



European SRI Transparency Code

Artemis Funds (Lux) – Short-Dated Global High Yield Bond
Artemis Funds (Lux) – Global High Yield Bond

June 2022

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Artemis Investment Managers LLP ("Artemis"). We have been involved in SRI since 2015 and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 1 July 2022 to 30 June 2023. Our full response to the European SRI Transparency Code can be accessed below.

Compliance with the Transparency Code

Artemis is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Artemis meets the full recommendations of the European SRI Transparency Code for its Artemis Funds (Lux) – Global High Yield Bond and Artemis Funds (Lux) – Short-Dated Global High Yield Bond.

June 2022

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1. List of funds covered by the Code

Name of the fund(s):					
Artemis Funds (Lux) – Short-Dated Global High Yield Bond					
Artemis Funds (Lux) – Global High Yield Bond					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input type="checkbox"/> Leading to exclusions <input type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input checked="" type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input type="checkbox"/> Labour rights <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering (note: uncontrolled release) <input type="checkbox"/> Other <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions	As at 31 December 2021: Artemis Funds (Lux) – Short-Dated Global High Yield Bond: USD 117.92m Artemis Funds (Lux) – Global High Yield Bond: USD 14.44m	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input checked="" type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	- KIID - Prospectus - Management report - Financial and non-financial reporting - Corporate presentations - Other (please specify) Please see links below.

		<input checked="" type="checkbox"/> Other (please specify) Thermal coal mining (>5% revenues), Thermal coal-fired power generation (>10% revenues), Oil sands (>5% revenues), Fracking (>5% revenues), Arctic drilling (>5% revenues)			
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Relevant documents: KIIDs, prospectus, annual reports, etc. can be found on:
<https://www.artemisfunds.com/en/lux/professional/resources/fund-literature>

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund

FundRock Management Company S.A. H20 Building 33, rue de Gasperich, L-5826 Hesperange Grand Duchy of Luxembourg, is the management company of Artemis Funds (Lux), of which Artemis Funds (Lux) – Short-Dated Global High Yield Bond and Artemis Funds (Lux) – Global High Yield Bond are sub-funds.

The Investment Manager of Artemis Funds (Lux) is:

Artemis Investment Management LLP
Cassini House,
57 St James's Street,
London SW1A 1LD

Tel: +44 (0) 20 7399 6000

<https://www.artemisfunds.com>

Contact in relation to the application funds:

Jack Holmes, Fund Manager (jack.holmes@artemisfunds.com)

David Ennett, Fund Manager (david.ennett@artemisfunds.com)

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Artemis Investment Management LLP (Artemis) published its first Corporate Governance and Voting policy in October 2011 in response to the first UK Stewardship Code published in 2010. Artemis has had a dedicated responsible investment resource since 2013 and has been a signatory to the Principles for Responsible Investment (PRI) since 2015. In its most recent assessment of signatories, published in July 2020, the PRI rated Artemis an A for our strategy and governance of responsible investment activities.

Artemis' principal aim is for ESG to be integrated into all investment strategies to produce value and long term returns for clients. Each investment team selects, manages and incorporates relevant ESG factors in a way that is best suited to their specific investment approach.

The Artemis investment committee reviews ESG developments on a monthly basis. Further details on Artemis' approach to stewardship and ESG can be found in Artemis' annual Stewardship Report:

<https://www.artemisfunds.com/en/stewardship-and-esg>

2.3. How does the company formalise its sustainable investment process?

Details of Artemis' approach to stewardship and ESG, including Artemis' engagement policy, can be found at the following link:

<https://www.artemisfunds.com/en/stewardship-and-esg>

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

All strategies integrate ESG into their investment processes however, due to the nature of the issues being considered, these processes are continually evolving. Artemis use a number of materiality frameworks and research providers as an input to ESG risk and opportunity assessment such as SASB, MSCI ESG,

Sustainalytics, TruValue Labs, and sell-side research. These supplement Artemis' own research and engagement with companies.

