ARTEMIS
The PROFIT Hunter

AI: funding a boom

Jack Holmes

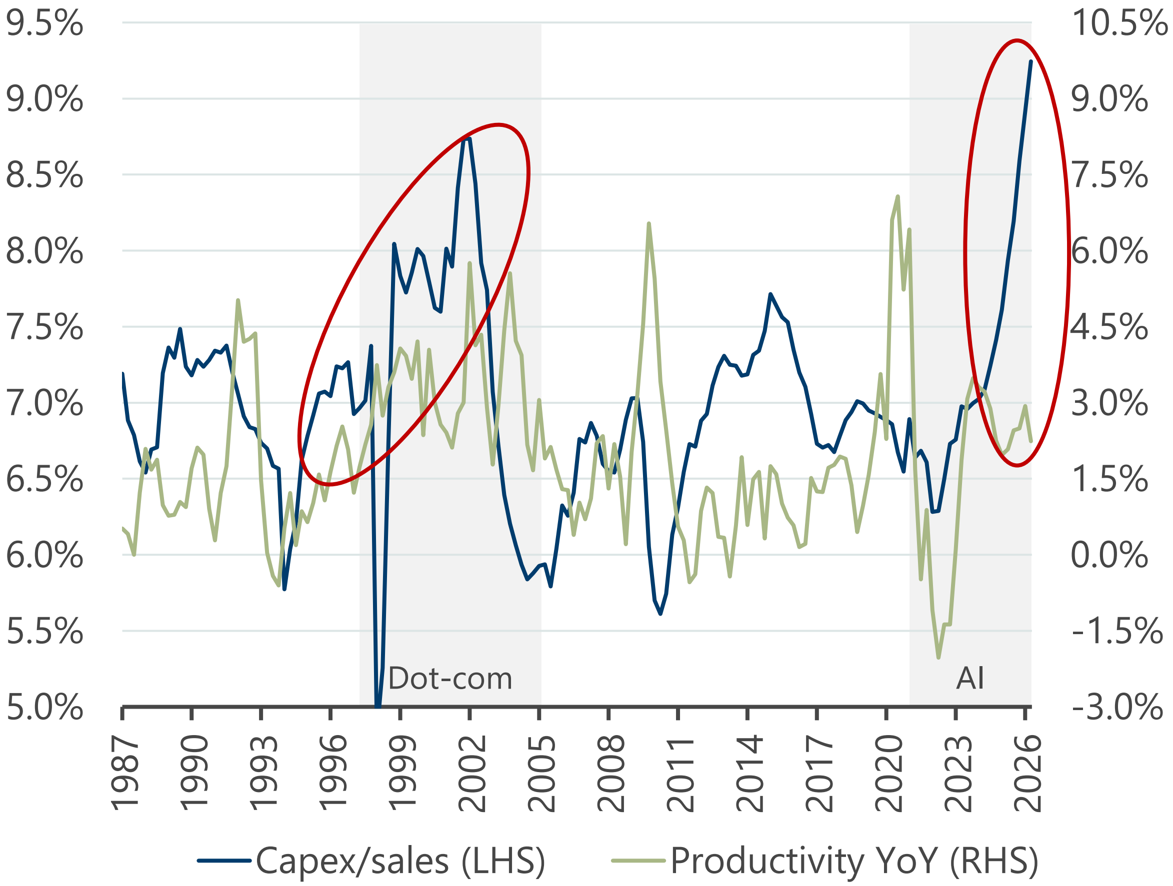
SFDR Article 8

AI: funding a boom

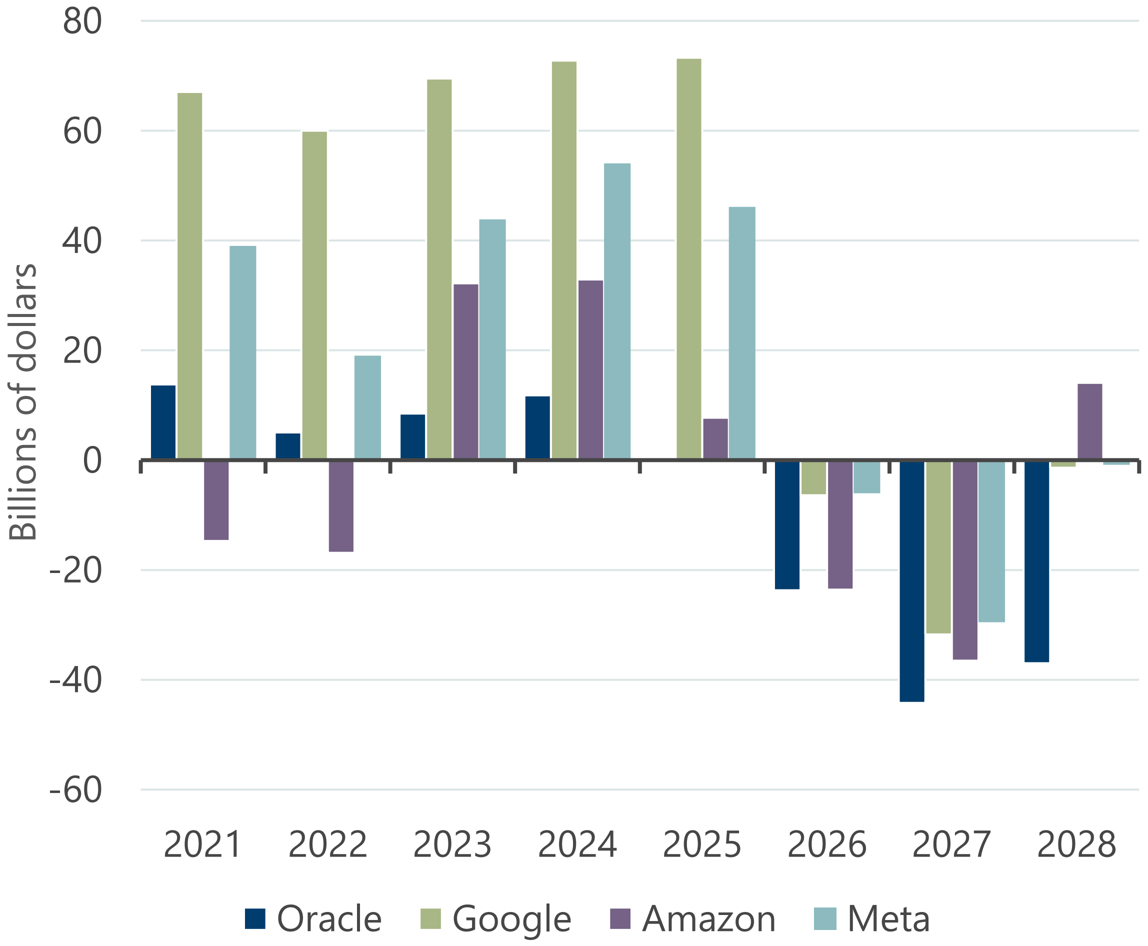
AI capex taking off – but profit is not keeping up

Dot-com productivity rose with capex, nothing yet from AI[1]

Productivity (YoY%, y-axis on RHS) and capex/sales ratio (ex-financials)



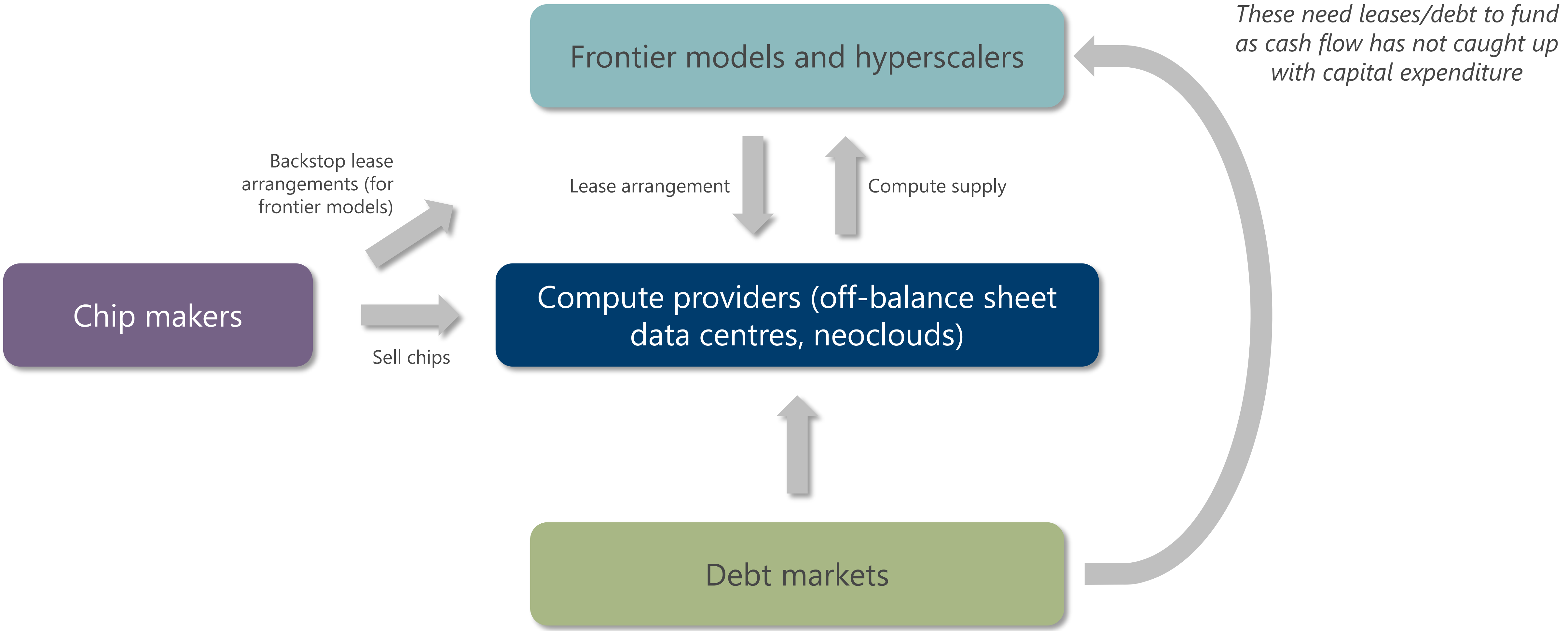
Free cash flow by financial year[2]



Source: [1]BofA Global Research, FactSet, Bloomberg as at 25 August 2026. [2]2026, 2027, 2028 data consensus analyst estimates for Google, Amazon, Meta; 2027, 2028 data consensus analyst estimates for Oracle (May end of financial year) as at 26 August 2026.

GHY186

If not through cash flow, how is AI spend funded?

