in a portfolio?

There are over 7,000 stocks in the investible universe. We rank every company on eight factors and, then rank them against the universe to give them an overall 'SmartGARP score' out of 100. Companies with a score above 80 are considered for inclusion in the fund. The fund managers then carry out due diligence on these stocks. This is to identify non-operational issues (such as accounting changes, acquisitions or disposals etc.) that may be skewing the data. The fund manager then builds a diversified portfolio according to the stock and sector limits of the strategy.



An example of the SmartGARP scoring system:

Company	Sector	Country	MCap	Fund	Index	Relative	Total	Growth	Value	Revision	Momentum	Accruals	ESG	Macro	Investor Sentiment
Barclays PLC	Banks	UK	47.7	7.3	1.7	5.6	100	71	96	82	94	36	62	20	99
Imperial Brands PLC	Food & Beverage	UK	27.0	5.1	1.0	4.1	91	89	82	38	96	95	65	1	98
International Consolidated Airlines Group SA	Travel & Leisure	UK	18.0	4.5	0.5	4.0	85	10	92	98	89	44	61	60	3
Bank of Georgia Group Plc	Banks	UK	2.6	4.0	0.1	3.9	98	100	90	91	71	81	86	20	50
Marks and Spencer Group plc	Retail	UK	9.9	3.9	0.4	3.5	85	35	70	98	86	36	26	60	12
Just Group plc	Insurance	UK	2.1	3.0	0.1	3.0	99	96	89	84	93	4	99	36	50
Standard Chartered PLC	Banks	UK	29.8	3.9	0.9	3.0	99	18	93	94	93	27	88	20	99
Plus500	Financial Services	Israel	2.4	2.8	0.1	2.7	100	90	83	92	91	78	96	70	50
Lancashire Holdings	Insurance	UK	2.0	2.6	0.1	2.5	98	27	87	98	91	96	97	29	50
Coca-Cola HBC AG	Food & Beverage	UK	12.4	2.7	0.3	2.5	88	61	60	99	85	90	40	1	50
Beazley Plc	Insurance	UK	6.5	2.5	0.2	2.2	82	47	65	88	97	65	71	29	9
TP ICAP Group plc	Financial Services	UK	2.5	2.3	0.1	2.2	62	19	93	75	93	73	1	5	50
UniCredit S.p.A.	Banks	Italy	61.2	1.7	0.0	1.7	73	65	92	83	58	83	23	20	5
Serco Group plc	Industrial Services	UK	2.0	1.8	0.1	1.7	67	59	87	45	57	60	26	64	50
MITIE Group PLC	Industrial Services	UK	1.7	1.8	0.1	1.7	96	70	87	90	72	82	48	64	50
Saipem S.p.A.	Oil & Gas	Italy	5.6	1.6	0.0	1.6	81	35	77	99	71	75	88	7	4
Conduit Holdings	Insurance	USA	1.0	1.6	0.0	1.6	91	58	94	64	83	95		45	50
Tesco PLC	Retail	UK	31.1	2.6	1.1	1.4	93	45	77	96	95	82	46	60	8
GSK plc	Health Care	UK	68.9	3.8	2.4	1.4	65	76	88	4	59	98	78	2	99
IG Group Holdings plc	Financial Services	UK	4.4	1.6	0.2	1.4	78	90	79	50	99	100	19	5	50
Aviva plc	Insurance	UK	15.8	1.9	0.6	1.3	88	73	84	35	100	75	37	29	98
MAIRE S.p.A.	Oil & Gas	Italy	2.9	1.3	0.0	1.3	89	55	77	79	58	99	69	15	50
Playtech PLC	Technology	UK	2.7	1.4	0.1	1.3	61	50	56	50	87	37	42	42	50
Trainline Plc	Travel & Leisure	UK	2.3	1.3	0.1	1.3	82	54	13	100	69	96	29	58	50
Drax Group plc	Utilities	UK	3.1	1.2	0.1	1.1	60	53	96	56	71	28	40	7	50
Roche Holding Ltd Dividend Right Cert.	Health Care	Switzerland	229.8	1.1	0.0	1.1	95	83	55	80	86	34	78	2	100
Teva Pharmaceutical Industries	Health Care	Israel	24.9	1.1	0.0	1.1	37	82	61	30	72	93	50	12	10
Hochschild Mining plc	Basic Resources	UK	1.4	1.0	0.0	1.0	97	31	86	100	57	78	99	36	50
TBC Bank Group Plc	Banks	UK	2.2	1.0	0.1	1.0	99	100	96	87	77	82	88	29	50
Hikma Pharmaceuticals Plc	Health Care	UK	5.5	1.1	0.1	1.0	98	89	77	99	86	70	81	2	50
Quilter Plc	Financial Services	UK	2.6	1.0	0.1	0.9	85	13	62	82	95	77	90	14	50
Banco Bilbao Vizcaya Argentaria	Banks	Spain	55.3	0.9	0.0	0.9	96	84	92	58	74	57	66	20	99

