



## Artemis Funds (Lux) – US Extended Alpha

Legal Entity Identifier: 549300HMOLY35UJG8Y31

*This document provides you with information about the environmental and/or social characteristics of this fund. It is not marketing material. The information is required by law under the Sustainable Finance Disclosures Regulation ("SFDR") and the related Regulatory Technical Standards ("RTS"). You are advised to read it so you can make an informed decision about whether to invest.*

### Summary

The fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The fund invests principally in equities of companies that are listed, headquartered or that exercise the predominant part of their economic activities in the USA. The fund is actively managed. The Investment Manager implements a '130/30' strategy for the fund which includes the use of long and short derivative positions in order to generate incremental alpha and improve the risk profile of the portfolio.

The Investment Manager seeks to decrease the fund's exposure to climate risk and benefit from the opportunities associated with the transition to a net-zero emissions economy through investing in companies which are actively managing their carbon exposure and setting meaningful emissions reduction targets. The Investment Manager considers several quantitative and qualitative indicators to assess the environmental impact of current or potential holdings which are assessed as part of the fundamental investment analysis. The indicators which the Investment Manager may consider include (subject to data availability):

- carbon intensity and absolute emissions;
- emissions reductions targets set (short/medium/long term);
- long term ambition, for example a net zero long term target;
- a decarbonisation strategy including exposure and capital expenditure assigned to green revenues; or
- governance including oversight and executive remuneration.

Industry and company specific sustainability factors will also affect which indicators are considered in addition to the above. Where deemed material, sustainability considerations can be both a positive or a negative factor in the future share price of the company, and as such may be a key factor in our long or short investment thesis.

The Investment Manager also considers the principal adverse impact indicators (PAIs) listed in Table 1 of Annex 1 of SFDR RTS as appropriate and subject to data availability.

The Investment Manager will maintain a minimum percentage of 50% of investments which are aligned with the environmental characteristics promoted by the fund, and a minimum percentage of 15% of investments which are deemed to be Sustainable Investments in accordance with Artemis' firm-wide framework for assessing Sustainable Investments in accordance with Article 2(17) of SFDR.

The Investment Manager also implements a range of exclusions which prevent investment in specific activities deemed to be environmentally or socially harmful, compliance with which is monitored on an ongoing basis.

The Investment Manager uses a range of data sources, which include qualitative and quantitative data, to assess the environmental characteristics of investments, including third party data vendors, sell-side research providers and publicly available research and data from organisations such as research institutes, non-governmental organisations and industry-wide initiatives. Investee companies in different geographies and industries are subject to different regulatory regimes and can therefore have varying levels of disclosure standards for sustainability data. The lack and/or inconsistency of corporate disclosures can limit the sustainability-related data available to the Investment Manager. In particular, there can be a lack of adequate data availability for certain PAIs set out in Table 1 of Annex 1 of the SFDR RTS.

The Investment Manager actively engages with investee companies and votes at meetings where eligible to do so. Engagement with companies is primarily via face-to-face meetings or calls with senior management, investor relations and/or members of the board and forms an important source of information to inform investment decisions.



The fund's benchmark, S&P 500 Index, has not been designated as a reference benchmark for the purpose of attaining the environmental characteristics promoted by the fund.

## No sustainable investment objective

The fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The Investment Manager has committed to maintaining a minimum percentage of at least 15% of the fund in companies which are deemed to be Sustainable Investments. In accordance with Artemis' firm-wide methodology for Sustainable Investments, a company is excluded from being classified as a Sustainable Investment if it fails certain criteria to assess whether the investment causes significant harm. Further details can be found on our website: [Sustainability-related disclosures | Artemis \(artemisfunds.com\)](#).

The Investment Manager also applies certain exclusions which prevent investment in specific activities deemed to be environmentally or socially harmful. The specific exclusions for the fund include:

- Tobacco: companies which derive more than 5% revenue from tobacco production;
- Weapons: companies:
  - involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons); or
  - which derive more than 10% revenue from conventional or nuclear weapons, related components and systems; or
  - which derive more than 10% revenue from manufacture or sale of civilian firearms or ammunition;
- Coal: companies which derive more than 5% revenue from mining or sale of thermal coal, and
- Companies that the Investment Manager determines to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption.

The Investment Manager also considers the PAIs as appropriate and subject to data availability.