As with all risks and opportunities, analysis of climate change is rooted in the investment case and how this might impact cash flows over the long term. Some of Artemis' investment strategies avoid investing in specific sectors such as oil exploration and production, believing there are more interesting opportunities in other areas. Other strategies employ a more nuanced approach and are prepared to support those firms in high impact sectors which are taking steps to transition to a low carbon economy. Artemis' analysis is not just about assessing climate risk. There are investment opportunities as economies and businesses transition. As with any investment, Artemis' fund managers and analysts assess changes to business models, capital allocation decisions, robustness of any targets, governance and oversight within the context of the investee company's overall strategy and how this will affect the view of potential future returns.

More information on Artemis' approach to ESG integration including climate change can be found in the Stewardship Report, available at the following link:

<https://www.artemisfunds.com/en/about-artemis/stewardship-and-esg>

2.5. How many employees are directly involved in the company's sustainable investment activity?

The team that work on both the Artemis Global High Yield Bond Fund and the Artemis Short Dated Global High Yield Bond Fund are actively involved in the company's sustainable investment activity. The team believe that only by fully integrating sustainability analysis into the investment process (both in top-down and, more importantly, bottom-up analysis) can a truly sustainable approach be applied to the High Yield bond asset class. In addition, Artemis has a dedicated stewardship team of three people.

Inez Oliver joined Artemis in 2005. She is a specialist in corporate governance, and advises Artemis' fund managers on this and on environmental and social issues. She has a degree in information systems and management from the University of London; a Masters in sustainability from the University of Cambridge; and holds the advanced certificate in corporate governance from the Institute of Chartered Secretaries and Administrators.

Antonia Stirling joined Artemis in 2019 from Standard Life Aberdeen where from 2010 she was Head of Corporate Stewardship. Before that, Antonia spent five years at Deloitte, where she became ACA qualified. She holds a MA in Human Sciences from the University of Oxford. Antonia also holds the Certificate in ESG Investing from CFA UK.

Hifsah Malik joined the Stewardship team in March 2022 as a Junior Stewardship Analyst.

The Stewardship team report into the Head of Investment Management Strategy. Artemis' investment committee is responsible for the oversight of our investment activities and stewardship role.

Fund managers take the lead on stewardship including ESG integration; it is part of their investment processes. In Artemis' view, this should not be considered separately and in silo from the approach to investment. It must be embedded in everything Artemis does. The stewardship team's role is to support, discuss and challenge approaches and works with fund managers on a range of activities including, ESG integration, engagement & voting and participation in industry wide initiatives to develop and promote best practice internally and across the industry.

In addition to the three members of the Stewardship team, Artemis also has a team of four fund managers who manage the sustainability-focused Artemis Positive Future strategy. The High Yield team work closely with this team to better understand developments within the sustainable investing space, and have developed a strong relationship over their time at Artemis as well as their previous experience working together at Aegon Asset Management.

2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI – Principles For Responsible Investment <input type="checkbox"/> SIFs – Sustainable Investment Fora <input checked="" type="checkbox"/> Other (please specify) The Investor Forum SASB Alliance Please see below.	<input type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) Climate Action 100+ Investment Association Climate Change Working Group Net Zero Asset Managers initiative	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input checked="" type="checkbox"/> Other (please specify) Investment Association

Artemis became a signatory to the PRI in April 2015.

Artemis is a member of a number of industry bodies, committees and initiatives, including:

- **The Investor Forum.** Artemis were a founder member of the forum in 2015.
- **SASB Alliance.** Artemis became members in 2019.
- **Climate Action 100+.** This is an investor initiative launched to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
- **The Investment Association.** Artemis has a member participating in the IA's Climate Change Working Group, the Corporate Reporting Accounting Group and a number of staff sit as members of key committees.
- **Net Zero Asset Managers initiative.** The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050 or sooner. Artemis became signatories in 2021.

2.7. What is the total number of SRI assets under the company's management?

As at 31 March 2022, total net assets in strategies with an explicit ESG focus amounted to GBP 2.15b.

