



## Artemis Funds (Lux) – Global High Yield Bond

Legal Entity Identifier: 5493001EWSZF0IRCRD54

*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 the majority (at least 80%) of its assets in high yield bonds issued by companies globally. The fund is actively managed.

The Investment Manager promotes environmental characteristics by taking into consideration an issuer's carbon emissions when considering investment opportunities and favouring investment in issuers with low or reducing carbon intensity (Scope 1 and 2). The Investment Manager aims for the fund's carbon intensity to be below that of the ICE BofA Merrill Lynch Global High Yield Constrained Index. The fund's carbon intensity is measured as the portfolio weighted average Scope 1 and 2 emissions intensity (tons of CO<sub>2</sub>e per million USD of sales).

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 at least 2% of the fund in companies 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 certain 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 operating 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 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 data coverage for high yield issuers can be limited. Corporate bonds, particularly high yield bonds, are often issued by smaller and/or privately owned issuers which have limited reporting obligations and/or capacity, as well as limited external research coverage. As a result of this limitation, a significant portion of the portfolio may have limited or no sustainability-related data coverage. Details of the data coverage for relevant metrics will be provided in the periodic reporting for the fund.

As the fund invests primarily in high yield credit, the nature of this asset class means that the fund is a lender of capital to investee companies rather than an owner of capital. As such, the scope for engagement with investee companies is very limited.

The fund's benchmark, ICE BofA Merrill Lynch Global High Yield Constrained 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 2% 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](https://www.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);
- Nuclear power (companies which derive more than 5% revenue from: nuclear power plant ownership or operation; manufacturing of nuclear-specific essential components; uranium mining; or nuclear energy-based power generation);
- Weapons (companies involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons) or nuclear weapons; or which derive more than 5% revenue from conventional weapons, related components and systems);
- Fossil fuels (companies which derive more than 10% revenue from thermal coal-based power generation or derive more than 5% revenue from thermal coal mining or sale, oil sands, fracking or arctic drilling); 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 promotes environmental characteristics by taking into consideration an issuer's carbon emissions when considering investment opportunities and favouring investment in issuers with low or reducing carbon intensity (Scope 1 and 2). The Investment Manager aims for the fund's carbon intensity (as measured by Scope 1 and 2 emissions) to be below that of the ICE BofA Merrill Lynch Global High Yield Constrained Index. The fund's carbon intensity is measured as the portfolio weighted average Scope 1 and 2 emissions intensity (tons of CO<sub>2</sub>e per million USD of sales).

Industry and company specific sustainability factors will also affect what 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); or
- Exposure to controversial weapons (cluster munitions, chemical weapons, biological weapons) (PAI 14).

## Investment strategy

The fund invests the majority (at least 80%) of its assets in high yield bonds issued by companies globally. The fund is actively managed.

The fund may invest in the bonds of any type of issuer (for example government or corporates) with no restriction on economic or geographic areas (including emerging markets). The fund will invest at least 80% in high yield bonds which either (a) have been given a credit rating of either: (i) Ba1 or lower by Moody's; (ii) BB+ or lower by Standard & Poor's; or (iii) BB+ or lower by Fitch; or (b) have not been rated but which the Investment Manager believes would, if they were rated, be given a comparable credit rating.

The Investment Manager promotes environmental characteristics by taking into consideration an issuer's carbon emissions when considering investment opportunities and favouring investment in issuers with low or reducing carbon intensity (Scope 1 and 2). The Investment Manager aims for the fund's carbon intensity (as measured by Scope 1 and 2 emissions) to be below that of the ICE BofA Merrill Lynch Global High Yield Constrained Index. The



fund's carbon intensity is measured as the portfolio weighted average Scope 1 and 2 emissions intensity (tons of CO<sub>2</sub>e per million USD of sales).

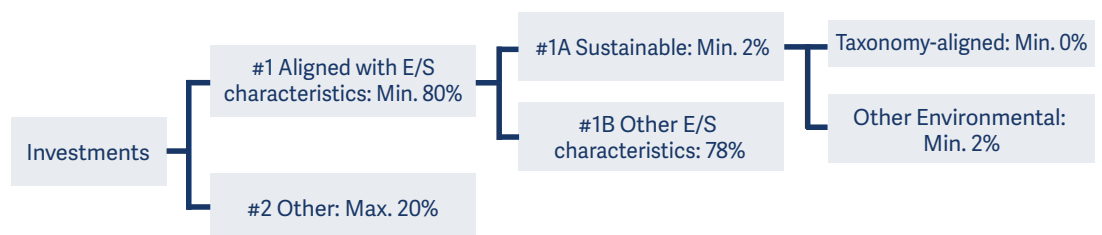
An assessment of good governance practices is an integral part of the investment analysis for all investments. The Investment Manager takes a principles-based approach to good governance and the factors which are relevant to this assessment may vary depending on the specific circumstances relevant to an issuer, such as geographical market, legal or regulatory jurisdiction and/or industry segment. The high yield market is fundamentally reliant upon legal contracts and the governance frameworks that allows these to exist, and therefore analysis of governance factors is an integral part of the investment process. Furthermore, 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 also 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);
- Nuclear power (companies which derive more than 5% revenue from: nuclear power plant ownership or operation; manufacturing of nuclear-specific essential components; uranium mining; or nuclear energy-based power generation);
- Weapons (companies involved in the production of controversial weapons (including cluster munitions, landmines, biological and chemical weapons) or nuclear weapons; or which derive more than 5% revenue from conventional weapons, related components and systems);
- Fossil fuels (companies which derive more than 10% revenue from thermal coal-based power generation or derive more than 5% revenue from thermal coal mining or sale, oil sands, fracking or arctic drilling); 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.

## 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 environmental characteristics promoted by the fund.
- #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.
- 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, this figure represents the percentage of investments aligned to the environmental characteristics of the fund as a whole, namely the aim to maintain an overall fund-level carbon intensity (Scope 1 and 2) lower than the ICE BofA Merrill Lynch Global High Yield Constrained Index. As this is a portfolio-level objective rather than a specific holdings objective, all investments (other than cash, cash equivalents or derivatives) are deemed to be aligned with the environmental characteristics of the fund provided that the fund achieves this aim. However, it should be noted that there may be individual holdings within the fund which may have a carbon intensity higher than the index at any given time.

## 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 2% 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 include an investee company's carbon emissions, in particular whether an issuer has low or reducing carbon intensity. The Investment Manager aims for the fund's carbon intensity (as measured by Scope 1 and 2 emissions) to be below that of the ICE BofA Merrill Lynch Global High Yield Constrained Index. The fund's carbon intensity is measured as the portfolio weighted average Scope 1 and 2 emissions intensity (tons of CO<sub>2</sub>e per million USD of sales).

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

The Investment Manager has committed to maintaining a minimum percentage of at least 2% of the fund in companies 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 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.

## Limitations to methodologies and data

The data coverage for high yield issuers can be limited. Corporate bonds, particularly high yield bonds, are often issued by smaller and/or privately owned issuers which have limited reporting obligations and/or capacity, as well as limited external research coverage. As a result of this limitation, a significant portion of the portfolio may have limited or no sustainability-related data coverage. Details of the data coverage for relevant metrics will be provided in the periodic reporting for the fund.

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. 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 investments 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 and on data availability.





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

As the fund invests primarily in high yield credit, the nature of this asset class means that the fund is a lender of capital to investee companies rather than an owner of capital. As such, the scope for engagement with investee companies is very limited.

Further details on Artemis' firm-wide engagement policy can be found on the 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, ICE BofA Merrill Lynch Global High Yield Constrained 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.

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