7. Is this just a quant/blackbox approach?

No. SmartGARP is an evidence-based approach to investing, incorporating well understood and accepted investment principles, but deployed in a systematic fashion. It mimics how most fundamental investors would think about things but avoids many of the biases that traditional managers can suffer from.

In client meetings, we regularly demo the tool to provide transparency and help explain how the fund managers interact with the system to make decisions.

8. How does the fund manager overlay work in practice?

We consider the process to be 80% systematic, 20% fund manager overlay. After running the screening tool, the fund managers carry out due diligence on the stocks that score highly. This is to identify non-operational issues (such as accounting changes, acquisitions or disposals etc.) that may be skewing the data.

This is strictly a validation exercise to ensure that the financial data is a complete and accurate reflection of the underlying characteristics of a company. The fund manager is not looking to gain detailed insights of the company's business or meet its management which might compromise the investment process by introducing subjectivity and behavioural bias.

The other element driven by the managers is the timing of investment decisions.

At times of severe market distress, such as the start of the Covid pandemic, the fund manager overlay plays a bigger role.

9. How often is the stock screen ranking updated?

The screening tool is run daily.

10. What prompts a manager to sell a stock?

The fund manager monitors the SmartGARP score, watching for persistent degradation. Typically, as the score fades towards 50 the manager will be trimming and reallocating to higher scoring companies. As the score falls below 50, that is typically a signal to sell the position. Trading activity is elevated around earnings season given this is when newsflow around a company's fundamentals is at its highest.

11. In what kind of market environment does SmartGARP work best, and in what kind of environment does it struggle?

SmartGARP works in most market conditions apart from times of extreme stress, such as the Global Financial Crisis or Covid. The volatility skews data in the short term, as the tool normally focuses on identifying long-term patterns. At this point the human element of the process plays a bigger role.

12. How many funds use the tool?

There are four Artemis funds that use the SmartGARP process: Global, European, UK and Global Emerging Markets.

13. Can the tool work in any market and if not, why?

SmartGARP works in any market, as is evidenced by the global fund, which invests in all regions. The tool works particularly well in under-researched areas, such as emerging markets and medium-sized companies ('mid caps') across all markets.

Over recent years it has worked less well in the US which has a great deal of analyst coverage and has recently been a highly concentrated market.

14. How has the tool evolved over time and why?

The tool has developed slowly and in a considered fashion to include new data and new data-capture techniques available. The most recent substantive change was when the ESG factor was added in 2018. Other changes have been more incremental. The team constantly tests sources of data, but the core of the process remains largely unchanged

The team's dedicated quantitative IT developer focuses on data architecture design and facilitates in the testing of new and existing datasets.

15. From a style perspective, is SmartGARP a pure value strategy?

SmartGARP's style bias has shifted through time. It is currently biased towards value, because that is where it is seeing opportunities. However, given the process incorporates a range of factors, you should also expect to see within the holdings, positive revisions, as well as good growth and quality characteristics.

16. How do you manage the factor tilts? What keeps you from going too far offside?

We do not have hard limits on factor tilts. But we monitor them and style tilts (e.g. towards growth, value, revisions, top down etc) which should not be negative for any significant length of time.

On a quarterly basis we have formal risk reviews with our independent Investment Risk Team. In these meetings, we cover a range of topics around portfolio positioning, trading decisions, attribution, and outlook.

17. Does SmartGARP lead to the funds having certain characteristic traits?

Given the nature of the tool, the funds have a high active share and look different to the peer group. This is because the tool casts the net wider than even a large team of analysts could, uncovering opportunities that others may miss.

18. It's a small team for the size of assets under management, how does this work?

The tool screens the universe to direct the managers towards the best ideas. This means a large team of analysts is not necessary.

The tool is a powerful and efficient method of screening a large universe of stocks and focusing the fund managers attention on the best ideas according to SmartGARP. Time is not spent conducting deep fundamental research, meeting management, or managing a large pool of analysts.

In addition, a small team has its advantages; short lines of communication, quick decision making, and ownership of the outcome engender positive outcomes.

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