Further details can be found at the following link:

<https://www.artemisfunds.com/en/lux/professional/funds/explorer>

3. General information about the fund covered by the Code

3.1. What is the fund aiming to achieve by integrating ESG factors?

Our strategy is based around a high-conviction, non-index led investment process in which our key focus is on identifying default risk. By integrating ESG into the investment process throughout, we believe we can better understand risks to the sustainability of cash flows generated by companies, and therefore ultimately their exposure to potential default risk. We do not believe there is any 'trade-off' between active consideration of ESG factors and investment performance. The sustainability of a company's cash flows is inexorably and positively linked to the sustainability of their business model which, in turn, is linked to their management of ESG risk factors. We believe this source of risk is inadequately captured by the wider high yield bond market, and this provides an opportunity for us to outperform by better understanding downside risk.

In addition to this downside risk focus, we also believe that ESG integration allows us to better appreciate positive momentum and change within companies. Companies which lower the risk to their business model and therefore improve the quality of their cash flows can reduce their market-perceived default risk, which may reduce their cost of funding, resulting in their bonds outperforming. As with downside risk focused ESG integration, we believe that the wider market is poor at understanding this positive dynamic, providing us as further scope for outperformance.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund?

Our high conviction strategy (focused portfolios of 60-150 bonds in an investment universe of c. 4,000 bonds) means that we can understand the fundamental drivers of our companies much better. In doing this, we actively investigate ESG risks and opportunities available to the company alongside our broader financial, business model, and marketplace analysis. We believe that this method of ESG integration allows us to better consider the holistic impact of ESG upon credit risk.

We use a wide variety of ESG information sources including:

- Industry journals and datasets;
- Academic research;
- Investment data providers e.g. Bloomberg, Sentieo etc.;
- Investment research from sell-side banks and independent providers;
- Company disclosures;
- NGO reports;
- Third party ESG rating and data providers e.g. MSCI ESG (<https://www.msci.com/esg-ratings>), FactSet Truevalue Labs (<https://www.factset.com/solutions/business-needs/esg-solutions>).

As regards third-party ESG ratings, we use them as an analytical tool (rating, company and industry reports), but they do not drive our investment decisions.

3.3. What ESG criteria are taken into account by the fund?

The fund applies (1) a number of product and standards-based exclusions followed by, (2) detailed qualitative analysis of the ESG factors as part of our broader investment analysis.

- (1) The product-based exclusions that are applied are:
 - Controversial weapons
 - Conventional weapons (>5% revenues)
 - Uranium mining (>5% revenues)

- Nuclear power plant operators and manufacturers of essential components (>5% revenues)
 - Nuclear power generation (>5% revenues)
 - Coal mining (>5% revenues)
 - Coal-fired power generation (>10% revenues)
 - Oil sands (>5% revenues)
 - Fracking (>5% revenues)
 - Arctic drilling (>5% revenues)
 - Tobacco production (>5% revenues)
 - Issuers who have systematic and severe violations of the ten principles of the UN Global Compact
- (2) Within our detailed qualitative analysis, our key focus is on the impact ESG factors may have on the sustainability of the cash flows produced by a business and its ultimate sustainability. All companies within the portfolio go through this analysis. The specific focuses of this varies considerably across different industries and companies. For instance, within the basic materials, energy, and metals & mining sectors, environmental concerns will be paramount. In this case, our analysis will focus around the risk of stranded assets, the emissions profile (both scope 1&2 and scope 3) of the issuer, the company's ability to contribute to a transition to a lower carbon economy (including "cleantech"), and the company's end-of-life decommissioning plans and associated funding. These areas of focus are quite different to those that we would centre around for an issuer in the financials or consumer services sector, where societal factors would be far more important. Within any form of leveraged finance, high yield included, assessing the governance track-record sponsors and owners of companies subject to a leveraged buyout is of critical importance.