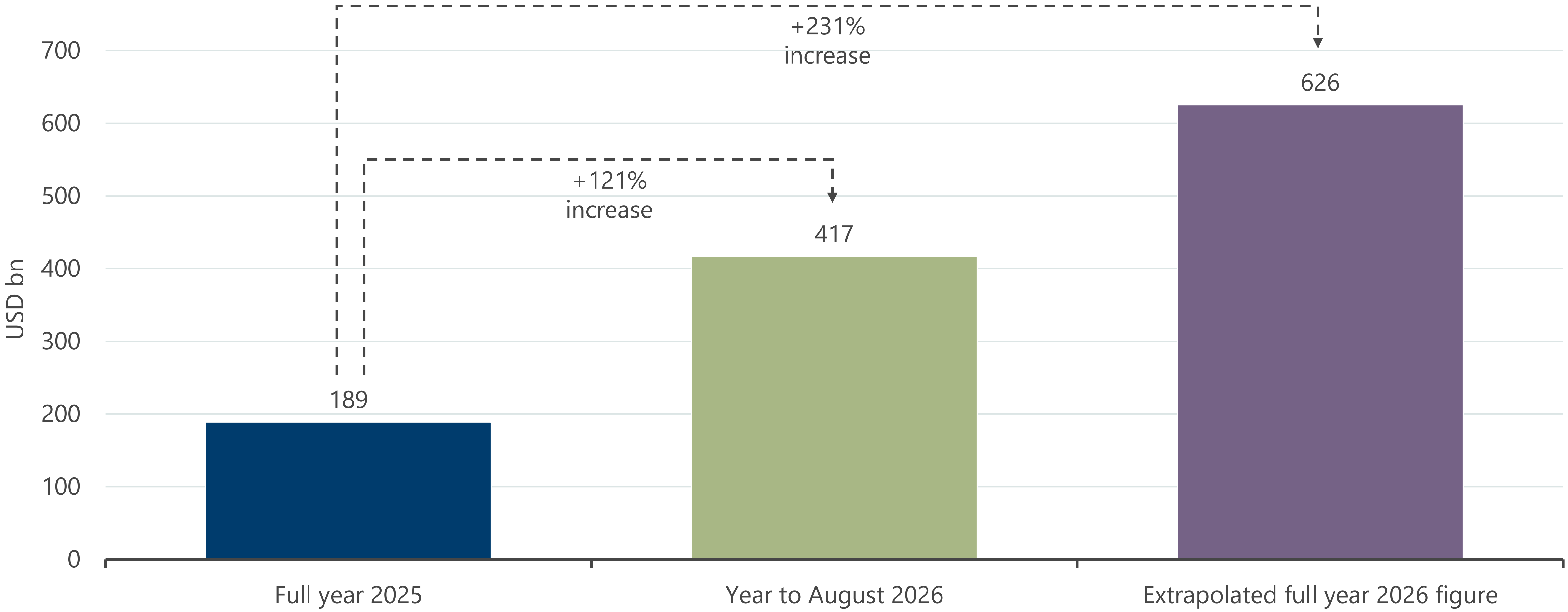


Source: Artemis. Note: Frontier models: OpenAI, Anthropic; Hyperscalers: Amazon, Google, Meta, Oracle; Chip makers: Nvidia, AMD; Neoclouds: Coreweave, Fluidstack.

GHY187

And this has resulted in a lot of bonds being issued

AI related issuance



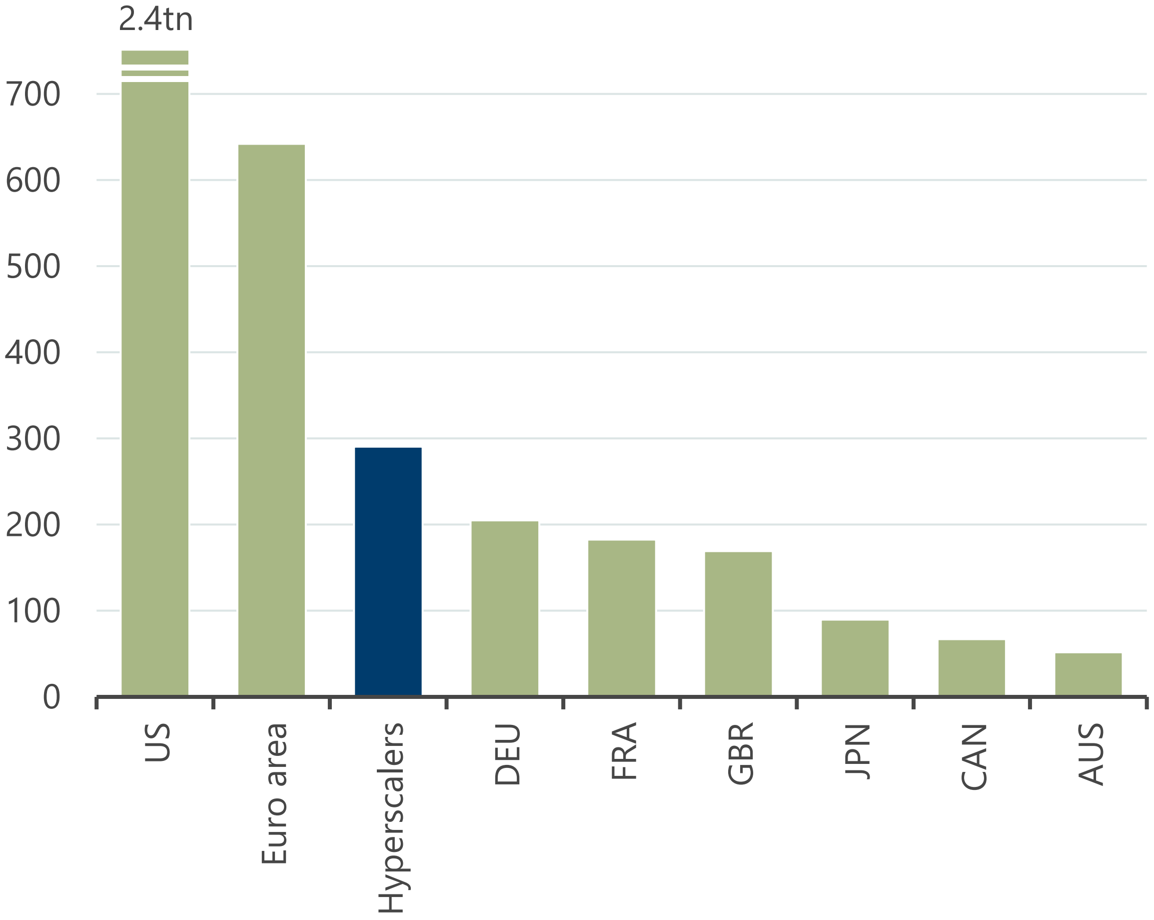
Source: Morgan Stanley as at 19 August 2026.

GHY188

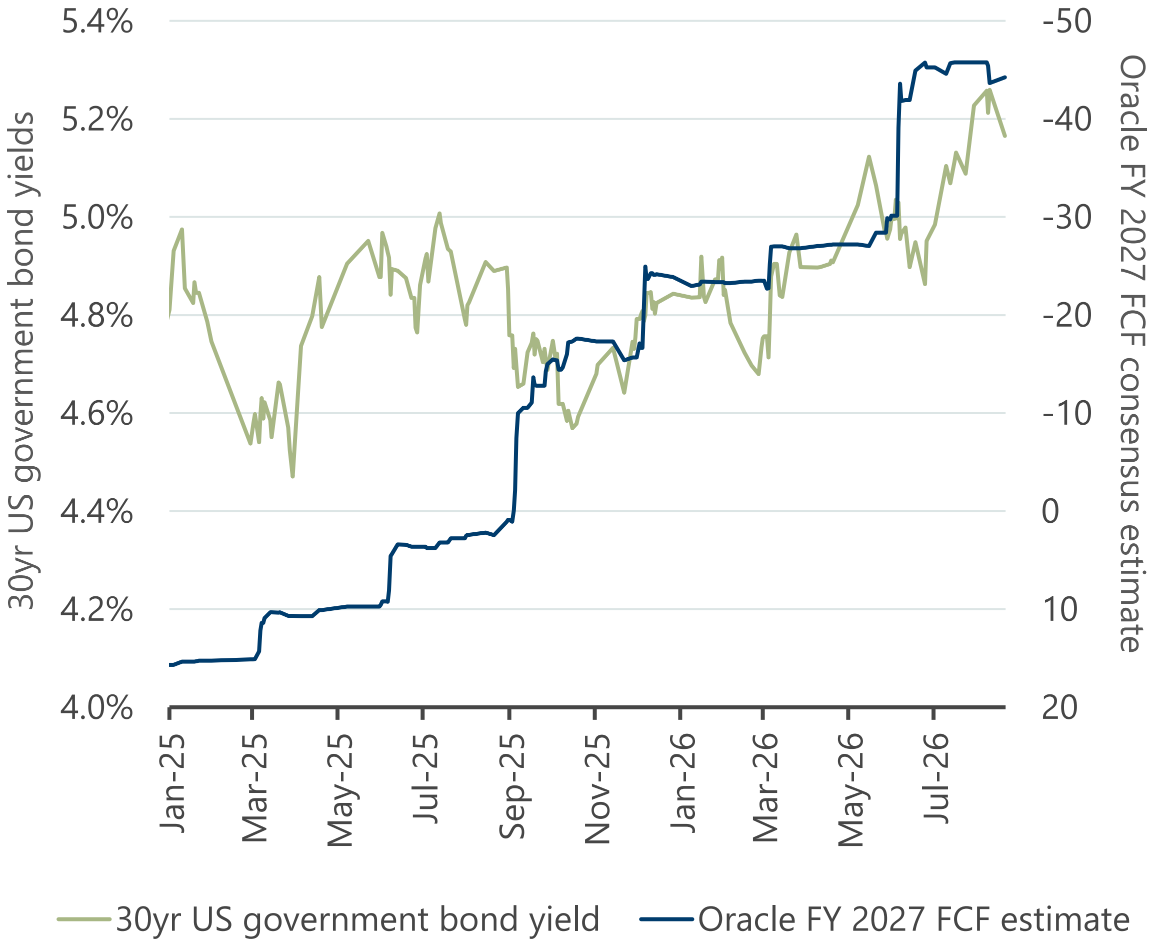
What are the implications for bond markets?

Weight of issuance "crowding out"?

Fiscal deficit vs hyperscalers' net bond issuance (USD bn, 2026)[1]



Oracle FY27 FCF estimate vs 30yr US government bond yields[2]