## Environmental or social characteristics of the fund

The Investment Manager seeks to decrease the fund's exposure to climate risk and benefit from the opportunities associated with the transition to a net-zero emissions economy through investing in companies which are actively managing their carbon exposure and setting meaningful emissions reduction targets.

The Investment Manager considers a number of quantitative and qualitative indicators to assess the environmental impact of current or potential holdings which are assessed as part of the fundamental investment analysis. The indicators which the Investment Manager may consider include (subject to data availability):

- carbon intensity and absolute emissions;
- emissions reduction targets set (short/medium/long term);
- long term ambition, for example a net zero long term target;
- a decarbonisation strategy including exposure and capital expenditure assigned to green revenues; or
- governance including oversight and executive remuneration.

Industry and company specific sustainability factors will also affect which indicators are considered in addition to the above.

The Investment Manager considers the PAIs as appropriate and subject to data availability. The Investment Manager deems the following PAIs to be most relevant to the fund:

- Greenhouse gas (GHG) emissions - Scope 1, Scope 2 and Scope 3 GHG emissions (PAI 1);
- Carbon footprint (PAI 2);
- GHG intensity of investee companies (PAI 3);
- Exposure to companies active in the fossil fuel sector (PAI 4);
- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10);
- Board gender diversity (PAI 13); or
- Exposure to controversial weapons (cluster munitions, chemical weapons, biological weapons) (PAI 14).

## Investment strategy

The fund invests principally in equities and equity-related derivatives of companies that are listed, headquartered or that exercise the predominant part of their economic activities in the USA. The fund is actively managed. The Investment Manager implements a '130/30' strategy for the fund which includes the use of long and short derivative positions in order to generate incremental alpha and improve the risk profile of the portfolio. Total derivatives (longs and shorts) are likely to represent a significant proportion of the fund's gross exposure to companies, which will typically lie in a range of 130-160% of Net Asset Value but which may potentially be as high as 200%.



The Investment Manager uses multiple sources of information, both to generate ideas and to assist in validating and testing candidate companies for investment. External research is also used in order to supplement the Investment Manager’s own research and to consider different views. The Investment Manager also carries out analysis of wider economic trends to understand cyclical and long-term trends and the outlook.

Sustainability factors are analysed alongside financial and other factors in the investment assessment of each stock. The Investment Manager assesses high-level sustainability risks and opportunities which may influence the general market or industry and also stock specific considerations. Sustainability factors are initially considered from an industry perspective and then on a company specific basis. The assessment of sustainability factors feeds into the fundamental assessment of holdings which includes analysis of the business model, financial model, a company’s management and its valuation. The Investment Manager’s time horizon on holdings can vary considerably and this may also be reflected in the assessment of factors relevant to an investment.

Where deemed material, sustainability considerations can be both a positive or a negative factor in the future share price of a company, and as such may be a key factor in our long or short investment thesis. The Investment Manager may take long derivative positions in companies which it determines have positive sustainability characteristics, and may take short derivative positions in companies which it determines have negative sustainability characteristics. However, sustainability considerations are only one aspect of the Investment Manager’s broader investment analysis and it will not always be the case that a short position will have negative sustainability characteristics or a long position will have positive sustainability characteristics.

An assessment of good governance practices is an integral part of the investment analysis for all investments. The Investment Manager takes a principles-based approach to good governance and the factors which are relevant to this assessment may vary depending on the specific circumstances relevant to an investee company, such as geographical market, legal or regulatory jurisdiction and/or industry segment. An assessment of good governance is undertaken through the Investment Manager’s own fundamental analysis and via controversy screens and considers a variety of qualitative and quantitative elements such as capital allocation, board structure and independence, alignment of compensation, transparency of ownership, audit and accounting. Any company that is subject to serious controversies relating to its business activities will be excluded from being deemed a Sustainable Investment of the fund.

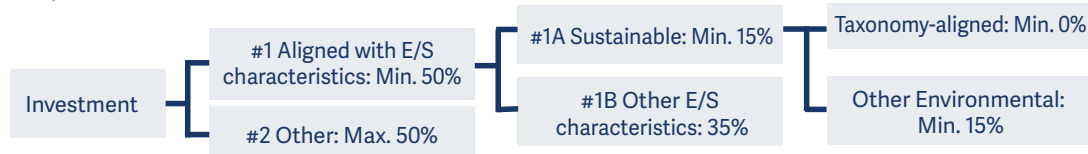
The Investment Manager applies a process of negative screening as part of the fund’s investment strategy to automatically exclude potential investments in companies operating in certain industries, involved in certain business activities or which do not meet certain standards. Formal investment exclusions are set up in the compliance module of the Investment Manager’s order management system to ensure that no investment in companies that undertake these activities can be made. The formal exclusions are as follows:

- Tobacco: companies which derive more than 5% revenue from tobacco production;
- Weapons: companies:
  - involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons); or
  - which derive more than 10% revenue from conventional or nuclear weapons, related components and systems; or
  - which derive more than 10% revenue from manufacture or sale of civilian firearms or ammunition;
- Coal: companies which derive more than 5% revenue from mining or sale of thermal coal, and
- Companies that the Investment Manager determines to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption.


The fund-level exclusions are applied to all holdings, including short positions.

## Proportion of investments

The planned asset allocation of the fund is as follows:



- #1 Aligned with E/S characteristics includes the investments of the fund used to attain the characteristics promoted by the fund, as described above.
- #2 Other includes the remaining investments of the fund which are not aligned with the environmental characteristics promoted by the fund. This includes derivatives, cash and equivalent liquid positions, and any securities that do not align with the fund’s environmental characteristics.
- The sub-category #1A Sustainable covers investments deemed to be Sustainable Investments in accordance with Artemis’ firm-wide methodology for assessing Sustainable Investments. .
- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental characteristics promoted by the fund that do not qualify as Sustainable Investments in accordance with Artemis’ firm-wide methodology for assessing Sustainable Investments.



For Box #1, whilst sustainability analysis is conducted on all holdings, the figure represents the percentage of investments aligned to the specific environmental characteristics promoted by the fund, as described above.

## Monitoring of environmental or social characteristics

The fund is subject to a range of binding exclusions which prevent investment in specific activities deemed to be environmentally or socially harmful. Sustainability data from third party data vendors is used to set up these exclusions in the compliance module of the Investment Manager's order management system.

The fund is also subject to a binding commitment to maintain a minimum percentage of 50% of investments which are aligned with the environmental characteristics promoted by the fund, and a minimum percentage of 15% of investments which are deemed to be Sustainable Investments in accordance with Artemis' firm-wide framework for assessing Sustainable Investments. Compliance with these minimum requirements is also set up in the order management system and is monitored on a regular basis.

## Methodologies

The sustainability indicators which are used to measure the attainment of environmental characteristics will vary for each investment depending on the specific circumstances relevant to each investment. Some examples of indicators which may be used, subject to data availability, are:

- carbon intensity and absolute emissions;
- emissions reduction targets set (short/medium/long term);
- long term ambition, for example a net zero long term target;
- a decarbonisation strategy including exposure and capital expenditure assigned to green revenues; or
- governance including oversight and executive remuneration.

Other industry- and company-specific sustainability factors may also be considered as appropriate for each investment.

The Investment Manager will maintain a minimum percentage of 50% of investments which are aligned with the environmental characteristics promoted by the fund, and a minimum percentage of 15% of investments which will be deemed to be Sustainable Investments in accordance with Artemis' firm-wide framework for assessing Sustainable Investments in accordance with Article 2(17) of SFDR. The Investment Manager also implements a range of exclusions which prevent investment in specific activities deemed to be environmentally or socially harmful, compliance with which is monitored on an ongoing basis.

The Investment Manager also considers the PAIs as appropriate and subject to data availability.

## Data sources and processing

The Investment Manager uses a range of data sources, which include qualitative and quantitative data, to assess the sustainability characteristics of investments, including third party data vendors, sell-side research providers and publicly available research and data from organisations such as research institutes, non-governmental organisations and industry-wide initiatives. These sources of information supplement our own research and analysis, including our assessments as a result of engagement with companies.

## Limitations to methodologies and data

Investee companies in different geographies and industries are subject to different regulatory regimes and can therefore have varying levels of disclosure standards for sustainability data. The lack and/or inconsistency of corporate disclosures can limit the sustainability-related data available to the Investment Manager. In particular, there can be a lack of adequate data availability for certain PAIs set out in Table 1 of Annex 1 of the SFDR RTS. Whilst overall levels of quantity and quality of sustainability-related disclosures from companies is improving, the current gaps in disclosures may constitute a limitation of data available to the Investment Manager. In addition to potential gaps in disclosures, data issued by the investee company may also be lagged if it has been taken from the latest periodic statement published by the investee company.