Overall, we believe the ESG criteria evaluated by the management team to be significant and meaningful for creating differentiated funds with positive characteristics. The funds have historically had considerably lower carbon emissions than the wider universe and – we believe – more positive ESG exposure than the wider market. To be clear, this overall characteristic of our funds is not 'managed to' as part of our portfolio construction process; rather it is an accumulated outcome of our integrated ESG approach on a stock-specific basis.

3.4. What principles and criteria linked to climate change are taken into account by the fund?

As a consequence of our exclusions and approach detailed above, we do not invest in companies involved in fracking, oil sands or arctic drilling. In doing so, we exclude the majority of the US onshore oil & gas industry, which is dominant within the 14% ICE BofA Global High Yield Constrained index weight to the Energy sector..

By excluding this category of energy producer, we avoid companies that we view as being most harmful to climate change. These businesses are also, we believe, amongst those most exposed to the risk of becoming stranded assets. This is an example of where our ESG analysis provides a lens through which we can identify significant risks to the sustainability of cash flows of a business or industry, thereby allowing us to make better investment decisions.

Businesses related to fossil fuels are a large part of the high yield market due to their capital-intensive nature. We will not invest in the vast majority of these businesses due to fundamental ESG concerns. Where we will invest, we are looking for businesses that can be part of a transition to a sustainable, lower carbon future in an environmentally conscious manner. This means that we focus on avoiding assets that could become stranded as demands for fossil fuels change over the coming years. We also have to ensure that any company in this sector we invest in has a fully formed plan (including funding) for decommissioning their assets at the end of their natural lives. In general, we find well-decommissioning plans and funding within the US onshore sector to be lacking. This, in our view, materially increases the risks to future cash flows for these firms and we believe the market is not currently pricing this.

Away from fossil fuel extraction, another significant area of concern for us with regard to climate change is the automotive industry. Within auto suppliers, we have become increasingly focused on those businesses

that are either agnostic to, or benefit from, the transition away from conventional ICE powertrains. We believe that the transition, although widely acknowledged, will be faster than anticipated. This means legacy technologies and cash flows will come into question sooner than assumed and as such there is significant positive and (avoidance of) negative opportunity that can come from active ESG integration in this sector. Again, we see no conflict or performance cost to ESG integration, rather it is central to our desire to outperform.

Within our funds we target a lower carbon intensity (as measured by scope 1 & 2 emissions) than the ICE BofA Merrill Lynch Global High Yield Constrained Index on a sustained basis as an outcome from our individual stock and sectoral views.

3.5. What is the ESG analysis and evaluation methodology of the fund manager (how is the investment universe built, what rating scale is used etc.)?

The Global High Yield currently contains roughly 3,800 bonds. The exclusions we have put in place means that roughly 300 of these bonds are excluded. Our preferences in terms of issuer size and bond characteristics result in a further c. 1,300 bonds being effectively excluded. We also have a broad preference for businesses that operate in legal systems in which investor protections and the rule of law are ensured due to the importance of governance factors in a documentation-heavy asset class such as global high yield. This focus on regions where we find stronger governance effectively excludes a further 700 securities. Ultimately, we are left with an investable universe of c. 800 issuers on which we conduct "triage" research to quickly establish whether it is a business we could potentially see ourselves investing in. This further reduces the list of potential issuers to c. 400 names, from which we create portfolios of between 60 to 150 bonds based on intensive fundamental analysis, including explicit qualitative consideration of the impact of ESG factors upon the investment.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

We are constantly evaluating the ESG characteristics of the securities within our portfolio, just as we are constantly monitoring the financial, valuation, and other operational characteristics of these bonds. We have a formal review process every month with our Stewardship team, in which we discuss any significant changes in our portfolios, as well as any more general points of interest around ESG. It is in this meeting that we benchmark the funds' holdings against third party ESG ratings in order to flag any potential issues that our bottom-up analysis may have missed.

Our approach to controversies is managed in much the same way as our approach to other forms of negative credit news. Any revelation of controversies that materially threaten the investment thesis of a security will result in its prompt sale from the portfolio, subject to market conditions, liquidity and best execution requirements.