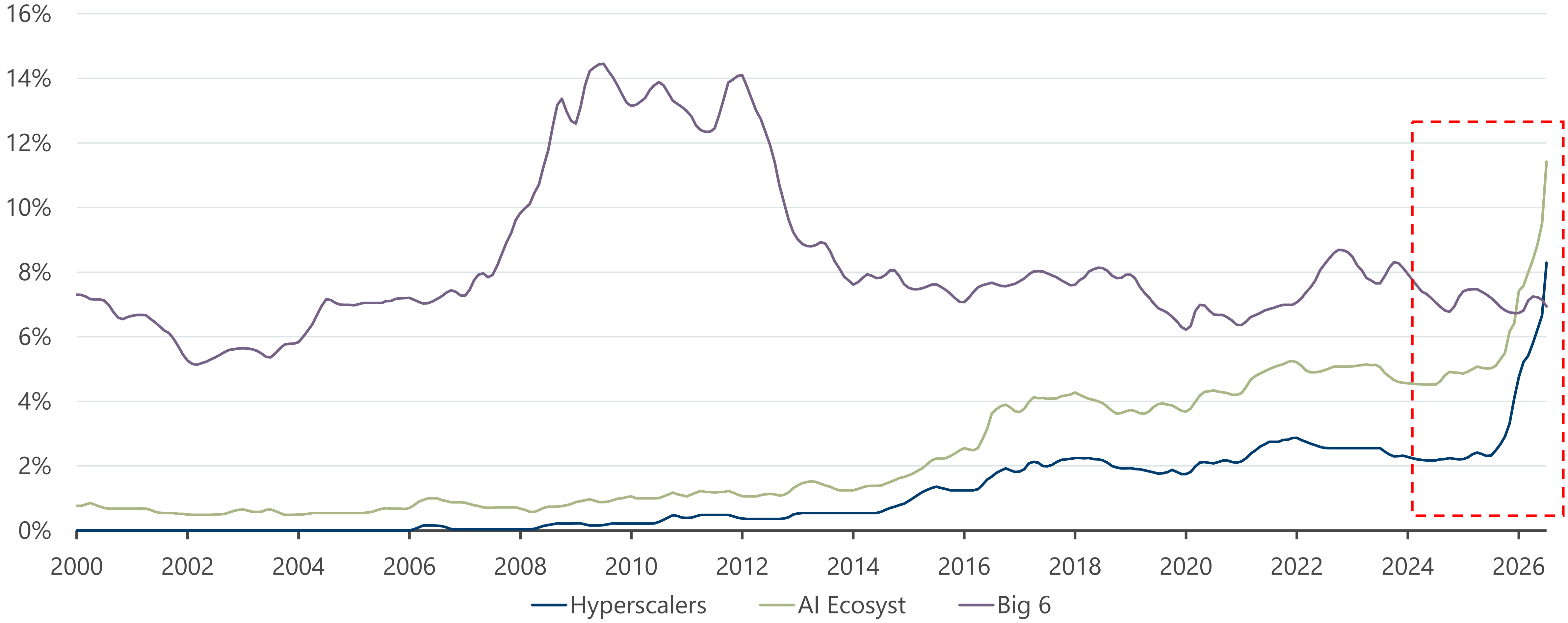


Source: [1]SG Cross Asset Research/Economics, IMF, Bloomberg as at 25 August 2026. Note: Fiscal deficits estimated by IMF; hyperscalers' issuance annualised based on year-to-date numbers. [2]Bloomberg as at 26 August 2026.

GHY189

US IG AI share of risk has grown significantly

Share of risk within US Investment Grade market (measured by DTS – Duration Times Spread)

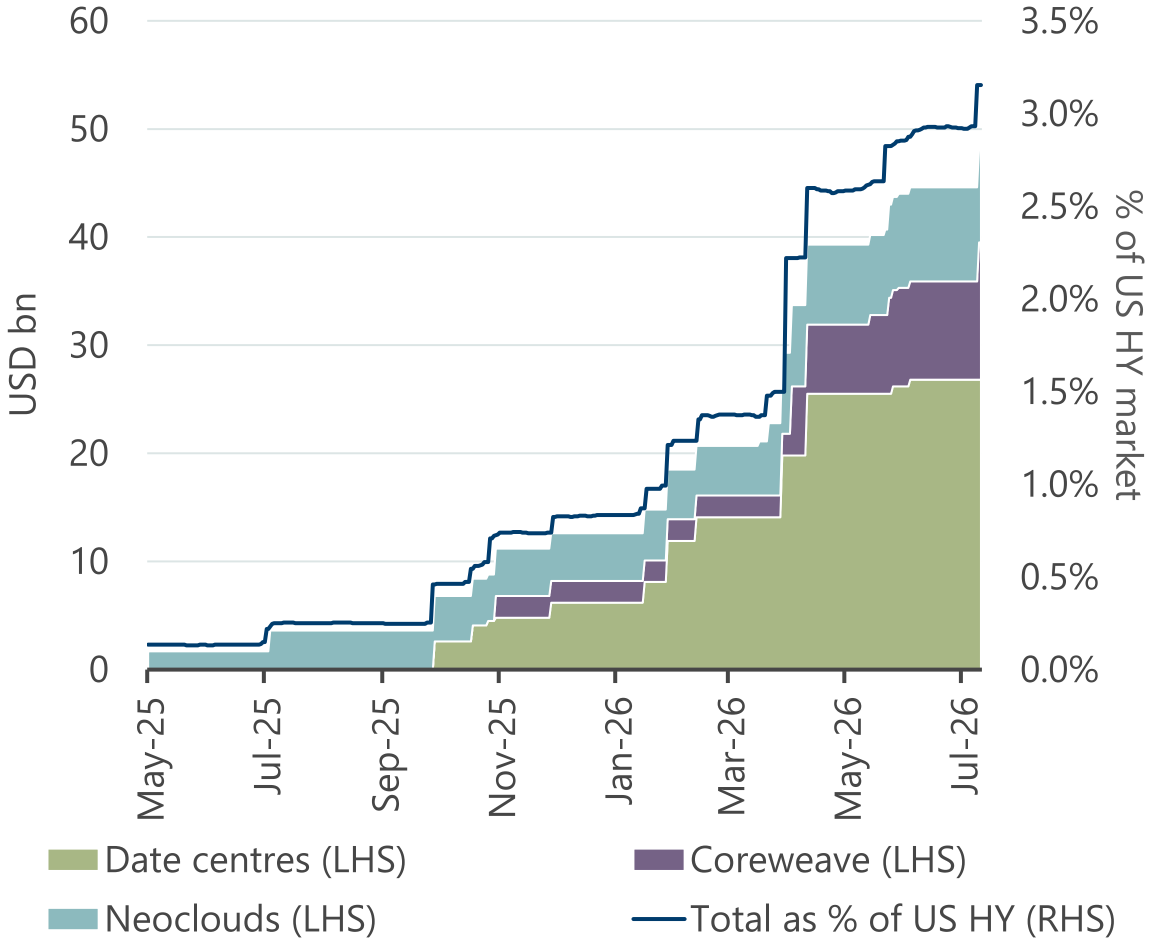


Source: Barclays as at 10 August 2026.

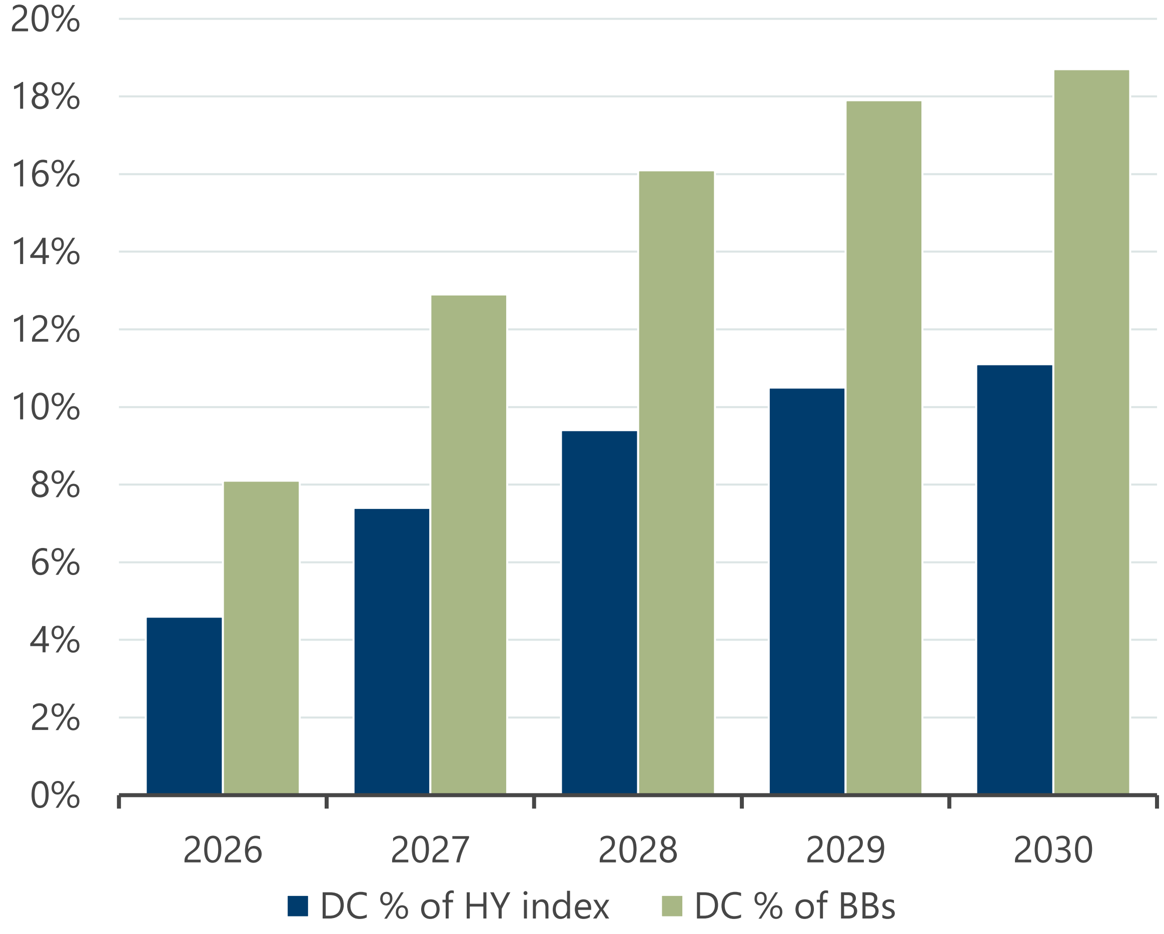
GHY190

Within high yield the growth of AI has been more modest, but expectation is for further growth

AI infrastructure now makes up over 3% of the HY index[1]



Data centres could make up 11% of the HY index by YE30[2]



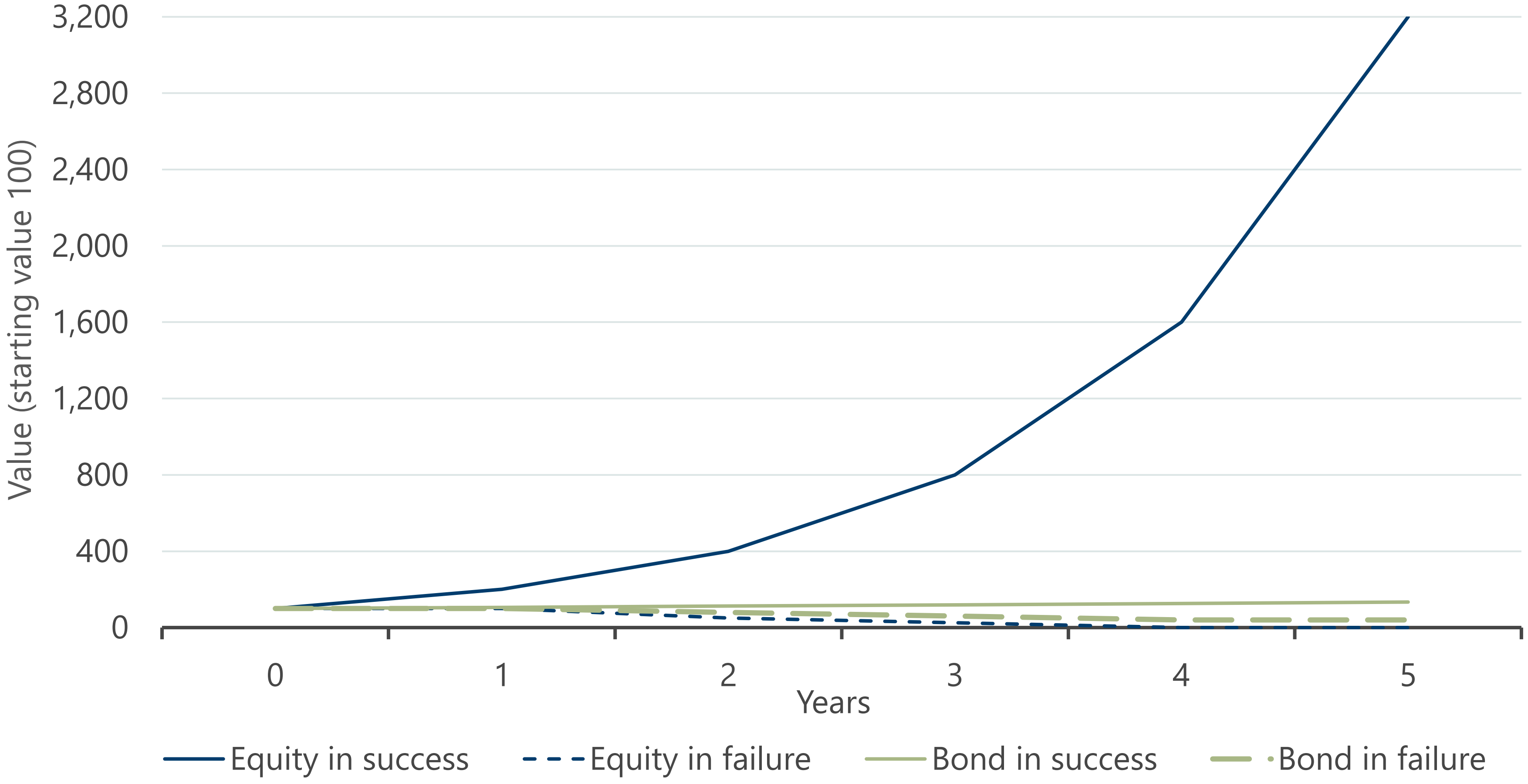
Source: [1]Bloomberg, Barclays Research as at 5 August 2026, "Neoclouds" segment consists solely of CRWV.
[2]Barclays Research as at 7 August 2026. Data reflects projections as of year-end for each year displayed.

