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19 November 2018

Dear Unitholder

## **Changes to Artemis unit trusts**

We are writing to you about changes we will be making to the way in which the fees and expenses paid by Artemis unit trusts are structured and how we price our funds, and which affect one or more of the funds you hold. These are:

1. moving from variable expenses to an administration fee; and
2. changing the pricing basis of the funds. Instead of a “bid price” for selling units and an “offer price” for buying them, there will be one single price for buying and selling units.

There will be no change to the way in which the funds’ investments will be managed, and you do not have to take any action.

### ***What will be changing?***

Section 1 of this letter details the proposed change to an administration fee structure. The level of fees and expenses which the funds pay (and which you, as an investor, therefore bear indirectly) will change as a result of the new structure. The amount paid by some funds will increase, while the amount paid by some other funds will stay the same or go down. You can see quickly what the changes will mean for each fund by looking at the table at [www.artemisfunds.com/fund-changes](http://www.artemisfunds.com/fund-changes), but we recommend that you read Section 1 carefully as it gives you a full description of why this is happening.

Details of the changes to the pricing basis of the funds are set out in Section 2 of this letter.

### ***Why are we making the changes?***

We believe that the changes are in investors’ interests. We understand that information about fund prices and costs can sometimes be complicated, making it difficult to appreciate the actual cost of your investment or to compare costs between funds. The changes will mean that we can describe our prices, fees and charges as simply as we can, to help you understand them more easily. And as we also already operate single-priced funds, the changes mean that our pricing basis will be consistent across the entire range of Artemis funds.

Artemis will meet the costs associated with making these changes.

### ***When will this be happening?***

We expect that the changes described in this letter will come into effect on 1 February 2019 (the ‘Effective Date’), with the first single prices being published on 4 February 2019, but we will let you know by placing a notice on our website at [www.artemisfunds.com/fund-changes](http://www.artemisfunds.com/fund-changes) if there is any delay.

### ***How can I find out more?***

If you have any questions about the changes or require any further information, please contact our Client Services team on 0800 092 2051 between 8.00am and 6.00pm (Monday to Friday). If you are uncertain about the contents of this letter we recommend that you consult with a professional adviser.

All of the changes which will be made to the funds' Prospectuses, as well as a full list of share classes and the ISIN codes, can be seen in full at [www.artemisfunds.com/fund-changes](http://www.artemisfunds.com/fund-changes).

### **Section 1 – Administration fee**

We describe the administration costs which are paid by a fund (and therefore ultimately borne by you as an investor) by presenting an ongoing charges figure ("OCF"). The OCF can be found in the funds' factsheets and KIIDs. The OCF is calculated by adding together:

- the annual management charge ("AMC") which is paid to us for managing each fund; and
- other ongoing costs which are incurred in operating each fund. The types of cost which the funds pay are listed in the Prospectus. They include fees paid to the independent Trustee of the funds, to the funds' administrator, and to other service providers such as custodians, lawyers and accountants.

The AMC is a fixed percentage which is set depending on the fund and unit class in which you invest. The AMC of each fund and unit class will not be changing. Other ongoing costs borne by the funds currently vary over time, depending on the amount of these costs which are actually incurred by each fund. That means in turn that the OCF varies over time and might go up or down, depending on changes in the costs which each fund has to pay.

From the Effective Date, the funds will pay an administration fee per annum in place of the variable ongoing costs. The new administration fee will be paid to Artemis, and from it we will then pay all of the other ongoing costs which are currently paid directly by the funds.

We will calculate the administration fee by:

- taking each fund's base administration fee, as set out in table 1 below; and
- applying a discount based on the size of the fund as set out in table 2 below.

The base administration fee for each fund, and the minimum fee which can apply after the discount, has been set according to its overall investment strategy. Funds which focus on investing in markets other than the UK, or which have a more specialist investment objective, usually incur higher costs.

You can see the effect this will have on each fund by looking at the table at [www.artemisfunds.com/fund-changes](http://www.artemisfunds.com/fund-changes).