4. Investment Process

4.1. How are the results of the ESG research integrated into portfolio construction?

Our ESG integration process begins with our screen discussed above, removing the most negative ESG factors. We then focus our activities on the investment universe described in section 3.5., looking for opportunities based on sector, valuation, rating and duration preferences. Our credit analysis following this includes financial, business model, market structure, and downside risk analysis. Within each of these ESG characteristics are actively considered, with an explicit focus around the sustainability of future cash flows. The sustainability of these cash flows are vital to the support of our creditor position within a potential investment.

Examples of these include:

- **Environmental:** we have avoided investing in US onshore oil & gas businesses over the past year because we believe that they face a number of critical ESG issues. These include a broad belief that much of the sector will become stranded assets as structural changes occur in the global market for oil & gas, as well as a belief that the high recurring investment economic structure of the sector is inconsistent with a transition away from fossil fuels. In addition to this, analysis we have conducted over the past 18 months of the failures of decommissioning provisioning and planning causes us great concerns that there is a large underappreciated risk of oil & gas companies being forced to better provide for end-of-life planning and execution in order to protect the environment. This potentially materially changes the economics of these businesses, and will materially reduce their financial health.
- **Societal:** we broadly avoid companies that we believe have exploitative relationships with their key stakeholders. We believe the most sustainable business approach – regardless of sector – is to provide clear, long term value to customers or clients. One particular example of this is providers of short-term loans to high credit risk individuals (colloquially known as “payday lenders”). While these businesses can often look financially robust, we believe that their exploitative business models – often arranged around an unequal interaction with financially-illiterate borrowers with no alternative options – puts the cash flows generated by them at great risk. This is because a well-functioning legal system should gradually reduce these companies’ ability to perform their business – which can ultimately lead to large potential losses for bondholders. We believe by avoiding these businesses we can both avoid supporting exploitative businesses and ultimately produce a better return for our investors.
- **Governance:** we broadly avoid geographies where we do not have confidence that our rights as bondholders, and the rights of other stakeholders, will not be respected. We believe that by doing this we can protect our investors from hard-to-predict catastrophic losses on investments, and thereby improve overall risk-adjusted returns. We also put a great deal of focus on sponsor and shareholders when assessing leveraged buyouts due to the significant influence their behaviour can have on portfolio companies they hold.

In conducting our in-depth analysis of companies, we often identify opportunities that we had not appreciated before doing our work. These can sometimes be within the business we are analysing, but are often discovered in competitor businesses within the same sector. By being open to ESG opportunities as well as risks, we can actively position our funds to both protect against downside ESG risks but also potentially benefit from underappreciated upside ESG factors.

4.2. How are criteria specific to climate change integrated into portfolio construction?

Within our funds we target a lower carbon intensity (as measured by scope 1 & 2 emissions) than the ICE BofA Merrill Lynch Global High Yield Constrained Index on a sustained basis. We believe this will structurally insulate the portfolio from downside risk relating to climate change.

Within our investment universe, we avoid investing in coal, oil sands, fracking and arctic drilling – four of the largest contributors to climate change within our investment universe. We will only invest in fossil fuels where we believe it is actively part of the solution towards a lower carbon future. This will be where we are confident that there is no risk of the assets becoming stranded, there is a clear path to a cessation of production (or towards production at a level consistent with a structurally lower oil demand), and fully articulated responsible decommissioning plans in place.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers in the portfolio are subject to ESG analysis, with the exception of cash, hedging and liquidity instruments.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

There have been no changes to the ESG evaluation or investment process in the last 12 months.

4.5. Is a part of the fund invested in entities pursuing strong social goals/social enterprises?

Although it is a very limited part of the high yield market, we have invested in a number of green bonds as well as the small but growing segment of bonds with explicit sustainability targets, with penalties for issuers if they are not met. Ceteris Paribus we will look more favourably on bonds with explicit sustainability characteristics and criteria as these help align management and investor sustainability goals, and ultimately decrease the sustainability risk of the businesses in question.