GHY191

Equities vs bonds

Asymmetric payoffs – with very uncertain outcomes, equity is more attractive than debt

"Success": company grows at 100% annualised over next 5 years
"Failure": company struggles and folds in 4 years

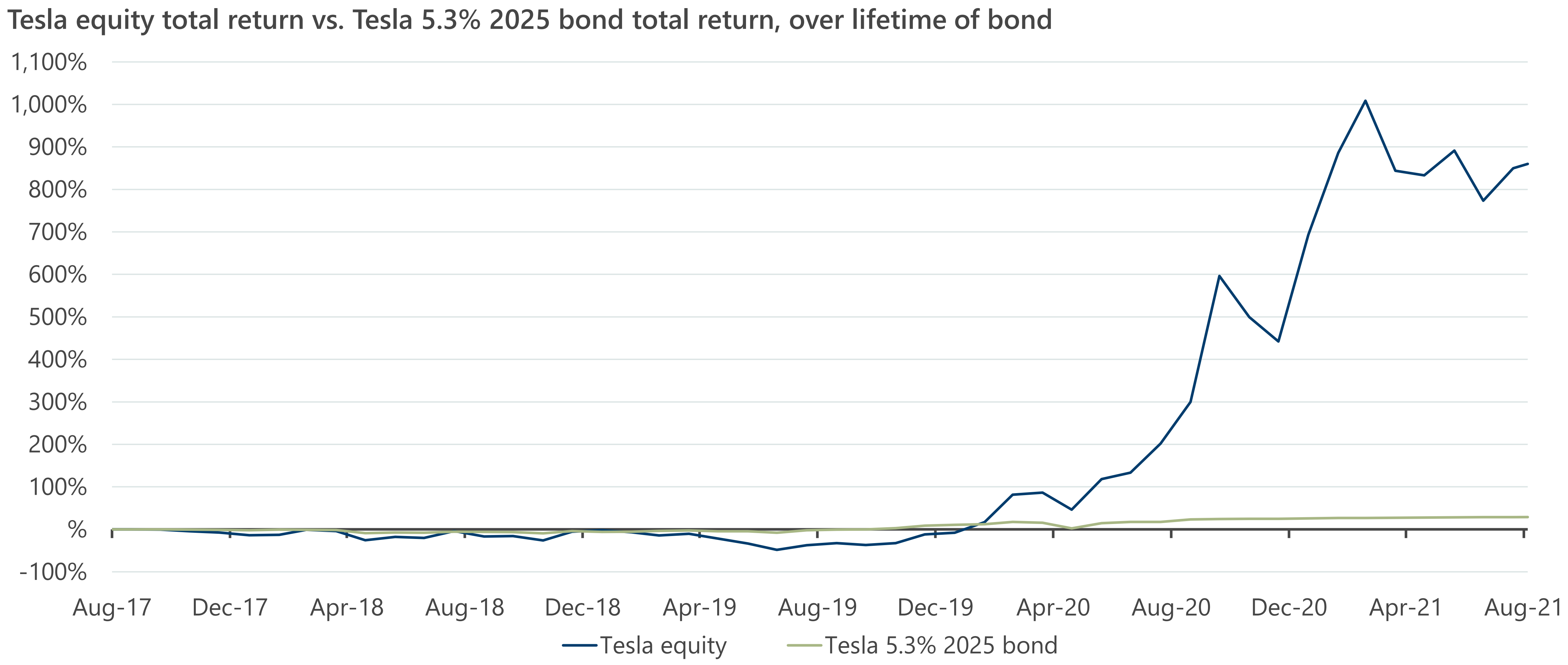


- Assuming:
  - 6% coupon on bonds
  - 40% recovery rate in default
- With 90% confidence of success:
  - Average equity pay-off: +2,780%
  - Average bond pay-off: +24%
- With 50% confidence of success:
  - Average equity pay-off: +1,500%
  - Average bond pay-off: -13%
- With 10% confidence of success:
  - Average equity pay-off: +220%
  - Average bond pay-off: -51%

Source: Artemis as at 3 September 2026.

GHY193

Transformational growth is captured *much* better by equity



Source: Bloomberg as at 15 August 2021.

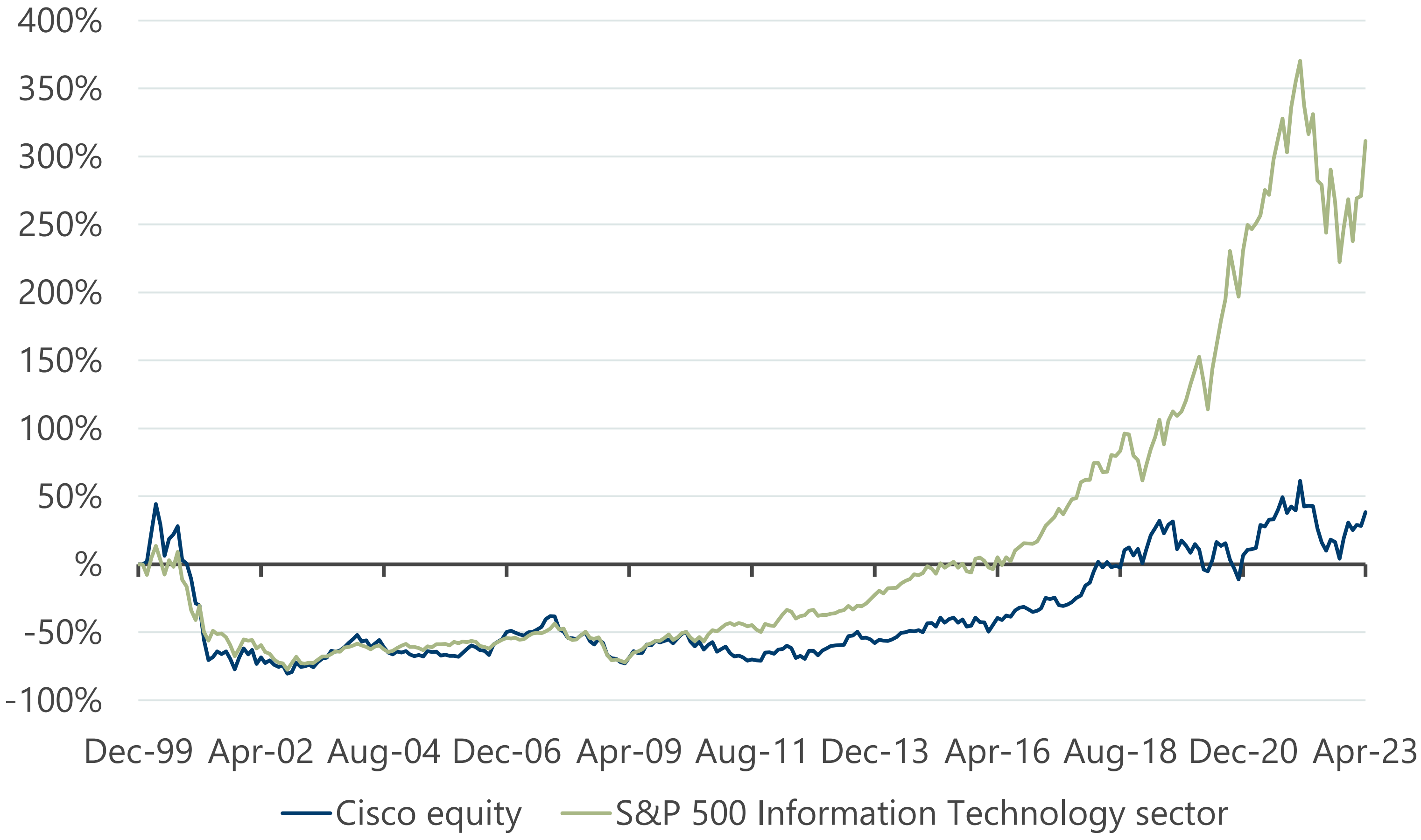
GHY197

You can be right on a theme, but who captures the economics is hard

Cisco systems at the millennium

- Thesis:
  - Internet adoption will grow exponentially
  - All users will need routers and modems, so demand for them will grow
  - As the market leader in the "infrastructure of the internet", Cisco will capture the economics
- Result:
  - Cisco was (briefly) the most valuable company in the world
  - P/E ratio of 119x
- But...
  - The profit pool from the internet did not go to Cisco – it went to Google, Meta, Amazon

Cisco made a +1% annualised return over the years of the internet boom while large cap US tech made +6.3%



Source: Bloomberg. Dates of chart 31 December 1999 to 30 April 2023. End period chosen as final month before Nvidia's break-out earnings release, highlighting the opportunity within AI.

Who might extract the most value from AI?

Frontier models

- Pros:
  - Significant compute base
  - First mover consumer advantage
  - Technological know-how
  - Potential for recursive self-improvement (RSI) – "Eat the World"
- Cons:
  - Four players at the frontier (Anthropic, OpenAI, Google, XAI), all within reaching distance of being the lead
  - European telcos a good illustration of how the economic returns from this market structure are challenging

Incumbent industries

- Pros:
  - Can use AI to reduce costs/improve efficiency
  - Pre-built customer relationships and market positions
  - Potentially large data-sets to "train" AI on
- Cons:
  - Legacy cost bases
  - Tendency to regard technological advances as threats rather than opportunities – Xerox Park in the 1970s (inventors of graphical interfaces, computer networks, object-oriented programming… monetised none of them)

Entities that don't exist yet

- Pros:
  - No legacy challenges
  - There will be a lot of these – lots of darts thrown at the board
  - Technological change upends conventional industry economics, making space for new entrants
- Cons:
  - Financing tough
  - No "incumbent knowledge"
  - Compute (unlike the internet) does not have a low marginal cost of provision
  - (from an investor standpoint) hard to identify in advance

Source: Artemis.