Artemis receives sustainability data from third party data vendors and research providers. Third party data vendors and research providers may refer to the most recently available data issued by the investee company or make an estimation based on their proprietary research and analysis. Where relevant sustainability data is not available from a primary third-party data source, Artemis may make an assessment, on a best-efforts basis, using alternative data sources or available research to the extent appropriate.

Artemis relies on MSCI as our primary sustainability data vendor and data sourced from this vendor is used to implement and monitor compliance with sustainability-related requirements for the fund, including the fund's binding exclusions. Consistency of sustainability-related data between different data vendors can be low due to divergent approaches to their methodologies and assessments.



## Due diligence

The Investment Manager conducts due diligence on all investee companies both prior to investment and on an ongoing basis. The factors which are relevant to this due diligence will vary depending on the specific investment. The assessment of sustainability factors feeds into the overall fundamental assessment of an investment, which includes analysis of the business model, financial model, company management and valuation. The Investment Manager's time horizon on holdings can vary considerably and this may also be reflected in the assessment of factors relevant to an investment.

The fund is regularly monitored for market risk and exposures within the portfolio by the independent Investment Risk team reporting to the Artemis Chief Risk Officer. The Investment Risk team also undertakes a quarterly review of each investment strategy, including any significant ESG risk factors.

Compliance with the binding sustainability criteria applicable to the fund is monitored regularly and coded into the Investment Manager's order management system where appropriate.

## Engagement policies

The Investment Manager actively engages with investee companies and votes at meetings where eligible to do so. Engagement with companies can be via face-to-face meetings or calls with senior management, investor relations and/or members of the board and forms an important source of information to inform investment decisions. Engagement can also provide insight into a board's capabilities and dynamics. Although a single engagement event is unlikely to lead to an investment decision, a series of meetings in combination with internal analysis can be an influence on investment decisions. Therefore, engagement is one of the means by which we develop our understanding of companies, raise issues with management and monitor subsequent developments.

Further details on Artemis' engagement and voting policy can be found on the Artemis website: <https://www.artemisfunds.com>.

## Reference benchmark

An index has not been designated as a reference benchmark to meet the environmental characteristics promoted by the fund.

The fund's benchmark, S&P 500 Index, has not been designated as a reference benchmark for the purpose of attaining the environmental characteristics promoted by the fund.

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### Important information

Before making any final investment decisions and to ensure you understand whether this fund is suitable for you, please read the Key Investor Information which is available, along with the fund's Prospectus from [www.artemisfunds.com](http://www.artemisfunds.com) or [www.fundinfo.com](http://www.fundinfo.com)

Artemis does not provide investment advice on the advantages or suitability of its products and no information provided should be viewed in this way. Artemis only provides information about its own products and services and does not advise investors. Should you be unsure about the suitability of an investment, you should consult a suitably qualified professional adviser.

Investment in a fund concerns the acquisition of units/shares in the fund and not in the underlying assets of the fund. The fund is a sub-fund of Artemis Funds (Lux) (a "SICAV"). For further information, visit [www.artemisfunds.com/sicav](http://www.artemisfunds.com/sicav).

The aforementioned documents can also be obtained free of charge from Artemis' registered office at Cassini House, 57 St James's Street, London, SW1A 1LD and/or:

- in Austria, France, Germany: FE fundinfo, 77 Rue du Fossé, 4123 Esch-sur-Alzette, Luxembourg
- in Luxembourg: Northern Trust Global Services SE, 10 Rue du Château d'Eau, L-3364 Leudelange Grand Duchy of Luxembourg
- in Spain: Allfunds Bank SA, Estafeta, 6, La Moraleja, Complejo Plaza de la Fuente, Alcobendas 28109, Madrid
- in Switzerland: RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich which acts as the Swiss representative and paying agent.

Visit [www.artemisfunds.com/glossary](http://www.artemisfunds.com/glossary) for an explanation of investment terms.

Any research and analysis in this communication has been obtained by Artemis for its own use. Although this communication is based on sources of information that Artemis believes to be reliable, no guarantee is given as to its accuracy or completeness.

Any forward-looking statements are based on Artemis' current expectations and projections and are subject to change without notice.

Issued by: in the UK, Artemis Investment Management LLP which is authorised and regulated by the Financial Conduct Authority; in Germany, AI Management (Europe) GmbH; in Switzerland, Artemis Investment Services (Switzerland) GmbH.

This sustainability-related disclosures document is accurate as at 31 December 2023.