4.6. Does the fund engage in securities lending activities?

The fund does not engage in securities lending activities.

4.7. Does the fund use derivative instruments?

The funds use currency forwards to hedge the currency risks within the portfolio. The funds can also use government bond futures and interest rate swaps in order to manage the duration of the wider portfolio. We do not believe either of these forms of derivatives have an impact on the ESG characteristics of the fund.

Although not currently part of either fund, both funds can invest in single name CDS derivatives that replicate a long or short exposure to a certain issuer. If these are used the issuers in question will undergo the same ESG analysis and exclusion list as the other holdings in the portfolio. There is a 20% limit on our exposure to these derivatives.

In addition to single name CDS, both funds can use CDS indices – derivatives that are structured as a diversified mix of single name CDS positions. These are not currently used by either strategy. It is likely that some of the companies in these indices would not meet our ESG criteria if considered individually. We have a mandated limit of 20% of the portfolio that can be invested in these derivatives, although we anticipate that our exposure – when it does exist – will be significantly lower than this. For context, the highest historical exposure has been 2.8% of the Artemis Global High Yield Bond Fund, and CDS has never been used in the Artemis Short Dated Global High Yield Fund. Furthermore, these indices are very diversified – any one company will be 1.0% (in the case of CDX HY) or 1.3% (in the case of Crossover) of the total exposure in the overall derivative, so the ultimate economic exposure within the fund to issuers that do not meet our ESG criteria is likely to be de minimis.

4.8. Does the fund invest in mutual funds?

The fund does not invest in mutual funds.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund, as defined in section 4?

The product exclusions are coded into Artemis' trading systems to ensure that no stocks that undertake these activities can be purchased. This system provides pre-trade checks at three levels when a fund manager is seeking to place a deal: 1) warning 2) deal requiring clearance and 3) complete prohibition.

In addition, the Artemis investment risk function regularly review various aspects of portfolio compliance including independently reviewing the portfolio using third party ESG ratings.

6. Impact measures and ESG reporting

6.1 How is the ESG quality of the fund assessed?

We believe that ultimately our qualitative analysis of each companies' ESG will be the best determinant of the ESG quality of the funds, and this is inherently difficult to measure with portfolio-level quantitative analysis. However, we do use a number of metrics to give us an idea of the ESG quality of the funds. We regularly benchmark the fund's ESG scores from major ESG rating agencies against the funds' reference indices. We also compare the aggregate carbon intensity of the portfolios against their benchmarks. Finally, on a monthly basis we evaluate with our Stewardship team the ESG ratings and momentum of every holding within the funds, in order to test our own views around the ESG qualities of individual issuers.

6.2. What ESG indicators are used by the fund?

As mentioned in our answer to 3.3., we incorporate a wide variety of sources to inform our ESG view of issuers throughout the investment analysis and ownership process that each of us are conducting every day. While we believe that this organic, bottom-up research process is the most efficient way for ESG factors to be represented within our portfolio (and in turn improve our risk-adjusted returns), we do also use a number of third party rating agencies to challenge our views and provide catalysts for further research. We also use TruValue Labs as a tool to help provide immediate newsflow relating to ESG matters, allowing us to be more responsive to potentially fast-moving ESG issues.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund?

We are strong believers in regular communication with our clients in order to demonstrate our passion for the subject, build credibility and highlight nuances that might otherwise be underappreciated. Monitoring and measuring the impact of the investments we make on behalf of our clients is therefore of the utmost importance. We strive to offer all of our client's full transparency with regard to our holdings and our investment rationale, including in relation to ESG factors. As a firm Artemis regularly publishes thought pieces on relevant ESG-related issues.

6.4. Does the fund management company publish the results of its voting and engagement policies?

Artemis publicly discloses a summary of its voting record on a quarterly basis on the Artemis website:

<https://www.artemisfunds.com/en/stewardship-and-esg>

Important information

The data in this document are accurate as of the date of issue.

For more information about some of the terms used in this document, please visit www.artemisfunds.com/glossary.

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