Portfolio construction and US Treasuries

AI is now the dominant force within global equity benchmarks

You undoubtedly want some – but how much do you want? And, importantly, do you want your "diversifiers" to have similar underlying exposures?

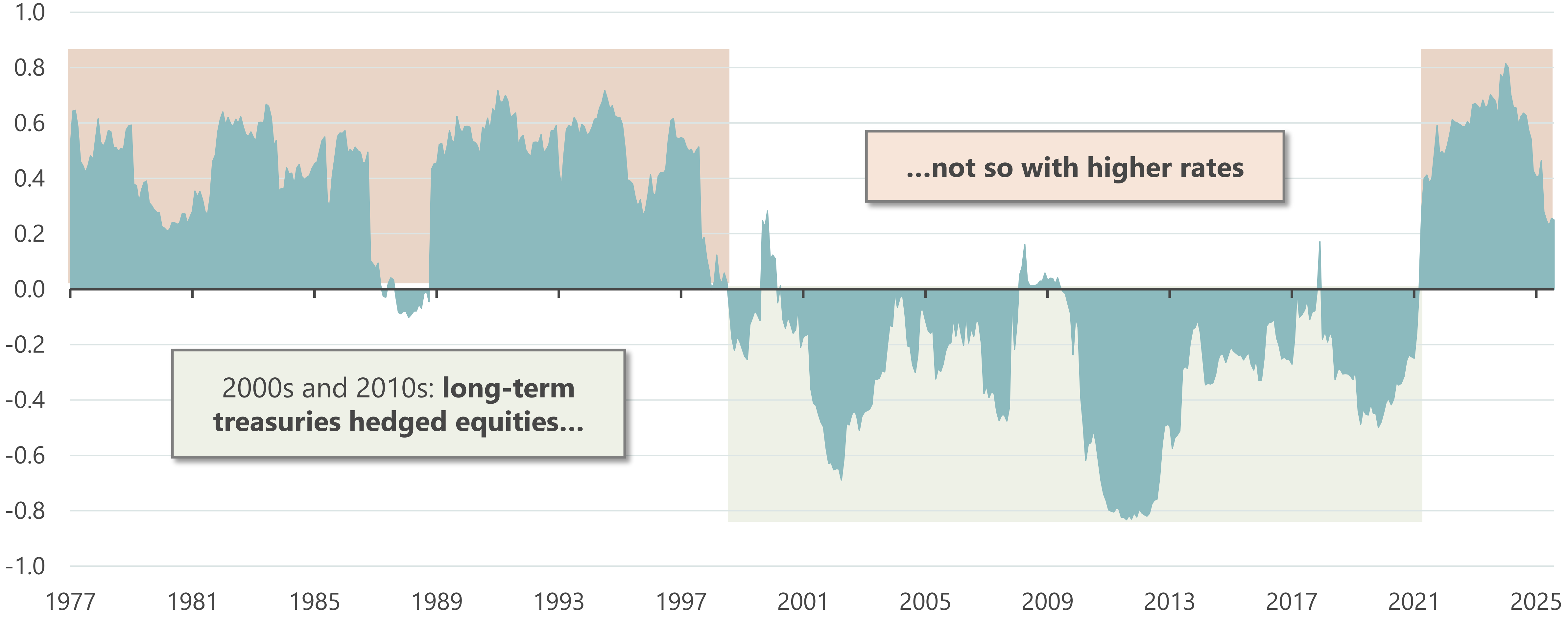
Information Technology as a % of the MSCI World

Source: Bloomberg as at 31 August 2026.

GHY200

‘Tech and treasuries’ no longer provides diversification

S&P 500 and long-term treasuries: rolling two-year correlation[1]



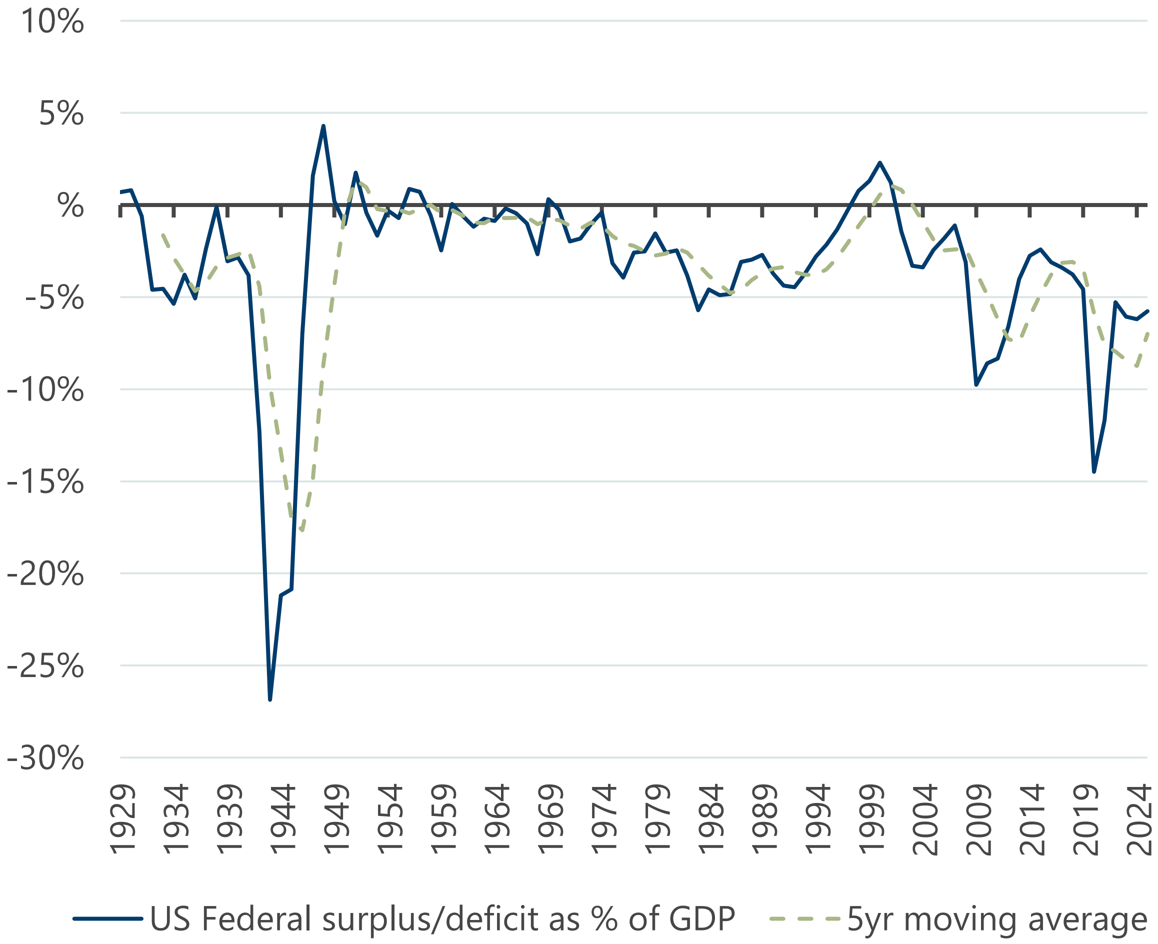
Source: Bloomberg, Artemis as at 31 July 2026. [1]S&P 500 and Bloomberg US Long Treasury Total Return index, rolling 24-month correlation, USD.

MDF98

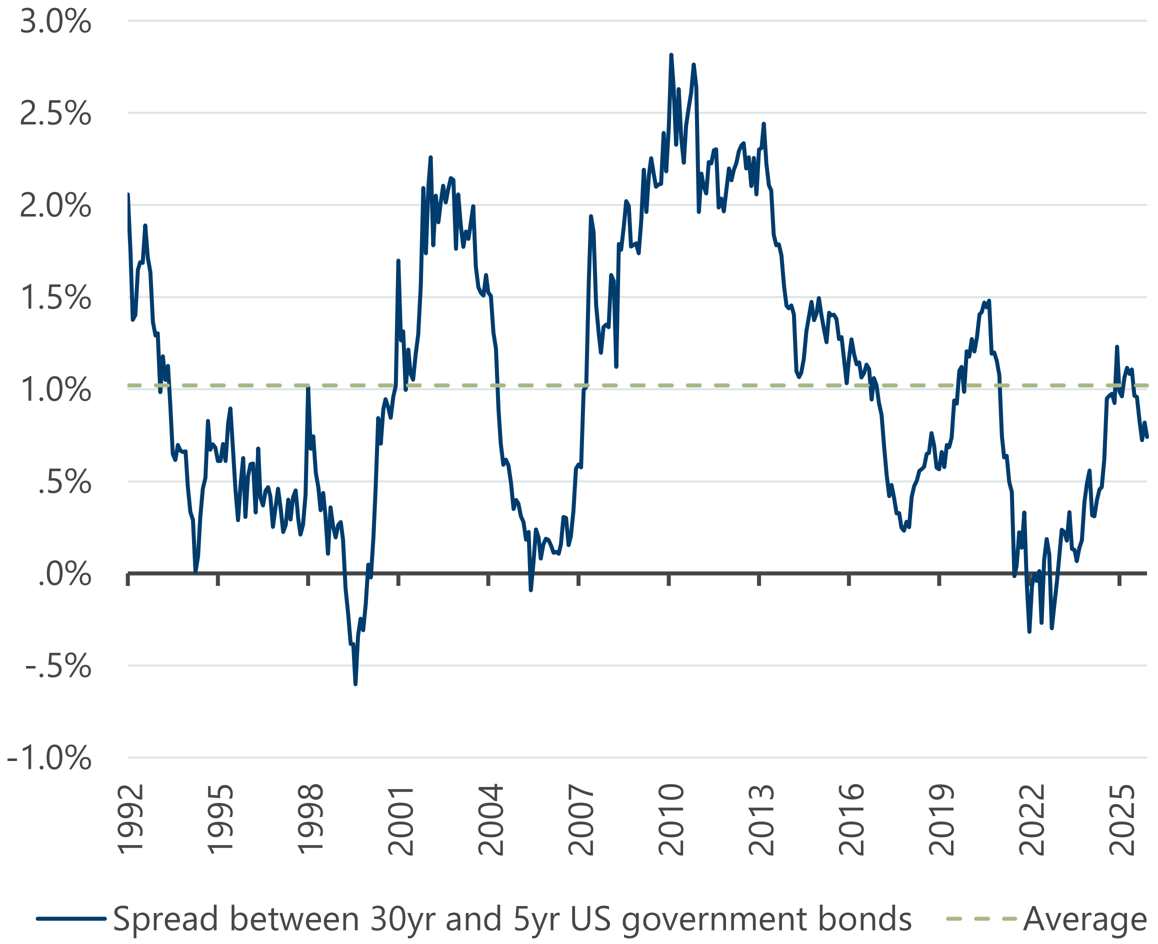
Record deficits in the US, but long bonds still trading at a premium to history?

An unsustainable equilibrium

US non-recessionary deficit the largest since WW2[1]



But the premium for long-dated US treasuries is below averages?[2]



Source: Federal Reserve Bank of St. Louis, Bloomberg, [1]as at 1 January 2025; [2]as at 31 August 2026.