**Table 1 – base and minimum administration fee**

<b>Funds</b>	<b>Category</b>	<b>Base administration fee</b>	<b>Minimum administration fee</b>
Artemis Strategic Bond Fund	Bond fund	0.12%	0.05%
Artemis Capital Fund Artemis Income Fund Artemis UK Select Fund Artemis UK Smaller Companies Fund Artemis UK Special Situations Fund	UK equity funds	0.12%	0.05%
Artemis European Growth Fund Artemis European Opportunities Fund	European equity funds	0.12%	0.065%
Artemis High Income Fund Artemis Monthly Distribution Fund	Equity & bond funds	0.12%	0.065%
Artemis Strategic Assets Fund	Multi-asset fund	0.125%	0.075%
Artemis Global Growth Fund Artemis Global Income Fund Artemis Global Select Fund	Global equity funds	0.15%	0.075%
Artemis Global Energy Fund	Special focus fund	0.20%	0.10%

Table 2 – fund size discount

Fund's net asset value (NAV)	Discount to be applied to the base administration fee to arrive at the administration fee
Up to £250m	Nil
Between £250m and £750m	0.01%
Between £750m and £1.5 billion	0.03%
Between £1.5 billion and £3 billion	0.05%
Above £3 billion	Minimum administration fee applies

Each fund's net asset value will be reviewed on the first business day of every calendar month. The discount rate set out above will then be applied to the administration fee until the next monthly review date. We believe that calculating the administration fee in this way will be easier for you to understand, as the fee is fixed in advance. So it should be easier for you to compare the costs of our funds with those of other funds. If the administration fee is not enough to pay all of the other ongoing costs of a fund, we will be responsible for any shortfall from our own resources. On the other hand, if the administration fee is higher than the actual amount of the other ongoing costs we will retain any excess. The fund size discount is intended to offset this, as costs tend to be proportionately lower for larger funds due to economies of scale.

We will review the level of base and minimum administration fees and the fund size discount levels and thresholds at least annually to make sure that they remain appropriate. We will not make any adjustments to the fees, discounts or threshold levels described above without notifying you in accordance with the FCA's rules.

In addition to the AMC and administration fee the funds will continue, as they do now, to pay (i) the transaction costs (including commission and applicable taxes) associated with buying and selling their investments; (ii) the costs of foreign exchange transactions (including currency hedging); and (iii) any tax on their activities. A list is set out in the updated Prospectuses. The funds will also pay directly for any extraordinary expenses which are incurred outside of their normal day-to-day operation if the Trustee agrees with us that it is appropriate for them to do so.

**Section 2 - Change to the price at which you can buy and sell units in the funds**

We currently calculate and publish two prices for each fund:

- the offer price (sometimes known as the purchase or creation price), which is the price at which you are able to buy units; and
- the bid price (sometimes known as the redemption or cancellation price), which is the price at which you are able to sell units.

From the Effective Date, we will no longer publish two prices. Instead, a single price which lies in-between the bid price and the offer price will be calculated each day and applied to purchases and sales of units alike.

The fund valuation process which leads to the calculation of the single price will remain the same as it is currently. Using a single price should make buying or selling units simpler to understand, as the same price will apply no matter whether you are buying or selling.

We will also add a mechanism to allow us to make an adjustment to the single price if doing so is in the interests of investors. Without the ability to adjust the single price, existing investors in a fund could be adversely affected if the fund has to buy or sell assets in response to large purchases or sales of units. That is because the fund (rather than the incoming

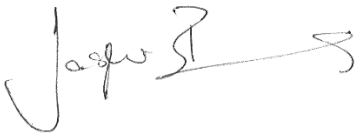
or outgoing investors) pays the costs of buying or selling those assets. The costs are therefore borne indirectly by all of the existing investors, an effect known as dilution.

To make sure that existing investors are not disadvantaged by dilution, the adjustment mechanism will mean that the single price at which units in a fund are bought and sold may be amended by applying a dilution adjustment. This will be calculated so that the expected costs of buying or selling investments will be borne by investors buying or selling units in the fund on that day.

A dilution adjustment will only be applied if the level of dilution on any given day is, in our view, significant relative to the size of the fund. So we cannot predict in advance how often a dilution adjustment might need to be applied on any given fund. There will still only be a single price published on any day on which a dilution adjustment is applied, and all purchases and sales on that day will take place at that price. All of the changes which will be made to the funds' Prospectuses can be seen in full at [www.artemisfunds.com/fund-changes](http://www.artemisfunds.com/fund-changes).

If you have any questions about the changes or require any further information, please contact our Client Services team on 0800 092 2051 between 8.00am and 6.00pm (Monday to Friday). If you are uncertain about the contents of this letter we recommend that you consult with a professional adviser.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Jasper Berens', with a long horizontal flourish extending to the right.

Jasper Berens

Director

For and on behalf of **Artemis Fund Managers Limited**