GHY201

Recent actions by Warsh and Bessent

Rearranging the deck chairs on the Titanic

Kevin Warsh

- Views AI as long-term disinflationary, and because of this conveniently ignores the immediate inflationary impacts of:
  - Record deficit spending
  - A tight labour market
  - Oil prices
  - Data centre capex
- Recent comments on the curve are unhelpful:
  - Suggesting longer-term bond yields moving higher reduces the need to hike front end rates…
  - Then causes the US dollar to weaken because relative interest rates are less attractive…
  - Which causes more imported inflation…
  - Which causes long-term bond yields (driven by higher inflation expectations) to sell off further…

Scott Bessent

- Increasingly volatile comments and actions from the Treasury secretary:
  - Buying back US Treasuries with the general account
  - "I am the house now" (talking about opposing sellers of Yen)
  - The Treasury selling Euros to buy Yen – because selling USD would potentially reinforce Japanese desires to sell US treasuries
- These are sticking plasters on the problem of the deficit, inflation stubbornly above target, and high debt to GDP
  - Without substantive underlying change, hard to see these resolving the issue

Source: Artemis.

Summary

A changing world

- AI is a transformative technology – but forecasting where the profit pools will lie is hard
  - Because of this, in my view equities a better place to express pro-AI views
- The issuance to fund it is having a significant impact on bond markets
- This compounds issues many Western countries face of high deficits, high levels of debt to GDP, and stubborn inflation
- Diversification across markets harder to come by than it was
  - AI themes dominant in global equity markets, and increasingly in credit markets
  - Positive correlations between equities and government bonds
- Longer-dated bonds continue to look vulnerable
  - AI issuance is skewed longer-dated
  - Stubborn inflation
  - High deficits
  - Fewer buyers

Appendix

About Artemis

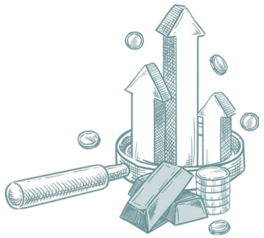
The past performance shown is an amalgamation of Artemis' range of funds which includes both Lux and UK domiciled strategies. Information is shown to illustrate the track record of the company as a whole. The UK domiciled strategies included in these figures are not registered for sale or distribution outside of the UK and this information should not be regarded as promotion of these funds.

FOUNDED

EST. **1997**

A DEDICATED
OWNER MANAGED
ACTIVE
INVESTMENT HOUSE

FUND MANAGERS' INTEREST
ALIGNED
WITH INVESTORS



£45.0bn
UNDER MANAGEMENT

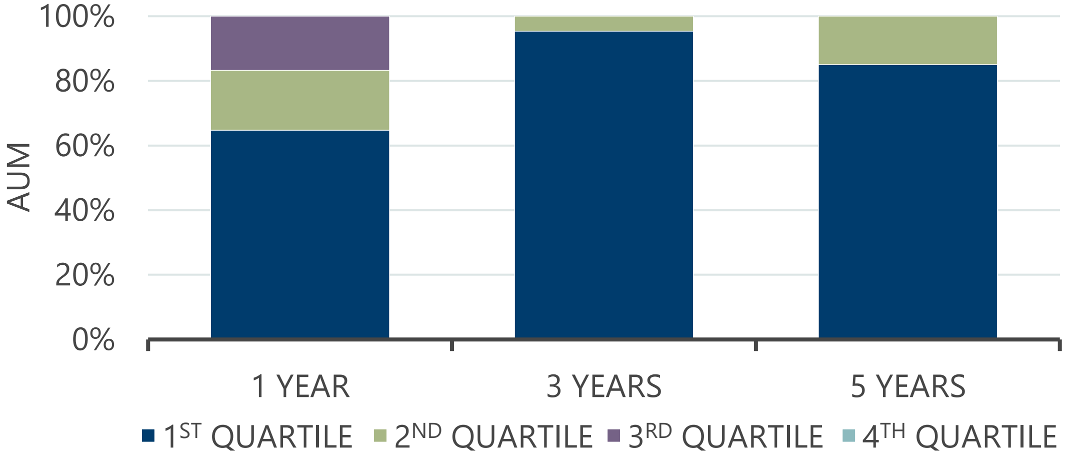
£40.5bn
RETAIL

£4.5bn
INSTITUTIONAL

THE ARTEMIS CHARITABLE FOUNDATION

EST. **2007**

PERFORMANCE OF FUNDS VS **PEER GROUP**[1]



206
STAFF

OF WHICH
36
INVESTMENT PROFESSIONALS

Past performance is not a guide to the future.

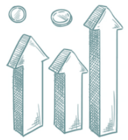
Source: Artemis as at 31 August 2026. [1]Lipper Limited as at 31 August 2026. Chart shows proportion of Artemis funds in each quartile of their respective peer groups. Percentages are based on assets under management. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. Classes may have charges or a hedging approach different from those in the IA sector benchmark. Figures may not add up due to rounding. Third party endorsements are not a recommendation to buy. For sources, dates and other information, visit www.artemisfunds.com/endorsements.

Fixed Income at Artemis

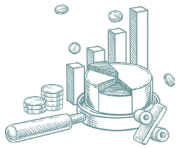
Why Artemis for Fixed Income?

Swift, decisive portfolio management: highly experienced team where opportunities are identified and acted upon quickly

Specialist fund managers: experts in their fields; ideas implemented directly into portfolios



Bottom-up approach: deep knowledge of positions; performance driven by individual trades, not single macro call



High conviction portfolios: look beyond benchmark heavyweights; every position counts

Peer group performance

Fund	Yield (YTW)	Duration (years)	Quartile ranking 1yr	3yr	5yr	SI
Artemis Corporate Bond	5.9%	5.7	1	1	2	1
Artemis Short-Duration Strategic Bond	5.4%	2.7	2	1	1	1
Artemis Strategic Bond	5.7%	4.9	2	1	2	1
Artemis High Income	6.3%	3.4	1	1	1	1
Artemis Funds (Lux) – Short-Dated Global High Yield Bond	6.6%	1.9	1	1	1	1
Artemis Funds (Lux) – Global High Yield Opportunities	7.7%	2.8	1	1	1	1

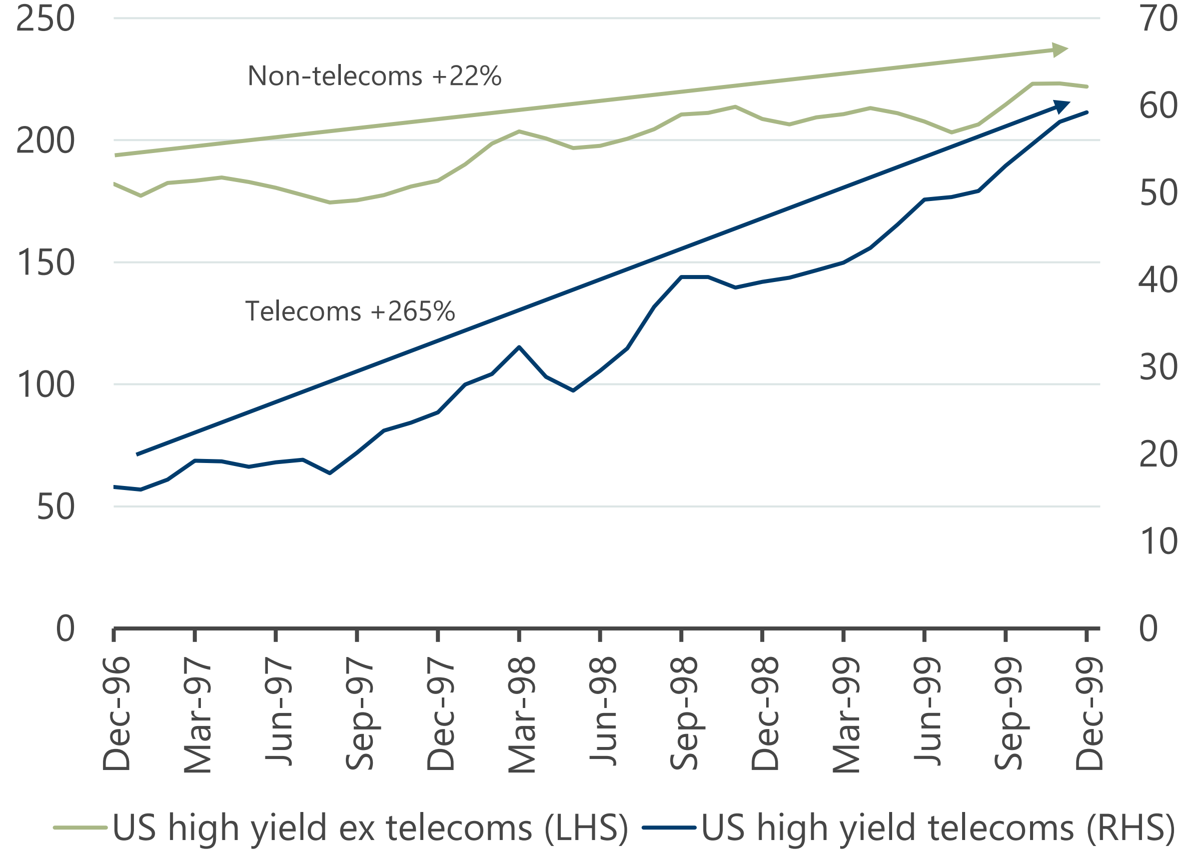
Past performance is not a guide to the future.

Source: Artemis, Lipper Limited, Morningstar as at 31 August 2026, net of all charges. Share classes / peer groups / launch dates as follows: Artemis Corporate Bond: I-Acc-GBP / IA £ Corporate Bond / 30-Nov-19; Artemis Short-Duration Strategic Bond: I-Inc-GBP / IA £ Strategic Bond (short duration peers only) / 3-Dec-19; Artemis Strategic Bond: I-Monthly-Inc-GBP / IA £ Strategic Bond / 7-Mar-08; Artemis High Income: I-Inc-GBP / IA £ Strategic Bond / 7-Mar-08; Artemis Funds (Lux) – Short-Dated Global High Yield Bond: I-Acc-GBP-hdg / peer group is made up of a collection of 22 USD-hedged short-dated high yield bond funds, the purpose of which is to provide an illustrative comparison against high yield bond funds focusing on the same short-dated part of the market / 20-Jun-19; Artemis Funds (Lux) – Global High Yield Opportunities: I Acc GBP hdg / Morningstar EAA Fund Global High Yield Bond / 13-Nov-19. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. Share classes may have charges or a hedging approach different from those in the IA sector benchmark. The synthetic risk indicator (SRI) for Artemis Funds (Lux) – Short-Dated Global High Yield Bond and Artemis Funds (Lux) – Global High Yield Opportunities is 3. On 28 April 2026 the name of the Artemis Funds (Lux) – Global High Yield Bond changed to Artemis Funds (Lux) – Global High Yield Opportunities.

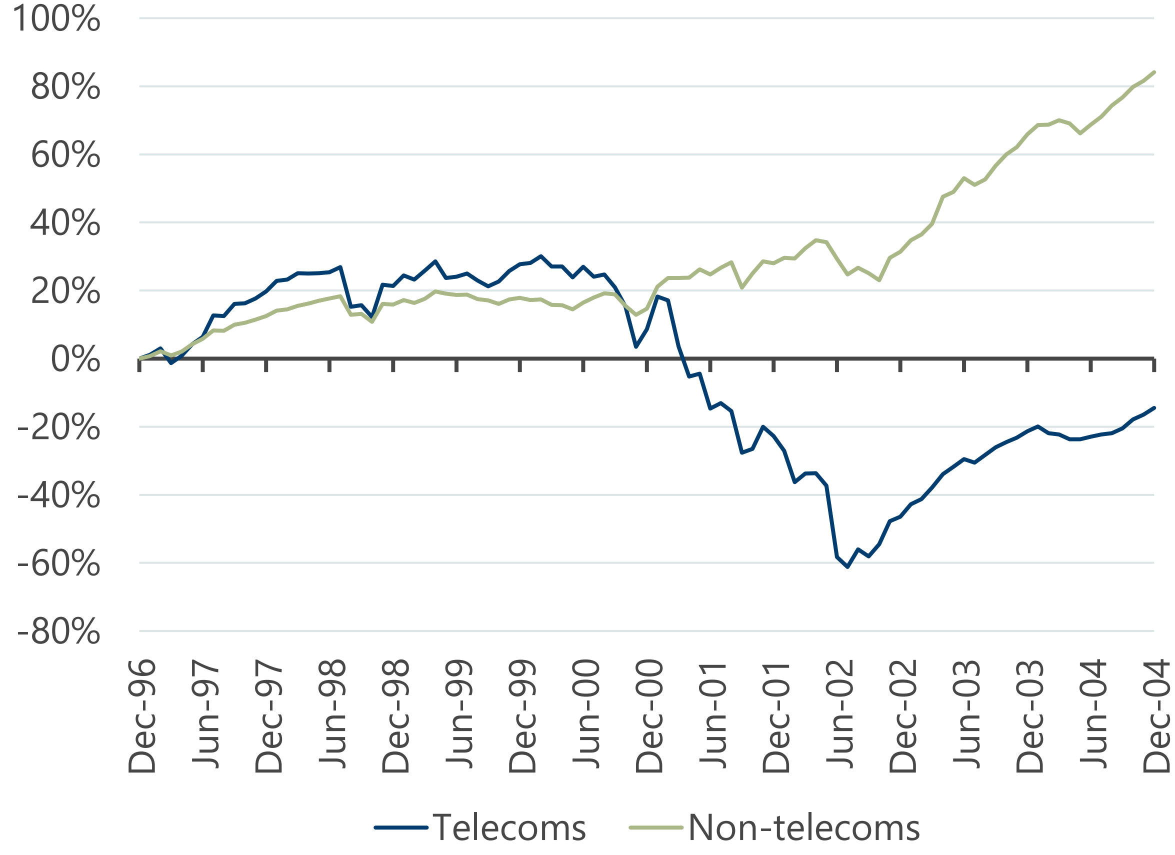
We do already have a playbook – telecoms in late 1990s

“The internet would create an insatiable demand for data, leaving telecommunications carriers gasping for wider pipes to handle the information glut” – Washington Post, 6 September 1998

Growth of telecom and non-telecom debt within high yield market (USD bn)



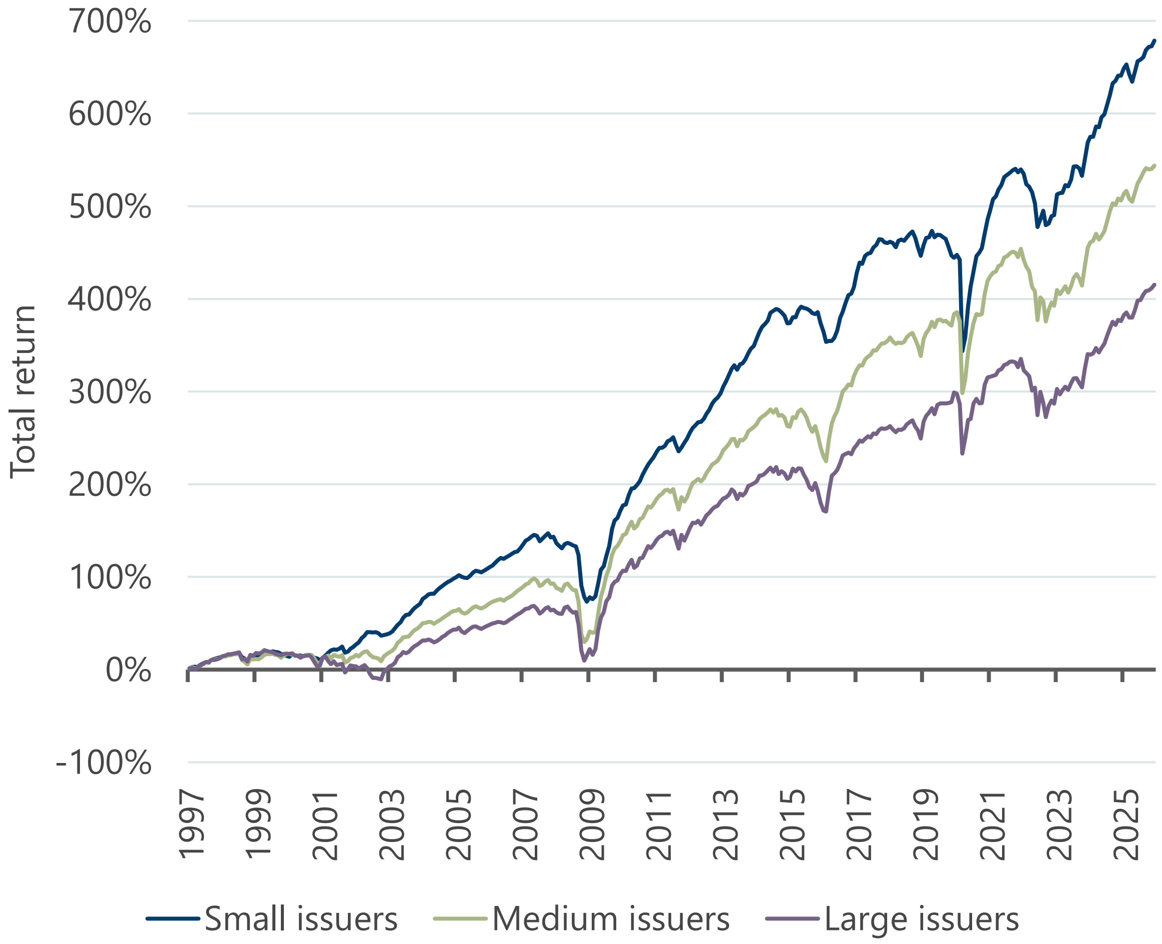
Total return of telecom and non-telecom debt within high yield market

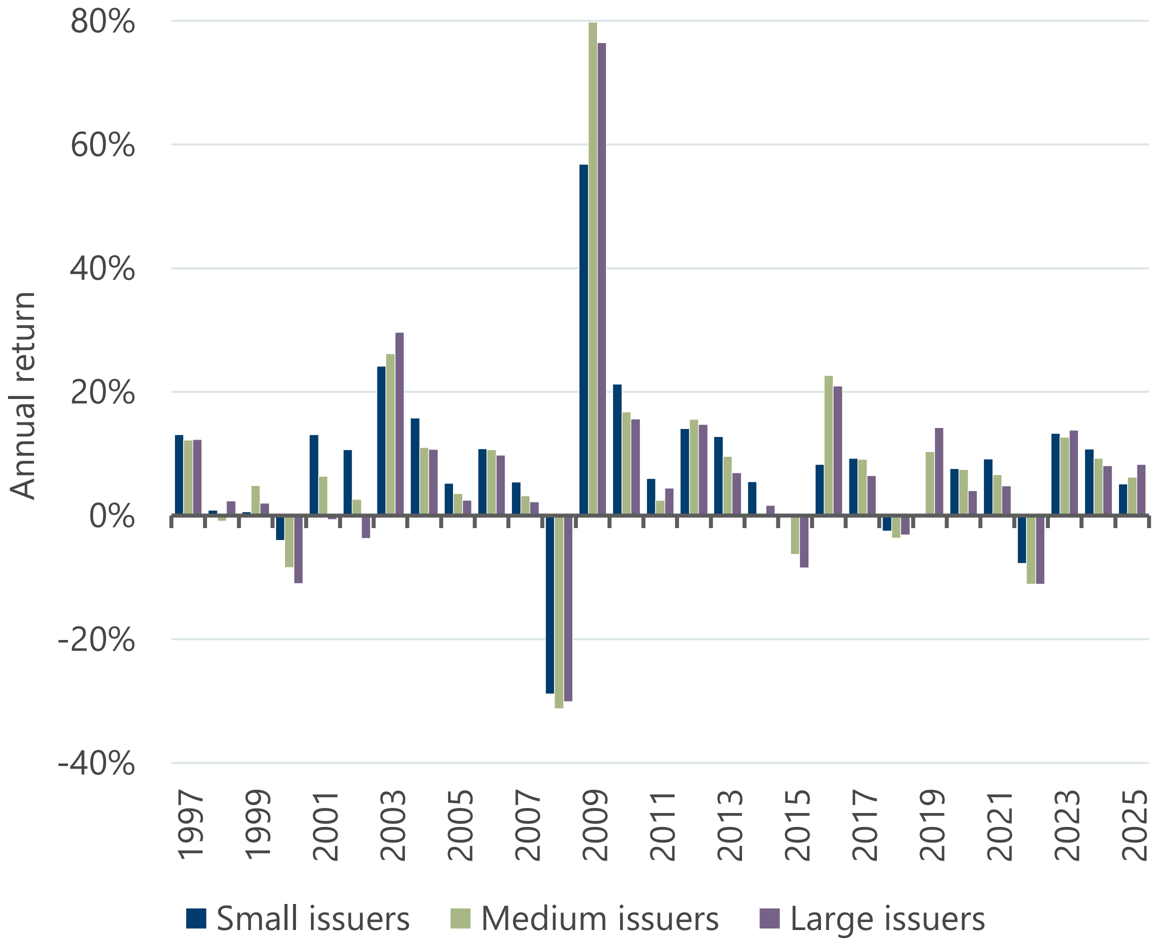


Source: ICE BofA indices as at 3 September 2026.

GHY195

Plenty of opportunities away from the "usual suspects"

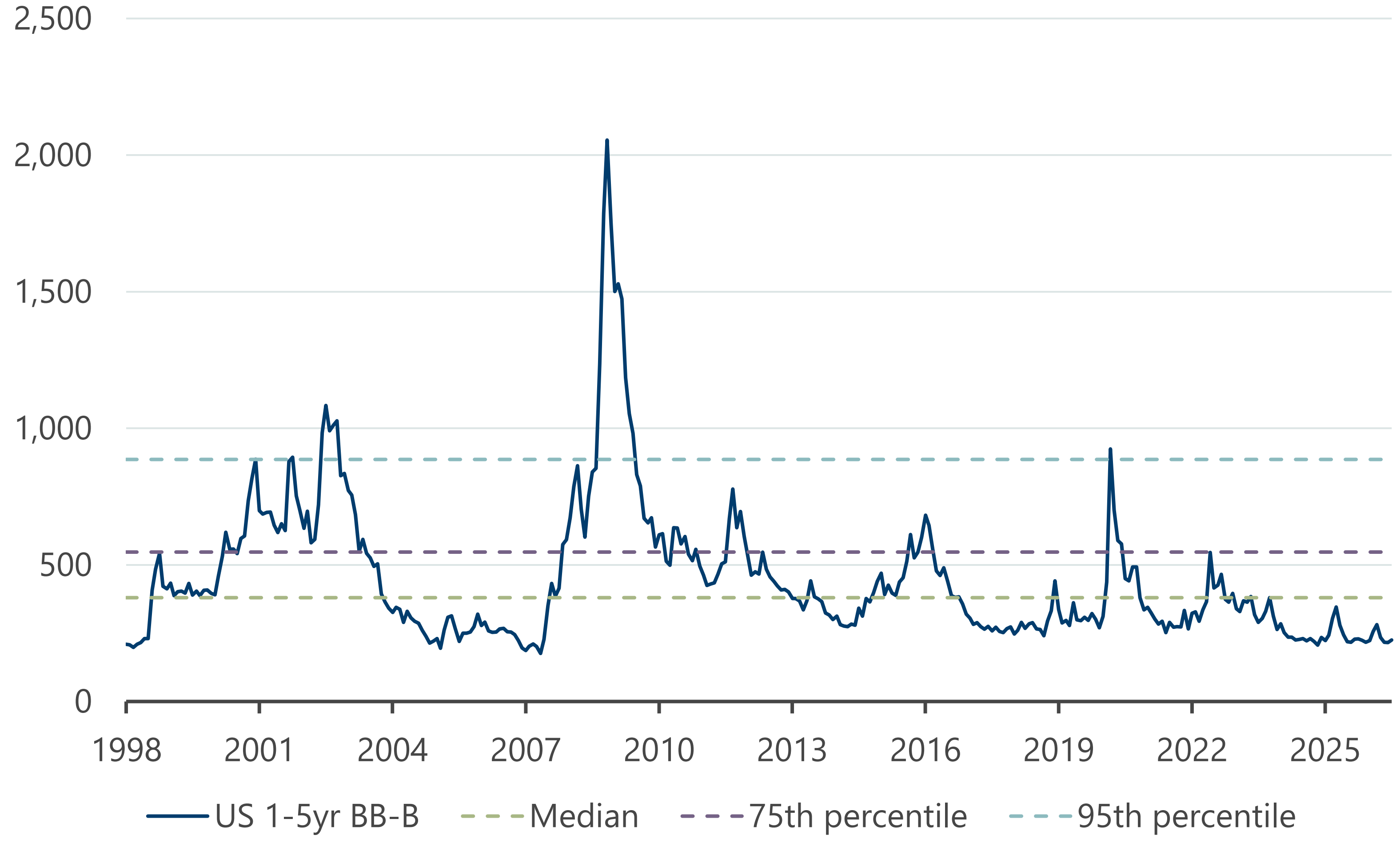




Source: ICE BofA US High Yield Index as at 31 December 2025.
Note: small = bottom quartile of total face value issuer sizes; medium = 2nd and 3rd quartile of total face value issuer sizes; large = top quartile of total face value issuer sizes.

Credit spreads are tight…

1-5 year US BB-B credit spreads



- In high yield investors often focus on the really wide levels occasionally seen in the market
- But the reality is that we spend almost no time at these very wide levels (spreads recover very quickly)
- Useful to look at percentiles – gives a more realistic view of long-term credit spreads
- **95th percentile: 886bps**
  Spreads have been above this level only 5% of the time (18 months out of the last 343)
- **75th percentile: 547bps**
  Spreads have been above this level 25% of the time (86 months out of the last 343)
- **Median: 380bps**
  Spreads have been above this level 50% of the time

Source: Bloomberg as at 31 July 2026.

GHY161

Short-dated high yield

High income and low duration insulates in spread widening scenarios

	Spreads unchanged	Spreads to median	Spreads to 75th percentile	Spreads to 95th percentile
Starting spread	225bps	225bps	225bps	225bps
Duration in 1 year	1.5	1.5	1.5	1.5
Spread in 1 year	225bps	380bps	547bps	886bps
Gain/(loss) from spread move	0.0%	-2.3%	-4.8%	-9.9%
Income (starting yield to worst)	6.9%	6.9%	6.9%	6.9%
Gain from early calls	0.8%	0.8%	0.8%	0.8%
Total return	7.7%	5.3%	2.8%	-2.2%

When spreads have been at the 95th percentile or above, global equities have historically delivered a -30% loss in the 12m run-up to that point

Source: ICE BofA Indices, Bloomberg, Artemis as at 31 July 2026.

GHY162

Performance – 12 months to calendar year end (%)

Artemis Funds (Lux) – Global High Yield Opportunities[1]

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Artemis Funds (Lux) – Global High Yield Opportunities	8.2	11.6	10.8	-11.5	7.6	6.4	-	-	-	-
ICE BofAML Global High Yield Constrained USD Hedged Index	8.5	9.2	13.0	-11.4	3.0	6.5	-	-	-	-

Artemis Funds (Lux) – Short-Dated Global High Yield Bond[2]

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Artemis Funds (Lux) – Short-Dated Global High Yield Bond	7.8	10.8	12.0	-3.9	4.9	1.5	-	-	-	-
Secured Overnight Financing Rate (SOFR)	4.3	5.3	5.1	1.7	0.0	0.4	-	-	-	-

Past performance is not a guide to the future.

Source: Lipper Limited, class I accumulation shares in USD from the fund launch date to 31 December 2025. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. [1]Fund launched 13 November 2019. On 28 April 2026 the name of the fund changed from Artemis Funds (Lux) – Global High Yield Bond to Artemis Funds (Lux) – Global High Yield Opportunities. [2]Fund launched 20 June 2019.

GHY152_SDGHY56

Important information and risks

Artemis Funds (Lux) – Global High Yield Opportunities

CAPITAL AT RISK. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.

Fund objective: The fund aims to increase the value of shareholders' investments through a combination of income and capital growth.

Investment type: 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.

Benchmark information: ICE BofA Merrill Lynch Global High Yield Constrained USD Hedged Index. The benchmark is a point of reference against which the performance of the Fund may be measured. Management of the Fund is not restricted by this benchmark. The deviation from the benchmark may be significant and the portfolio of the Fund may at times bear little or no resemblance to its benchmark. The benchmark does not take into account environmental and/or social characteristics promoted by the Fund.

Key fund risks:

Market volatility risk	The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
Bond liquidity risk	The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
Credit risk & higher-yielding bonds risk	Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund. The fund may invest in higher-yielding bonds, which may increase the risk to capital. Investing in these types of assets can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.
ESG risk	The fund may select, sell or exclude investments based on ESG criteria; this may lead to the fund underperforming the broader market or other funds that do not apply ESG criteria. If sold based on ESG criteria rather than solely on financial considerations, the price obtained might be lower than that which could have been obtained had the sale not been required.
Derivatives risk	The fund may invest in derivatives with the aim of profiting from falling ('shorting') as well as rising prices. Should the asset's value vary in an unexpected way, the fund value could reduce.
Leverage risk	The fund may operate with a significant amount of leverage. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested. A leveraged portfolio may result in large fluctuations in its value and therefore entails a high degree of risk including the risk that losses may be substantial.
Other risks	The fund may also be exposed to other risks such as Charges from capital risk, Emerging markets risk, Currency hedging risk, Counterparty risk and Income risk. Further information on these risks can be found in the fund's KIID and prospectus.

Before making any final investment decisions, and to further understand the investment risks involved, refer to the fund prospectus, available in English, and KIID/KID, available in English and in your local language depending on local country registration, from www.artemisfunds.com or www.fundinfo.com.

Note: On 28 April 2026 the name of the fund changed from Artemis Funds (Lux) – Global High Yield Bond to Artemis Funds (Lux) – Global High Yield Opportunities.

GHY145

Important information and risks

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

CAPITAL AT RISK. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.

Fund objective: The fund aims to generate a return greater than the benchmark, after the deduction of costs and charges, over rolling three-year periods, through a combination of income and capital growth.

Investment type: 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 have a residual maturity of less than five and a half years and 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.

Benchmark information: Secured Overnight Financing Rate (SOFR). The benchmark is a point of reference against which the performance of the Fund may be measured. Management of the Fund is not restricted by this benchmark. The deviation from the benchmark may be significant and the portfolio of the Fund may at times bear little or no resemblance to its benchmark and therefore characteristics such as volatility will vary between the fund and the benchmark. The benchmark does not take into account environmental and/or social characteristics promoted by the Fund.

Key fund risks:

Market volatility risk	The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
Bond liquidity risk	The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
Credit risk & higher-yielding bonds risk	Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund. The fund may invest in higher-yielding bonds, which may increase the risk to capital. Investing in these types of assets can produce a higher yield but also brings an increased risk of default, which would affect the capital value of the fund.
ESG risk	The fund may select, sell or exclude investments based on ESG criteria; this may lead to the fund underperforming the broader market or other funds that do not apply ESG criteria. If sold based on ESG criteria rather than solely on financial considerations, the price obtained might be lower than that which could have been obtained had the sale not been required.
Other risks	The fund may also be exposed to other risks such as Derivatives risk, Charges from capital risk, Emerging markets risk, Currency hedging risk and Income risk. Further information on these risks can be found in the fund's KIID and prospectus.

Before making any final investment decisions, and to further understand the investment risks involved, refer to the fund prospectus, available in English, and KIID/KID, available in English and in your local language depending on local country registration, from www.artemisfunds.com or www.fundinfo.com.

Important information

FOR PROFESSIONAL INVESTORS AND/OR QUALIFIED INVESTORS AND/OR FINANCIAL INTERMEDIARIES ONLY. NOT FOR USE WITH OR BY PRIVATE INVESTORS. This is a marketing communication. Before making any final investment decisions, and to understand the investment risks involved, refer to the fund prospectus, available in English, and KIID/KID, available in English and in your local language depending on local country registration, from www.artemisfunds.com or www.fundinfo.com. CAPITAL AT RISK. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.

Investment in a fund concerns the acquisition of units/shares in the fund and not in the underlying assets of the fund.

Reference to specific shares or companies should not be taken as advice or a recommendation to invest in them.

For information on sustainability-related aspects of a fund, visit www.artemisfunds.com.

Artemis Funds (Lux) – Global High Yield Opportunities and Artemis Funds (Lux) – Short-Dated Global High Yield Bond are sub-funds of Artemis Funds (Lux). For further information, visit www.artemisfunds.com/sicav.

The Artemis Short-Duration Strategic Bond Fund and Artemis Corporate Bond Fund are sub-funds of Artemis Investment Funds ICVC. For further information, visit www.artemisfunds.com/oeic.

The Artemis High Income Fund and Artemis Strategic Bond Fund are authorised unit trust schemes. For further information, visit www.artemisfunds.com/unittrusts.

Third parties (including FTSE and MSCI) whose data may be included in this document do not accept any liability for errors or omissions. For information, visit www.artemisfunds.com/third-party-data.

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 Artemis Fund Managers Ltd and Artemis Investment Management LLP which are authorised and regulated by the Financial Conduct Authority.

Artemis Funds (Lux) – Global High Yield Opportunities and Artemis Funds (Lux) – Short-Dated Global High Yield Bond promote environmental and social characteristics, as defined by Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR).

On 28 April 2026 the name of Artemis Funds (Lux) – Global High Yield Bond changed to Artemis Funds (Lux) – Global High Yield Opportunities.

ARTEMIS

The PROFIT Hunter